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HEARING BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE AND FISHERIES OF THE COMMITTEE ON COMMERCE UNITED STATES SENATE NINETIETH CONGRESS

FIRST SESSION

ON

S. 2211

AN ACT TO AMEND SECTION 509 OF THE MERCHANT MARINE ACT, 1936, AS AMENDED (46 U.S.C. 1159) TO PROVIDE FOR CONSTRUCTION AID FOR CERTAIN VESSELS OPERATING ON THE INLAND RIVERS AND WATERWAYS

S. 2247

A BILL TO AMEND THE MERCHANT MARINE ACT, 1936, TO INCREASE THE FEDERAL SHIP MORTGAGE INSURANCE AVAILABLE IN THE CASE OF CERTAIN OCEAGOING TUGS AND BARGES

OCTOBER 20, 1967

(H)

Serial No. 90-43

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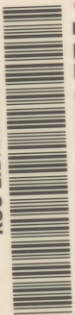


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FEDERAL SHIP MORTGAGE INSURANCE

FRIDAY, OCTOBER 20, 1967

U.S. SENATE,
SUBCOMMITTEE ON MERCHANT
MARINE AND FISHERIES,
COMMITTEE ON COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 5110, New Senate Office Building, Hon. E. L. Bartlett (chairman of the subcommittee) presiding.

OPENING STATEMENT BY THE CHAIRMAN

Senator BARTLETT. The committee will be in order.

This morning the Subcommittee on Merchant Marine and Fisheries will hear testimony on two bills, S. 2211 and S. 2247, each of which seeks to enhance Federal assistance for the construction of certain types of vessels.

S. 2211 relates to vessels operating solely on the inland rivers and waterways and of not less than 1,000 gross tons with a speed capability of not less than 8 knots. By the proposed amendment to 46 U.S.C. 1159, which is section 509 of the 1936 act, such vessels could qualify for title XI mortgage insurance of 87½ percent of actual cost rather than only 75 percent as is the present limitation for any vessel under that speed capability and under 3,500 gross tons.

I understand that the river passenger boat *Delta Queen* must be retired from service by November 1, 1968, in order to comply with the passenger vessel safety bill which we passed last year and that S. 2211 would facilitate construction of a new vessel.

S. 2247 seeks a similar result for oceangoing tugs and barges through a proposed amendment to 46 U.S.C. 1274, which is section 1104 of the 1936 act, which would allow tugs of more than 2,500 horsepower and barges of more than 2,500 gross tons to receive title XI guarantees up to 87½ percent of actual cost.

As the bills read it is obvious that two different technical paths are being pursued to obtain essentially the same legal result. Perhaps both bills should seek to qualify the vessel types involved for 87½ percent mortgage guarantee by amendment to the same section of the code.

The committee has received a communication from the Mississippi Valley Association in support of S. 2211 and it will be placed in the record at the appropriate point.

Staff member assigned to this hearing: Stanley H. Barer.

(S. 2211 and S. 2247 with agency comments follow:)

[S. 2211, 90th Cong., first sess.]

AN ACT To amend section 509 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1159) to provide for construction aid for certain vessels operating on the inland rivers and waterways

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 509 of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1159) be amended by inserting after the words, "fourteen knots," the following: "except in the case of a passenger vessel operating solely on the inland rivers and waterways in which case the vessel is designed to be of not less than one thousand gross tons and to be capable of sustained speed of not less than eight knots,".

Passed the Senate November 7, 1967.

Attest:

FRANCIS R. VALEO,
Secretary.

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., October 19, 1967.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 2211, "To amend title 46, section 1159, to provide for construction aid for certain vessels operating on the inland rivers and waterways."

Section 509 of the Merchant Marine Act, 1936 (46 U.S.C. 1159), authorizes the Secretary of Commerce, upon application of any citizen of the United States, to construct vessels for use in foreign or domestic commerce. The applicant is required to pay the Secretary not less than 25 percent of the cost of the vessel (12½ percent for vessels meeting certain size and speed requirements) and the balance is paid over twenty-five years with interest at 3½ percent.

The Secretary is authorized under title XI of the Act to insure mortgages on vessels that meet the requirements of section 509 in the amount of 87½ percent of actual cost with a down payment of 12½ percent. For vessels that do not meet those requirements, insurance of only 75 percent of cost is authorized. The proposed legislation would amend section 1159 of title 46 to make certain vessels operating on inland rivers and waterways eligible for the lower down payment. However, since title 46 of the United States Code has not yet been enacted into positive law, the bill apparently is intended to amend the original statute, section 509 of the Merchant Marine Act, 1936.

The Department has no independent knowledge of the need for the assistance which would be provided by the bill to operators of vessels on inland rivers and waterways, nor of the need to stimulate the construction of such vessels.

The Department of Commerce has stated that no vessels are being or will be constructed under section 509. Thus the effect of the bill would be simply to make vessels operating on inland rivers and waterways eligible for insurance on mortgages up to 87½ percent of actual cost. In these circumstances, a more straightforward approach would be to amend the provisions of the mortgage insurance program to incorporate any necessary eligibility requirements.

If the proposed amendment of section 509 receives favorable consideration, however, the Department recommends that the opportunity be taken to bring the interest rate provisions of section 509 into conformity with the Administration's policy on interest rates in Federal credit programs. The President's Committee on Federal Credit Programs found that fixed interest rates, such as the 3½ percent rate contained in section 509, produce perverse and unintended variations in interest rate subsidies as market rates vary, which result in inequities among borrowers using the program at different times and extraordinary demands for Federal loan funds at times of greatest inflationary pressures and overall budget tightness. Thus the Committee recommended that Federal lending agencies be permitted to vary the interest rate charged new borrowers from time to time at least as much as market rates and current Treasury borrowing costs vary. The Committee's report was endorsed by President Kennedy and reaffirmed as Administration policy by President Johnson in the issuance of Bureau of the Budget Circular No. A-70 on February 1, 1965.

Attachment B to Budget Circular No. A-70 contains standard language for interest rate formulas for use in Federal credit programs. In the absence of any justification for an interest rate subsidy such as would be provided by the 3½

percent rate, the Treasury recommends that section 509 be amended to provide the following standard formula interest rate language for self-supporting programs: "Such loans shall bear interest at a rate not less than (i) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the U.S. with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of one per centum, plus (ii) an allowance adequate in the judgment of the administering agency to cover administrative costs and probable losses under the program."

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

FRED B. SMITH,
General Counsel.

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C., October 19, 1967.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Department would like to submit the following comments on S. 2211, a bill "To amend Title 46, Section 1159, to provide for construction aid for certain vessels operating on the inland rivers and waterways."

The bill would further amend Section 509 of the Merchant Marine Act, 1936, so as to make certain vessels operating solely on the inland rivers and waterways eligible for the reduced down payment provisions of the Section with respect to the acquisition of new vessels. Section 509 is incorporated by reference into Section 1104 of the Merchant Marine Act, 1936, and the principal effect of the amendment would be to make title XI mortgage insurance available in the amount of 87½ percent of the actual cost of the vessel.

The Department has not been made aware of the need for general legislation to promote the construction of vessels operating solely on the inland rivers and waterways. The Department's overriding objective is to assure that, where feasible, Federal programs provide no undue economic advantage to particular transportation modes. Further analysis is required to evaluate the possibility of such an effect and, in addition, of the requirement for the more liberal promotional program contemplated by the bill. Therefore, the Department would not favor enactment of S. 2211.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report for the consideration of the Committee.

Sincerely yours,

JOHN L. SWEENEY,
Assistant Secretary for Public Affairs.

[S. 2247, 90th Cong., first sess.]

A BILL To amend the Merchant Marine Act, 1936, to increase the Federal ship mortgage insurance available in the case of certain oceangoing tugs and barges

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, [That paragraph (2) of subsection (a) of section 1104 of the Merchant Marine Act, 1936 (46 U.S.C. 1274), is amended by striking the semicolon at the end thereof and inserting in lieu thereof a colon and the following: "And provided further, That in the case of any tug of more than two thousand five hundred horsepower, and of any barge of more than two thousand five hundred gross tons, the obligation may be in an amount which does not exceed 87½ per centum of such actual cost;".]

That the fourth sentence of section 509 of the Merchant Marine Act, 1936 (46 U.S.C. 1159) is amended by inserting immediately before the words "the applicant" the following: "or in the case of a tug of more than twenty-five hundred horsepower, and of any barge of more than twenty-five hundred gross tons".

OFFICE OF THE SECRETARY OF TRANSPORTATION,
Washington, D.C., October 19, 1967.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Department has the following comments with respect to S. 2247, a bill "To increase the Federal ship mortgage insurance available in the case of certain oceangoing tugs and barges."

The bill would increase the insurable mortgage obligation under Title XI of the Merchant Marine Act, 1936, to 87½ percent of the actual cost, for tugs of more than 2,500 horsepower and barges of more than 2,500 gross tons. Under present law the maximum insurable mortgage obligation for these vessels is 75 percent.

The economics of ocean freight movements are in the process of radical alteration as a result of technological innovations which are changing the capabilities of oceangoing bulk carriers. The Department therefore believes that any difficulty which operators of oceangoing tugs and barges may encounter in obtaining financing would not be attributable to the present 75 percent ceiling on the maximum insurable mortgage obligation. More significant would be the financial community's recognition of the uncertain future role of the oceangoing tug and barge in the movement of bulk ocean freight. In these circumstances the Department of Transportation believes that any rational modification of present maritime promotional programs cannot be undertaken in a piecemeal manner but rather should be evaluated and considered in the broader context of comprehensive Federal maritime policy reforms. Therefore, the Department would not favor enactment of S. 2247.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report for the consideration of the Committee.

Sincerely yours,

JOHN L. SWEENEY,
Assistant Secretary for Public Affairs.

Senator BARTLETT. The first witness this morning, to testify on both bills, Mr. Carl C. Davis, General Counsel of the Maritime Administration.

STATEMENT OF CARL C. DAVIS, GENERAL COUNSEL, MARITIME ADMINISTRATION, ACCOMPANIED BY JOHN R. TANKARD, ASSISTANT GENERAL COUNSEL, DIVISION OF MORTGAGE AND MARINE INSURANCE, OFFICE OF GENERAL COUNSEL, AND MARION PARR, DEPUTY CHIEF, OFFICE OF MARITIME PROMOTION

Mr. DAVIS. Mr. Chairman, I would like to be accompanied by Mr. John R. Tankard, Assistant General Counsel, in charge of the Division of Mortgage and Marine Insurance, and Mr. Marion Parr, who is the Deputy Chief, Office of Maritime Promotion.

Senator BARTLETT. That will be perfectly fine.

Mr. DAVIS. Does the Chair have any preference as to which bill I start on?

Senator BARTLETT. Oh, no; either one you care to.

Mr. DAVIS. All right, I will start on S. 2211.

I appreciate the opportunity to present the views of the Maritime Administration and the Department of Commerce with respect to S. S. 2211.

The bill would in substance amend section 509 of the Merchant Marine Act, 1936, so as to reduce, from 25 percent to 12½ percent, the required down payment on vessels which are of not less than 1,000 gross tons and are capable of a speed of not less than 8 knots, and which

are to be operated solely on the inland rivers and waterways, but which are not to engage exclusively in the transportation of property on the inland rivers and canals.

Section 509 of the Merchant Marine Act, 1936 (46 U.S.C. 1159) now provides that any citizen of the United States may apply to the Secretary of Commerce to have the Secretary construct a vessel for him—without construction subsidy—for use in foreign or domestic commerce, except a vessel to be used exclusively for the transportation of property on the inland rivers and canals. If the vessel is to be of not less than 3,500 gross tons and is to be capable of a sustained speed of 14 knots, the required down payment is 12½ percent of the construction cost and in the case of any other vessel the required down payment is 25 percent of the construction cost. The balance of the purchase price is secured by a mortgage which is payable over a 25-year period with interest on the unpaid balance at the rate of 3½ percent per year.

Title XI of the Merchant Marine Act, 1936, provides that to qualify a vessel for mortgage insurance, the down payment required is 25 percent of the actual cost except that if the vessel would have been eligible for mortgage aid under section 509 with a down payment of 12½ percent, the required down payment is 12½ percent.

No vessels have been built under section 509 for many years. In order to reduce appropriations, private financing has been required with mortgage insurance under title XI of the act. We understand that the purpose of the bill is not to have any vessel built under section 509, but rather, through the incorporation by reference of its provisions in Title XI to reduce to 12½ percent the required down-payment for mortgage insurance purposes on vessels of the minimum speed and size stated in the bill which are to be operated solely on inland rivers and waterways but which are not to be engaged exclusively in the transportation of property on the inland rivers and canals.

Before he can grant title XI mortgage insurance, the Secretary must find that the project is economically feasible. The size and speed of the vessel and its intended use are factors that are considered in making this determination. It is possible that for some uses on inland rivers, vessels of the minimum size and speed specified in the bill would be economically feasible whereas those of greater size and speed would not be.

We are not aware that any general need exists for an increase in the mortgage insurance available for inland waterway operators. Further, the bill could distort the current competitive relationship between waterway operators, trucks, and railroads. With respect to the effects of the bill on these other modes, we defer to the Department of Transportation.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this statement to the Congress from the standpoint of the administration's program.

Senator BARTLETT. Why don't you go ahead with your next statement, and then we may have a question or two.

Mr. DAVIS. All right.

I also appreciate, Mr. Chairman, the opportunity to present the views of the Maritime Administration and the Department of Commerce with respect to S. 2247.

The bill would amend section 1104(a)(2) of the Merchant Marine Act, 1936, so as to increase from 75 to 87½ percent of the applicable vessel actual cost, the maximum mortgage that could be insured under title XI for the construction of any tug of more than 2,500 gross tons.

Under section 1104(a)(2), the Secretary is authorized to insure mortgages on newly constructed vessels in the amount of 87½ percent of the actual cost of the vessels only if they meet the requirements for a 12½-percent downpayment under section 509.

Section 509 authorizes the Secretary of Commerce, upon application, to construct vessels for an applicant for use in the foreign or domestic commerce of the United States, except vessels to be engaged solely in the transportation of property on inland rivers and canals. Construction-differential subsidy is not authorized under this section. The section provides that if the vessel is of at least 3,500 gross tons and is capable of a sustained speed of 14 knots, the downpayment shall be 12½ percent of the construction cost. If the vessel does not meet these requirements, however, the required downpayment is 25 percent of the construction cost.

Ongoing consideration of the possibility of Government aid to modern bulk carriers could seriously reduce what might appear to be the economic advantage of tugs and barges entering the ocean-going trades. For this reason we are unable to recommend enactment at this time.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this statement to the Congress from the standpoint of the administration's program.

Senator BARTLETT. Mr. Davis, will you be kind enough to elaborate on the two different approaches in these bills to accomplish essentially the same result for qualifying for 87½-percent mortgage guarantee, and indicate from a legal viewpoint which is the more effective?

Mr. DAVIS. Yes, I would be happy to, Mr. Chairman. From a legal point of view I think the proper way to draft the bill is to amend section 509 of the Merchant Marine Act, which now provides, as I stated in my testimony, that any citizen of the United States may apply to the Secretary to have the Secretary construct a vessel without constructional subsidy, for use in domestic commerce, except a vessel to be used exclusively in the transportation of property on inland rivers and canals, and if the vessel is capable of sustained speed of 14 knots, the required downpayment is 12½ percent of the construction costs, and you know the mortgage covers the balance of the construction price.

Now, 509, Mr. Chairman, is, by reference, a part of title II, and to make the necessary determinations the Secretary has to go back to 509. You accomplish the same purpose which you seek to accomplish, but you do not give the Secretary the flexibility unless your amendment is resolved in 509 or not.

Senator BARTLETT. Is it true that the agency you represent is opposed to enactment of these bills?

Mr. DAVIS. It is true that the administration's position is opposed to the enactment of these bills.

Senator BARTLETT. When you said "administration" are you referring to the broad, general outline of executive branches of the Government, or do you refer to the Maritime Administration?

Mr. DAVIS. No, I refer to the broad, general outline of the executive branch of the Government where positions must be cleared—

Senator BARTLETT. Has the Department of State entered any vigorous objections to these bills?

Mr. DAVIS. I have not heard any objections at all from the Department of State, for or against.

Senator BARTLETT. NASA?

Mr. DAVIS. No; nothing from NASA.

Senator BARTLETT. AEC?

Mr. DAVIS. Nothing from AEC.

Senator BARTLETT. Treasury?

Mr. DAVIS. No word from Treasury.

Senator BARTLETT. Transportation?

Mr. DAVIS. Transportation has sent a report to the committee which is somewhat along the lines of the position which I have testified.

Senator BARTLETT. Budget?

Mr. DAVIS. Budget is opposed to the enactment of these bills.

Senator BARTLETT. We might call Mr. Schultze up if it weren't for the fact that he is busy testifying before the Senate Committee on Appropriations at this moment.

Did the Maritime Administration ever favor bills of this character?

Mr. DAVIS. Mr. Chairman, with respect to the—what I will characterize as the tug and barge bill, the Maritime Administration has a legislative proposal of almost identical character which cleared the Maritime Administration, cleared the Department of Commerce, went to the Bureau of the Budget. However, it was never sent to Commerce.

Senator BARTLETT. It was favorable in nature?

Mr. DAVIS. Yes; it was favorable in nature.

Senator BARTLETT. Do you have any notion why the Bureau of the Budget would be in opposition? Has this program cost the Government money, generally speaking?

Mr. DAVIS. This program does not cost the Government any direct moneys; no. Of course, on a default or a breach, why it would; but that is the same chance you take with respect to any title 11 loan. No, this does not cost the Government any direct appropriations.

Senator BARTLETT. Do you know how much the Government's obligation is, at the moment, in respect to the guaranteed mortgages?

Mr. DAVIS. Well, we have got a build authorization and our current commitments are in excess of \$500 million.

Senator BARTLETT. Over the lifetime of this guaranteed mortgage authority, what has been the experience of the Government? Has it lost money?

Mr. DAVIS. No, it has not. We are now in a position where we have about a \$12 million earned surplus.

Senator BARTLETT. I should think, without knowing the reasons that dictated the Budget Bureau's attitude, that they would be strongly for a program that gave a possibility of returning money to the Treasury, rather than subtracting from it. At the moment, Mr. Schultze is in agony because they are taking away. If you have had a good experience in respect to money poured into the Treasury from the mortgage guarantee program in the past, it would be implied that the same might be true in the future, and although it wouldn't compensate for this year's deficit, it would make a tiny contribution toward doing so, but I know you can't speak for the Bureau of the Budget. That is my personal comment.

Now, the Treasury Department, in commenting on S. 2247, said that the Department has no independent knowledge of any need for the proposed legislation, and no comment to make with regard to the general merits of the bill, which we must infer means a hands-off policy as far as the Treasury Department is concerned, but the interesting part of this letter directed to Chairman Magnuson by Fred D. Smith, General Counsel of the Treasury, to my way of thinking, is the concluding paragraph, which reads in these words:

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of administration's program to the submission of this report to your Committee.

And, of course, if I read the language correctly, this isn't a clear turn down by Budget. It just casts a dark shadow over the proceeding.

Mr. Davis, on April 12 of this year, the Secretary of Commerce and officials of the Maritime Administration accompanying him, testified in response to an inquiry by Senator Hartke, before this very subcommittee, that legislation such as that proposed here was under consideration in a favorable light and might very well be requested by the Department of Commerce.

Now, I think you have explained that this was the case and all went well until you arrived at a certain building not too far removed from the White House. Do you have any idea of why the Budget Bureau turned this down?

Mr. DAVIS. I do not have any idea as to precisely why they turned it down. I knew, of course, the reasons given to me were that they were not absolutely contrary to the idea. They said there was no demonstrated need for moving from the 25-percent downpayment requirement to the 12½-percent downpayment requirement on the one hand, and then on the other hand they said that there was the ongoing new modern bulk carrier program which could have a very adverse effect on oceangoing tug and barge operations.

Senator BARTLETT. Let me read to you from a letter directed to Chairman Magnuson, dated October 19 of this year, by John L. Sweeney, Assistant Secretary for Public Affairs of the Department of Transportation, referring specifically to S. 2247:

Economics of ocean freight movements are in the process of radical alterations as a result of technological innovations which are changing the capabilities of ocean going bulk carriers. The Department, therefore, believes that any difficulties which operators of ocean going tugs and barges may encounter in obtaining finances would not be attributable to the present 75 percent ceiling on the maximum insurable obligation. More significant would be the financial community's recognition of the uncertain role of the ocean going tug and barge in the movement of bulk ocean freight. In these circumstances, the Department of Transportation believes that any radical modification of present maritime programs cannot be undertaken in a piecemeal manner, but rather should be evaluated and considered in the broader context of comprehensive federal maritime policy reform. Therefore, the Department would not favor enactment of S. 2247.

I want to say that that is the most amazing statement I ever came across in recent months in respect to the maritime policy of the United States. Here, we in Congress have been waiting years, literally, for the administration to submit a maritime program, which it hasn't done, despite repeated promises, and there seems to be some doubt at this time as to whether it will even now, and here is the Assistant Secretary of the Department of Transportation telling us that we shouldn't do things piecemeal.

Well, how else are we to do them, without administration guidance, if I may call it that, or administration policy enunciated to the Congress? I would say that statement made in that paragraph might well do more than anything else could to cause the Senate to act favorably upon the independent Maritime Administration bill which passed the House earlier this week than anything else could.

For the Department of Transportation, of all departments, to inform this committee now that we have to wait for broad, comprehensive programs, and we must not tackle these needs piecemeal, is simply incredible to me, and, of course, we're going to tackle them piecemeal. We have no option. We have no other option at this time; and I discredit every word of that paragraph. It is amazing that the Department would send it to this committee. That is not for you to comment on, but it is for me to talk about.

Mr. Davis, with a particular reference to S. 2211, would not that effectively limit the benefit of the bill to ships on inland waterways that carry passengers as well as cargo?

Mr. DAVIS. I don't believe that you could say that would effectively eliminate them. What we are talking about here is a vessel to carry passengers. That is what this bill is really addressing itself to, Mr. Chairman. This was a point of considerable amount of discussion in the House yesterday, so as a result I have prepared a little one-page paper entitled, "Difference Between the Section 509, and Amending Title II." If the chairman would like, I would be happy to submit it.

Senator BARTLETT. Please read it.

Mr. DAVIS. Difference between amending section 509 and title 11. Section 509 of the Merchant Marine Act, 1936, 47 U.S.C. 1159, now provides that any citizen of the United States may apply to the Secretary of Commerce to have the Secretary construct a vessel for him without construction subsidy for use in the foreign and domestic commerce, except a vessel to be exclusively for the transportation of property on the inland rivers and canals. If the vessel is to be of not less than 2,500 gross tons, and is to be capable of sustained speed of 14 knots, the required downpayment is 12½ percent of the construction costs, and in the case of any other vessel, the required downpayment is 25 percent of the construction cost. The balance of the price is secured by a mortgage which is payable over a 25-year period with interest on the unpaid balance of 3½ percent a year. Title 11 of the Merchant Marine Act of 1936 provides that to qualify a vessel for mortgage insurance the downpayment required is 25 percent of the actual costs. Except that if the vessel would have been eligible for mortgage aid under section 509, with a downpayment of 12½ percent, the required downpayment is 12½ percent. If section 509 is amended as S. 2211 proposes, to permit mortgage aid for vessels of 1,000 gross tons, and 8 knots speed, which are to operate solely on inland rivers and waterways, with a 12½ percent downpayment, the provisions would not apply to vessels to be used solely for the transportation of property on inland rivers and canals, because the section as a whole does not apply to such vessel, and the amendment does not change this. If title 11 is amended, the amendment would apply to such vessels unless the amendment specifically provides that it does not.

Senator BARTLETT. Would you favor an amendment that would insure any change of the law along the lines we are considering that would be effectively limited to inland waters?

Mr. DAVIS. Would I personally do so?

Senator BARTLETT. Yes.

Mr. DAVIS. Yes.

Senator BARTLETT. Of course, this is an iffy question, but I'll direct it to you anyway. Personally, again, do you have any idea at all of how many vessels might be constructed if S. 2211, amended or otherwise, became law?

Mr. DAVIS. Well, I think there were three in this category at the time we passed the vessel safety legislation, but the *Delta Queen* is the only one I am aware of that is seeking to be a replacement vessel.

Senator BARTLETT. Have you ever seen the *Delta Queen*?

Mr. DAVIS. Yes, I have.

Senator BARTLETT. Have you ever been aboard the *Delta Queen*?

Mr. DAVIS. I have not. But I have seen it.

Senator BARTLETT. Over a period of I don't know how many years, I have seen the ads. I have had two great ambitions in life. One is to get on the Trans-Siberian Railroad and ride across Siberia, and that is somewhat dim now by reason of circumstances in Siberia, and the other was to get on the *Delta Queen* and go clear down to New Orleans and back. So I'm a little bit prejudiced here.

Mr. DAVIS. Well, the *Delta Queen* reminds me of the old movies that I love so much. They don't make those movies any more. The old river boats any more. I even like the gambling aspects of them. I hate to see those relics go.

Senator BARTLETT. I agree with you. Now, referring to S. 2247, Mr. Barer has a question to propound to you in respect to the definition of eligibility which might be applicable under the present wording of the bill, and I think we ought to bring this up.

Mr. BARER. Mr. Davis, by use of section 509, in S. 2211, and its possible use with reference to the problems sought to be resolved under S. 2247, 509 would limit the 87½-percent benefit to inland vessels or vessels on inland waterways, which carry passengers as well as property. Is that correct?

Mr. DAVIS. Passengers as well as property, yes.

Mr. BARER. In other words, if S. 2247 were to follow the same legislative route chosen in S. 2211, in other words came in to title 11 in 509, the inland waterway tugs and barges would not have the benefit of the bill, would they?

Mr. DAVIS. No, that's right.

Mr. BARER. It would then be limited to oceangoing tugs and barges and—

Mr. DAVIS. That would be the effect, although I would not recommend using the term "oceangoing tugs and barges" because you get into a very difficult problem of oceangoing, and you also bring into play some other laws which by putting oceangoing into the legislation, I wouldn't recommend that.

Mr. BARER. By that statement, I gather you prefer that nothing be said descriptively about tugs and barges and let the section go through as 509, is that right?

Mr. DAVIS. Yes, sir; that's right.

Mr. BARER. Now, in response to a question by Chairman Bartlett, you stated a personal opinion, or preference, to a limitation. Could you expand on that? I'm not clear whether you prefer the limitation we have just discussed, using section 509 with S. 2247 to accomplish a limitation against inland tugs and barges, or not.

Mr. DAVIS. Oh, I recommend amending section 509 in both instances, and that applies to both bills.

Mr. BARER. Now, even—

Mr. DAVIS. It remains the historical parallel which the Congress always tried to maintain between title 11 loans, and which has been the—historically, the Congress has maintained that parallel.

Mr. BARER. Now, under the provisions of title 11, and specifically those in section 1104 which describes vessels that are qualified to obtain the mortgage guarantee, the Secretary of Commerce can use the discretionary—well, it isn't a discretionary power; it's a requirement. He exercises his discretion in determining whether or not the project is economically feasible.

Mr. DAVIS. He has to make a determination.

Mr. BARER. If these bills were passed through utilization of section 509, that is not a per se qualification for title 11?

Mr. DAVIS. That's right.

Mr. BARER. In other words, even if the amount of down payment for these vessels we're talking about was reduced to 12½ percent from 25 percent, the Secretary of Commerce would still have the power to say "no" to any applications that he didn't think was economically justified?

Mr. DAVIS. That's right. That's true.

Senator BARTLETT. Mr. Davis, a report has come to me. I don't want to test its validity—that you originally drafted some language similar to that which appears in 2247; is that correct?

Mr. DAVIS. Yes. We drafted it in relation to 509; yes.

Senator BARTLETT. And you always have a right to state personal conclusions, distinct from that of the administration. Would I be correct in an inference which I gained early today in that you personally favor this?

Mr. DAVIS. Well, I want to preface my remark by saying that my personal opinion is really of no moment. I personally favor it, but that is really beside the point.

Senator BARTLETT. Maybe, maybe not. We think very highly of your opinions, perhaps more highly than those of the Assistant Secretary of the Department of Transportation for Public Affairs.

Mr. DAVIS. The Assistant Secretary of the Department of Transportation for Public Affairs may have been under some restrictions himself.

Senator BARTLETT. I am confident that was the case. [Laughter.]

When did you first learn the sad news, the tragic news that the Bureau of the Budget was opposed to this?

Mr. DAVIS. Six-thirty night before last.

Senator BARTLETT. What?

Mr. DAVIS. Six-thirty, night before last.

Senator BARTLETT. And how long had the Bureau had this under consideration?

Mr. DAVIS. Well, it had our legislative proposal before them for some time. More than a year. They had had our reports on these particular bills since October 5 or 6. I have forgotten which.

Senator BARTLETT. So at 6:30 p.m. on Alaska Day—

Mr. DAVIS. What day?

Senator BARTLETT. Alaska Day, marking the occasion at Sitka, Alaska, when the American flag was raised, the Bureau of the Budget

reached a negative conclusion on this after having it under consideration for more than a year.

Mr. DAVIS. That was our legislative proposal; yes.

Senator BARTLETT. It had nothing to do with the flag raising. [Laughter.]

And you have told us that if we were to move in a position contrary to that recommended by the Bureau of the Budget that experience of the past would offer rather conclusive evidence that no Federal money would be lost?

Mr. DAVIS. No; no direct appropriations would be lost.

Senator BARTLETT. And you haven't lost anything yet, you say. You have made a profit, direct or indirect.

Mr. DAVIS. Well, we have yet had title XI ventures that have failed, but overall, we have made a \$12 million profit.

Senator BARTLETT. Of course, every business may fail. The Small Business Administration knows this when it makes loans, but you are talking about the aggregate experience?

Mr. DAVIS. That is right.

Senator BARTLETT. Now, have hearings been held on this bill for S. 2211 in the House of Representatives? From something you said earlier, I gathered that they had been held.

Mr. DAVIS. Yes; yesterday.

Senator BARTLETT. On both bills, or companion bills?

Mr. DAVIS. Companion bills. They are in substance the same.

Senator BARTLETT. Now, I recognize the possibility that Mr. Sweeney, and I am not seeking to cast—principally for the reason you named that he must report what he is directed to report—may not be the greatest expert on maritime matters in the United States, I was baffled, confounded, confused, and perplexed by those words in that paragraph which I quoted from his report to Chairman Magnuson that the future role of ocean-going tug and barge in the movement of bulk ocean freight is uncertain. I personally want to say that anything is uncertain, but if anything seems certain in maritime, it is that the barge has demonstrated the capability which is recognized by many operators, and more and more are turning to the tug and barge operation just as they are turning to containers.

I know in the case of Alaska that a very considerable share of all the freight transported there now goes by tug and barge. This is true elsewhere, of course.

Mr. DAVIS. Well, it is true that there has been an increase in tug and barge operations, particularly in coastwise, in their coastal trade. I am not aware that there has been an extensive ocean—transoceanic development in tug and barge business, but I am also not prepared to say that—

Senator BARTLETT. Well, that, of course, depends on what you consider to be such. I think we have rather extensive barge operations in Hawaii from the west coast, don't you?

Mr. DAVIS. Yes, we do, and that is not a short distance.

Senator BARTLETT. This is quite a haul over there. It isn't a short distance from Seattle to Whittier or Anchorage, Alaska, or Seward?

Mr. DAVIS. No, it is not.

Senator BARTLETT. Do you agree with Mr. Sweeney's statement, Secretary Sweeney's statement about the uncertainty of the future of the tug and barge operation as being the reason for denying those who

are in that business, or who seek to go into it, the right to get the 87½ percent mortgage guarantee?

Mr. DAVIS. Well, I can't question the success of those that exist today. I prefer to answer that way.

Senator BARTLETT. Thank you very much.

Mr. William N. Muster, please, accompanied by William L. Kohler, legal representative.

The committee will be in recess 2 minutes, while you muster your forces.

(Recess.)

Senator BARTLETT. All right, Mr. Muster, the committee will be happy to hear from you.

Mr. MUSTER. Thank you.

STATEMENT OF WILLIAM N. MUSTER, EXECUTIVE VICE PRESIDENT, GREENE LINE STEAMERS, INC., ACCOMPANIED BY WILLIAM L. KOHLER, ATTORNEY, WASHINGTON, D.C.

Mr. Chairman, members of the committee, my name is William Muster. I am executive vice president of Greene Line Steamers, Inc., the owners and operators of the *Delta Queen* whose home port is Cincinnati, Ohio, with offices in Los Angeles and New York City.

Our vessel is the last overnight passenger steamer on the Mississippi, Tennessee, and Ohio Rivers. For 9 months a year the *Delta Queen* travels the western river system from St. Paul in the North to New Orleans in the South, Pittsburgh in the East and to the gateway to the West at St. Louis.

The riverboat business isn't what it was 77 years ago when hundreds of vessels similar to the *Delta Queen* plied the same trade route. Nearly all other forms of transportation now are either faster or cheaper than paddle wheel steamboats, but our passengers have discovered that riding on a riverboat can be one of the most satisfying of all vacations.

Take a trip on the *Delta Queen*, and you see the results of many Federal waterway projects: locks and dams, recreation facilities, bridges, land reclamation and the impressive skylines of our cities. Cities that now realize that the river is their waterfront and not their backyard. A riverboat is a great way to see America.

Thousands of American and foreign visitors have made the *Delta Queen* a big success in these last 5 years. In fact this year we are about to finish a season sold out to nearly 95 percent of our capacity. A real record for us. In fact a real record for anyone in the travel business.

But despite this recent success, we are still a very small company with only modest financial resources. Therefore, Public Law 89-777, which was passed last year, has caused a serious financial problem within our company. We must build a new riverboat and that requires a great deal of capital.

The new law was enacted partly as a result of the *Yarmouth Castle* disaster and one of its principal purposes was to improve the standards of ship construction for greater safety of life at sea. We were sympathetic with the desire of Congress to rid the seas of unsafe ships and insure the financial responsibility of the carriers calling at U.S.

ports. But we did not expect the *Delta Queen* to be put in the same class as deep-draft passenger vessels on the high seas.

We asked Congress for sufficient time to build a new vessel that would meet the safety standards of the present Maritime regulations. We pointed out the necessity for continuity in our business and our spotless record in financial responsibility to our passengers. As a result, the act was amended before passage to allow the *Delta Queen* to operate until November 1, 1968.

Now after endless hours of planning and hundreds of drawings, our new boat is designed and on paper. Coast Guard approval on design and fire retardant materials is expected soon and construction can begin in a couple of months. But we face a major hurdle of financing the first new overnight passenger vessel that could be built in this country in many years.

Since we were thrown in the same category as deep-draft vessels when the safety legislation was passed, it seems only fair to put us in the deep-draft category when we talk about financing.

The Federal mortgage and loan insurance under title XI of the Merchant Marine Act of 1936 provides that vessels of 3,500 gross tons or more and capable of 14 knots or more shall be eligible to receive 87½ percent Federal mortgage insurance. You just can't get a boat that big up the Ohio River. Therefore, we must build a boat which presently is only eligible to receive 75 percent Federal mortgage insurance, unless the law is updated.

Our new boat is estimated to cost \$4 million. We don't have the \$1 million required for the down payment. If we could get the same insurance privileges as larger passenger vessels, we would only need a down payment of \$500,000. This we can do.

The legislation which we favor is designed to cover only passenger vessels of a specific weight and speed suitable for operation on the inland waterways. There is other legislation before this committee which seeks to accomplish something similar to what we propose, but it amends different sections of the act and broadens the scope of coverage. It may be that our objective can properly be accomplished in more than one way.

We hope, however, that the legislation will not be so broad that it raises new problems or controversy that will delay enactment. Our desire is only to remedy the specific problem created for the *Delta Queen* by the enactment of Public Law 89-777. If there is a delay in getting this bill passed, we will not meet our deadline.

We know now of opposition to this legislation. We can't think of any group that would be adversely affected by it. There is no additional cost to the Government. This legislation would only authorize the Secretary to improve our financial stability by guaranteeing a larger mortgage. The funds will be arranged for privately.

In fact, in our opinion, enactment of this legislation will have an important positive effect on the long-range economics of our river system. One boat can only begin to realize the potential of the public's demand to see and travel the rivers.

In Europe, for example, on the Rhine River system, which is much smaller than ours, there are hundreds of river boats profitably engaged in transporting passengers from one city to another. In fact, one company, the Koln Dusseldorfer Rhinedampschiffhardt Geschellshaft has 26 passenger vessels plying the Rhine. The legislation we advocate

will encourage and make possible similar expansion of river travel in the United States.

We appreciate this committee's cooperation in setting this hearing so promptly. We know you understand the urgency of our project. We hope you will approve a simple, separate bill that can come to a floor vote without delay.

Thank you.

Senator BARTLETT. Thank you, Mr. Muster.

Let me start out by saying that if I were entirely opposed to your case, your remarkable ability in pronouncing that German name would cause me to lean the other way. That is one of the best demonstrations that has been made before this committee in years. [Laughter.]

If S. 2211 should be enacted in its present form, utilizing an amendment to section 509 of the Merchant Marine Act of 1936, would you seek an 87½-percent mortgage guarantee under title XI or construction aid directly under section 509?

Mr. MUSTER. I am a little confused as to the numbers of the sections, but our only desire is to get the mortgage insurance as such. We are not applying for the old loan arrangement which was set up on the books.

Senator BARTLETT. Now, you said here, Mr. Muster, that "We know of no opposition to this legislation." Since you arrived here this morning, you have learned otherwise?

Mr. MUSTER. That is right. May I submit, Mr. Chairman, that the statement by the representative of the Budget Department took me by quite a bit of surprise, but it provided the basis for an interesting fact which you might like to hear. Based on what he said, in 25 years our payment of insurance premium on this one boat could contribute approximately \$200,000 to the already realized \$12 million profit that has been accrued under the past operation of the ship mortgage insurance. We would be very happy to make that contribution to the Government's profit.

Senator BARTLETT. To the general welfare.

Mr. MUSTER. Right.

Senator BARTLETT. In the event you do not get the legislative relief you seek in this session of Congress, or even if you do get it, and, for example, the shortage of steel might prohibit your beginning construction earlier next year so that you could get delivery of a new vessel for the 1969 season, what will you do?

Mr. MUSTER. I think very likely we would be seriously crippled in our operation because we depend upon the year-to-year continuity of advertising promotion to get our passengers. I think there is a possibility that such an event could happen, because of steel shortage or because of work delays. The deadline which the Government gave us, 2 years, to be completely realistic, is an extremely short deadline to design and build a boat. And, in our opinion, and in the opinion of several deep-draft operators that we talked to, it is not sufficient time.

Senator BARTLETT. Well, have you talked to the Coast Guard concerning their attitude to an extension of November 1968 deadline?

Mr. MUSTER. Yes, we have; and their answer is that they are not in a position to grant the extension; that it is a matter of law.

Senator BARTLETT. Have you given consideration to suggesting a bill which would have that result?

Mr. MUSTER. We have. I am not sure at this moment that we—well, it is a rather difficult position because we would like to, but we feel that we are already pretty far out on a limb here to ask this much assistance from Congress. We didn't really want to be included in the 89-777, but it has seriously damaged our business prospects unless we can construct a new boat and get the economic relief that we need.

Senator BARTLETT. Well, if you don't have a new vessel ready for 1969, you will be out of business?

Mr. MUSTER. In effect; yes, sir.

Senator BARTLETT. What do you mean "in effect"?

Mr. MUSTER. Well, we will be out of business. We can't operate a boat if it isn't approved by the Coast Guard, and we are a common carrier.

Senator BARTLETT. Now, you maintain offices, you say, in Los Angeles and New York?

Mr. MUSTER. That is right.

Senator BARTLETT. Isn't that rather expensive, to have offices in two cities? What is your home port?

Mr. MUSTER. The office in New York is a sales office operated by an organization that represents two or three companies, and so we share their costs. The office in Los Angeles is, fortunately, where the majority stockholder, myself, lives.

Senator BARTLETT. You don't live on the banks of the Mississippi?

Mr. MUSTER. I would enjoy it, but I don't; no, sir.

Senator BARTLETT. What is your position in the company?

Mr. MUSTER. I am executive vice president.

Senator BARTLETT. How old is the *Delta Queen*?

Mr. MUSTER. It was built in 1928.

Senator BARTLETT. Is there any other passenger boat on the Mississippi now?

Mr. MUSTER. There is no other overnight passenger boat on the Mississippi, Ohio, or Tennessee Rivers.

Senator BARTLETT. We can take literally the statement that appears in this brochure saying that passengers may rest assured that this establishment is more pleasurable and more expeditious than any other steamboat with overnight accommodations?

Mr. MUSTER. I believe you could; yes, sir.

Senator BARTLETT. And should we likewise take at full faith the further statement that the *Delta Queen* has a more courteous crew and a superior pilot?

Mr. MUSTER. We would love for you to find out for yourself. I would like you to take that trip to New Orleans. I think you would find it enlightening and delightful all the way.

Senator BARTLETT. How long does the round trip from Cincinnati to New Orleans take?

Mr. MUSTER. It is about 7 days down and 5 days back.

Senator BARTLETT. What is the fare?

Mr. MUSTER. It varies, depending upon the accommodations. The only figure that comes to mind at the moment is \$611 for a round trip this year, first-class accommodations.

Senator BARTLETT. How many passengers can the *Delta Queen* accommodate?

Mr. MUSTER. 186.

Senator BARTLETT. In light of what has been said here today, do you entertain the same fear that I hold in my own degree that passage

of the bill you seek by both Houses of Congress might wind up in a veto?

Mr. MUSTER. I am disturbed by the opposition of the administration, and—yes, it is a problem, and we do fear it.

Senator BARTLETT. I want to say again that that opposition is completely beyond my understanding. If we do pass the bill, and I will be very frank to say to you that I hope we do, and I personally will want to do all I can to prevent a veto from being imposed. Entirely aside from the fortunes of your company, I think it would be a tragedy if, on the Mississippi River, one of the great rivers of this country, we couldn't have at least one passenger-carrying ship. We do need to preserve something of that which originated in our day.

As previously stated, the letter from E. Michael Cassady, executive vice president of the Mississippi Valley Association, warmly endorses this legislation, and it will be placed in the record at the appropriate point.

(The letter above referred to will be found at the end of this hearing.)

Senator BARTLETT. Now, Mr. Muster, do you have any shipyard in mind that is prepared to build a craft of this type?

Mr. MUSTER. We have held discussions with Avendale in New Orleans, and Todd in Houston. Both companies have indicated a positive interest in building a boat. Both companies have also indicated that construction of it to meet the deadline is possible. However, it is difficult to guarantee, and our boat could be usurped by other projects, either Government or other things of priority. We have also talked to other shipyards that would be considered.

Senator BARTLETT. What are the dimensions of the *Delta Queen* in reference to tonnage, length, breadth?

Mr. MUSTER. The *Delta Queen* is rated at 1,600 gross tons. The displacement weight is about 2,200 tons. It is 285 feet long, 54 feet beam, and has a bridge clearance of 51 feet, I believe, with the stack on.

Senator BARTLETT. Will its replacement be a paddle-wheel steamer?

Mr. MUSTER. We hope so. There are serious difficulties in operating a paddle-wheel boat as large as the *Delta Queen*, and many of the experts have advised us that it would be even more impractical in this day and age when better methods are available to build another boat that is as inmaneuverable as the *Delta Queen*. It is quite difficult when it is nearly 300 feet long to turn or maneuver into a wharf, so I really can't answer your question. We would like it to be a paddle wheel—

Senator BARTLETT. This is to be determined in the future?

Mr. MUSTER. Yes. We have two alternatives that are being proposed to the Coast Guard, and the final decision will come after the Coast Guard approval.

Senator BARTLETT. What is the fuel used by the *Delta Queen*?

Mr. MUSTER. The *Delta Queen* uses bunker C, which is an ocean-going fuel, primarily.

Senator BARTLETT. How much did the *Delta Queen* cost?

Mr. MUSTER. My understanding is that it cost almost a million dollars to build.

Senator BARTLETT. Its replacement would be a bit over four times that amount?

Mr. MUSTER. It would appear so; yes, sir.

Senator BARTLETT. Now, as to fueling, I won't make this as a suggestion to you, but only as a comment. Twenty years ago, or so, in Alaska we had plying the waters of the Chena, Tanana, and Yukon Rivers, a freight and passenger carrying paddle wheel steamer and it burned wood. And when the wood supply was exhausted, the steamer would tie up at the bank of whatever stream it was on and the skipper, who was also the owner, would make the passengers go out and cut wood until they had a sufficient supply.

Now, this might cut your cost.

Mr. MUSTER. That is a little tough to do nowadays.

Senator BARTLETT. Well, with this physical fitness program underway, I think this would fit in perfectly. [Laughter.]

I had another question in mind but happily for you it escaped me.

Mr. MUSTER. Just as an aside, this is a publication which we must assume to be Russian; we really aren't quite sure, but it reprinted a Holiday magazine article about the *Delta Queen*. The boat is, throughout many foreign countries, the last remaining symbol of our river transportation.

Senator BARTLETT. You might desire, if it is available, to furnish a copy of that Holiday article in a language more readable to us for the files. You might direct it to my personal attention.

Mr. MUSTER. Fine, we shall.

Since you brought up the paddle wheel, I would like to contribute that it will look like an old boat, no matter what is inside, it will look like the original.

Mr. BARER. Under Public Law 89-777, you are compelled to cease operations of the *Delta Queen*, is that correct?

Mr. MUSTER. That is right.

Mr. BARER. You are being treated like any deep draft passenger vessel?

Mr. MUSTER. That is right.

Mr. BARER. Any deep draft passenger vessel that is required to cease operations from that public law, could receive title XI mortgage insurance up to 87½ percent?

Mr. MUSTER. That is right.

Mr. BARER. You want to be treated as a deep draft passenger vessel for mortgage insurance purposes as well as for safety purposes, is that correct?

Mr. MUSTER. That is right.

Senator BARTLETT. Does the *Delta Queen* carry any freight?

Mr. MUSTER. We do not carry any freight at the present time. We, as a promotional device, we would like to carry parcels, you ship by steamboat from New Orleans, things like this, but we don't at the moment.

Senator BARTLETT. So you won't be in competition with the railroads or the trucks, or the river barges, whatever?

Mr. MUSTER. Oh, no; it takes—no, sir.

Senator BARTLETT. What is the draft of the *Delta Queen*?

Mr. MUSTER. Seven and a half feet.

Senator BARTLETT. There are times, I suppose, during the season, when the water is pretty low for a ship with such draft?

Mr. MUSTER. The Government guarantee of the channel is 9 feet.

However, that 9-foot channel, our paddle wheel can't get enough water to propel the boat efficiently, but we can operate where we don't go aground.

Senator BARTLETT. Why don't you operate the year round?

Mr. MUSTER. Well, we come pretty close to it. This next year we are starting Mardi Gras, our trip will leave in mid-February, and end, unfortunately, November 1, 1968; but the weather is too cold and inclement throughout the river system to really attract passengers.

Senator BARTLETT. I understand.

Thank you gentlemen very much.

Mr. MUSTER. Thank you, sir.

Senator BARTLETT. Mr. Hans Hvide, Port Everglades Towing Co., accompanied by Robert Whitehead, attorney at Jacksonville, and Mr. Knudsen, maritime consultant from Boca Raton.

STATEMENT OF HANS HVIDE, PORT EVERGLADES TOWING CO., LTD., FORT LAUDERDALE, FLA.; ACCOMPANIED BY ROBERT WHITEHEAD, ATTORNEY, JACKSONVILLE, FLA., AND CAPT. FRANK KNUDSEN, MARITIME CONSULTANT, BOCA RATON, FLA.

Mr. HVIDE. Mr. Chairman, gentlemen, my name is H. J. Hvide. I reside in Boca Raton, Fla., and conduct a business in Fort Lauderdale, Fla., under the name of Port Everglades Towing Co., Ltd.

After I complete my statement, we will be happy to answer any questions you may have.

Mr. Chairman, may I ask, in an effort to save time, that my prepared statement be made a part of the record?

Senator BARTLETT. It will be done.

Mr. HVIDE. And I would like to, instead, to add a few comments in view of the sudden changes of the position of the administration, or, rather, of the Bureau of the Budget.

I might say that I have worked with the Maritime Administrator, with the staff of the Maritime Administration for several years, to promote my efforts to determine probabilities of mortgage insurance, et cetera, and I have received great encouragement throughout and complete cooperation, and the change, of course, was a very sudden surprise.

I would like to first clarify that we are not seeking any aid. We are not seeking any subsidies, we are not seeking any differentiations. We are seeking only mortgage insurance.

I would also like to point out that the 12½-percent equity capital proposed is only a part of the equity capital that would go into this type of project. As you know, the Maritime Administration has rather stringent rules and regulations for additional working capital for contingencies, marine insurance, et cetera.

I would like particularly to point out that the need for long-term financing is one of the major reasons why the mortgage insurance is necessary to this extent. We operate under the American flag. We are subject to American taxation, and we do need to make an effort to keep the mortgage amortization pretty much in balance with the taxload and depreciation. This is even more necessary when in bulk-cargo transportation you go out and you are going to try to

compete with foreign-flag owners, some of them, we know, are not taxed at all.

I would like to point out that there is a need for a tug and barge operator who wishes to enter into a larger and more advanced tug and barge program to be able to start a program of sufficient consequence, to be able to work from a position of strength. When you deal with your cargo shippers, you are not in a very good position to attract his cargoes unless you have backup equipment, and he certainly isn't going to change to a tug and barge system if all you have is one or two tugs and barges to operate.

In talking to insurance underwriters, you need the advantage of fleet coverage, and last, but not least, if we are to attract the type of personnel that we need, and we know are available, we need to be able to demonstrate to these men that you have a sufficient fleet to be able to show them the possibilities of a career.

Now, some comparison was made as if there was a difference between bulk carriers and barges. There is, of course, a difference between self-propelled bulk carriers and barges.

I would like to make a few comments in this area. Before I do, I would like to elaborate a little on my particular qualifications in bulk cargo transportation.

I have been actively engaged in bulk cargo transportation most of it self-propelled for more than 32 years. I have in my possession a plan of a self-propelled bulk carrier that is equal to, and has all of the advanced features of any bulk carrier of today. This design was sent to me by George Sharp, the famous naval architect, on May 23, 1953. Unfortunately, a friend of mine beat me to building the first one. I made the mistake of telling him about it, but I did build the second and the third.

In bulk-cargo transportation, the only thing that matters is the efficiency, the dependability, and the economy of that transportation. That cargo of grain or other doesn't know, and cares less whether the exhaust pipe comes out of the vessel itself, or in a separate unit. The modern barges are competitive with self-propelled bulk carriers. Speed is of relative unimportance, although in the design that we are working on we are contemplating fully loaded speeds of at least 11 knots, probably 12 knots, and ballast, or light speed of 13 to 14 knots.

We have been engaged in barge transportation with large ocean-going barges for more than 7 years. One advantage we have is that we don't use ballast at all unless in unusual circumstances we need increment water to deepen the draft of the vessel. Otherwise, we have achieved greater efficiency by not loading the vessel down with unnecessary salt water. Barges do offer many advantages over self-propelled transfer vessels.

First of all, the American tug and barge industry is quite far advanced compared to that of European and Asiatic countries. We are able to build tug and barge units at much lower costs than comparable-sized self-propelled vessels. In fact, the total cost of tug and barge would only be somewhat a little higher than the European built self-propelled vessels of the same size and speed.

You have other advantages. You can build a barge of much greater size and lower draft than a comparable self-propelled. The maneuverability of a tug and barge is much greater than that of a self-propelled vessel. You don't need nearly the same tug assistance in ports, and

consequently, can go to more ports. You can go to more ports by virtue of the lower draft. In turn, this may enable savings in harbor improvements.

We are towing two barges with one tug today, and this is entirely practical. There is no problem, or I believe would be no problem in one large tug towing two barges of, for instance, 25,000 tons deadweight carrying capacity on a 30-foot draft. This would mean, first of all, that you would be able to carry about 50,000 tons of cargo with 30-foot draft, and when you get to destination, the tug would drop off one barge in one port, and go on to the second port with the second barge. Or, in areas where discharging time is slow, you would have more barges than tugs in the trade, and you would simply leave the barge there for the slow discharge, or waiting for berth, and/or act as a warehouse.

To answer the Department of Commerce's statement, all I can say is that I am in this business. There is, in my opinion, no doubt whatsoever that this method is proven. It is being done on the west coast and it is being done on the east coast.

I am perfectly prepared, if this legislation is passed, and the application submitted and approved for this type of units to invest on my personal fortune, which amounts in excess of a million dollars, which I do believe adequately demonstrates that I do believe in the practicability, feasibility, and economic advantages of the system. The government should have very substantial amounts to save. The U.S. Government is financing transportation programs to India. If you used that one country as an example, even if we were only to save \$5 a ton under the 50/50 provision of the American flag, this would mean on an average yearly shipment, an average yearly saving to the U.S. Government of \$25 million.

Now, all I can say is that the industry is willing, private capital is willing, we have every confidence that we can demonstrate this practical approach to bulk cargo transportation over any distance to any port in the world, and we do believe that this will, given a good crack at, get back a large volume of imports and exports that are carried to and from the United States where today we are carrying a very insignificant percentage.

Thank you, Mr. Chairman.

(Mr. Hvide's prepared statement follows:)

PREPARED STATEMENT OF H. J. HVIDE, PORT EVERGLADES TOWING CO., LTD.

Gentlemen, my name is H. J. Hvide. I reside in Boca Raton, Florida and conduct a business in Fort Lauderdale, Florida, under the name of Port Everglades Towing Company, Ltd.

I have with me my Associate, Captain Frank J. Knudsen, and my Attorney, Robert Whitehead. After I complete my statement, we will be happy to answer any questions you may have.

Captain Knudsen entered the Maritime service as an apprentice deckhand in 1938. Captain Knudsen was employed by Cities Service Oil Company as Chief Pilot for eighteen and one-half years until his resignation in July 1967 when he joined my operations. Captain Knudsen is a past Chairman of the Harbor Improvements Committee of the American Merchant Marine Institute and was Chairman of the Pilotage Committee of the American Merchant Marine Institute, until his resignation in July.

Mr. Whitehead is an attorney, who has for the past fifteen years advised with businesses as to financing and is serving me in that capacity.

I myself have been continuously engaged in oceangoing shipping since 1935. I am descended from an active Norwegian shipping family and have been a

naturalized citizen of this country since 1947. I very early became interested in more efficient oceangoing bulk carriers, and had design and construction work in this area performed for me as early as 1953. I owned one of the first roll-on, roll off ship operations in this country, operating under a certificate from the Interstate Commerce Commission.

During recent years, I have developed and operated some of the larger tugs and barges presently employed in the United States maritime service. I am currently engaged in maritime work at Cape Canaveral, Florida as a subcontractor of Pan American World Airways, and I am engaged in bulk carriage work in commercial fields. Most of my present work is performed by the use of large tugs and barges. Technology and economics now make it feasible for large tugs and barges to operate in foreign and domestic trade and on the high seas. The design of these larger tugs and barges is more sophisticated than the type with which you are now familiar. The barges are fast, molded hull carriers, rather than the square type which you normally see. The tugs are larger and operate with much higher horsepower than those presently in use. I now own and operate the only dual speed reduction gear tug in existence in the United States.

Under 46 USC 1274, the Secretary of Commerce has the authority to insure mortgages on almost all types of ships up to 87½% of the cost. His ability to insure to 87½% of cost applies to vessels of no less than 3,500 gross tons and capable of speeds of not less than 14 knots. Below these minimums, the authority of the Secretary of Commerce to insure is only to the extent of 75% of cost. This law was enacted prior to the development of modern tugs and barges.

It is the purpose of the proposed legislation to extend the 87½% insurance to the larger oceangoing tugs and barges, which I have mentioned, by reducing the tonnage requirement under the law to 2,500 gross tons and substituting for the speed requirement a requirement of 2,500 horsepower.

Enactment of the proposed legislation will enable the immediate building of oceangoing tugs and oceangoing barges which will be employed in the commerce of the country. Part of their employment could be in the delivery of grain to India. At the present time, under the 50/50 law, there is a wide divergence between the cost of these grain shipments in American ships and foreign ships. At present the cost of shipment of this grain in American ships is approximately twice the cost of shipment in foreign ships. The proposed tugs and barges will be able to deliver this grain at a cost closer to that now being charged by foreign ships. Each one dollar per ton reduction would save the United States from eight to twelve million dollars a year.

The proposed legislation does not involve any outlay on the part of the United States Government, only a guarantee of economically sound mortgages. In order to obtain financing for the proposed oceangoing tugs and barges, in light of the uncertainties facing the entire United States maritime industry, it is necessary to have the advantage of mortgage insurance to the extent of 87½% of cost.

The proposed legislation amends only 46 USC 1274, the Ship Mortgage Insurance Section of the Merchant Marine Act of 1936, and does not extend any of the subsidy features of that act.

My associates and I wholeheartedly recommend to you enactment of the proposed legislation as it will enable the United States maritime industry to build bulk carriers which will more closely compete with foreign flag vessels, without any outlay on behalf of the United States Government.

Senator BARTLETT. Thank you. Mr. Barer?

Mr. BARER. With reference to the present drafting of the form of S. 2247, the title of the bill reads, "To Amend the Merchant Marine Act, 1936, To Increase the Federal Ship Mortgage Insurance Available in the Case of Certain Oceangoing Tugs and Barges."

The substantive language following that states no limitations. Would the language, as it is presently drafted, perhaps your attorney would want to respond to this, does this not open the benefits of this type of legislation to tugs and barges operating on inland waterways?

VOICE. If I may answer that, the bill was drafted in consultation with Mr. Davis' staff, who testified today, and discussing this with Mr. Davis yesterday, he concurred that we may invite trouble if we insert "oceangoing" in the act itself, because that may be subject to definitions that would cause all kinds of problems, like, does it have to

be oceangoing at all times, and what about coastwise trade? I think it is the intent that our minimums of 2,500 tons and 2,500 horsepower would not include the inland waterways tugs and barges of which you speak.

Mr. BARER. In earlier questioning of Mr. Davis, there was discussion of the possibility of accomplishing the purpose of S. 2247 for tugs and barges through utilization of section 509 of the act, and then you wouldn't have to mention descriptive words such as "oceangoing," but by the existing provisions of section 509, any vessel operating solely on inland waterways carrying cargo would be excluded. Therefore, you would get the net result of it being applicable to so-called "oceangoing" tugs and barges, only you wouldn't have the definition problems. Without expressing an opinion as to whether that would serve your purposes—

VOICE. We have avoided ending 509, because 509 is an aid section. We are interested only in the mortgage guarantee section, although 509 has not been used in some time. It does provide aid provisions in direct mortgages. We were attempting to demonstrate that this program does not need any aid or direct expenditure by the Federal Government, and therefore are attempting to demonstrate it by attaching our exceptions only to title 11, the mortgage guarantee section, which appears to be workable, technically, because the section we're amending already has two exceptions to it.

Mr. BARER. If section 509 were utilized, though, you would still be eligible for title 11 insurance by the incorporation of section 509 into title 11, under section 1104(a), I believe it is.

VOICE. We would be as happy with the amendment of section 509 if we did not therein stir up opposition of those who thought we were seeking Government aid, which we are not seeking.

Mr. BARER. But your intention would be to seek an 87½ percent mortgage guarantee, rather than direct construction aid?

VOICE. Yes.

Mr. BARER. Well, let's get this down more firmly. You would have no intention whatsoever, as I understand it, of seeking any assistance from the Federal Government, other than by way of a guaranteed mortgage.

Mr. WHITEHEAD. Yes, sir; that's correct. Positively. Mr. Chairman, we have no intention other than to seek mortgage insurance, as I think is demonstrated by our present request that only the mortgage insurance section be amended, not to even possibly give us the benefit of the other, but should it become more technically desirable to amend section 509, of course—

Senator BARTLETT. It occurs to me that Mr. Barer's inquiry is very important, because should it occur that the committee approves the bill, we wouldn't want it to hit the floor and get in a great big argument about possible complications on inland waterways, competition which would be advanced toward the trucking and railroad industries.

This has nothing to do with that. Captain Vincent, what are living conditions aboard these tugs that make extended trips out to sea?

Captain KNUDSEN. Well, the proposed living conditions are a private room for every man, with a private bath. It would be completely air conditioned.

Senator BARTLETT. Any room left for applications?

Captain KNUDSEN. Yes, very much so.

Senator Bartlett. Very few tugs of today are thus equipped, right?
 Captain KNUDSEN. That's right. In fact, I don't believe there are any tugs that provide a separate room for every crew member, plus his own private bath.

Senator Bartlett. How big would these tugs be?

Captain KNUDSEN. The larger units would be in the 220- to 210-foot class, overall length, in the neighborhood of 1,200 horsepower.

Senator BARTLETT. Now, these barges that Mr. Hvide referred to would be in what size?

Captain KNUDSEN. In the neighborhood of 25,000 deadweight tons.

Senator BARTLETT. Draft?

Captain KNUDSEN. Thirty feet, loaded.

Senator BARTLETT. Thirty feet?

Captain KNUDSEN. Yes, sir.

Senator BARTLETT. Mr. Hvide, you excited me when you said you were willing to put a million dollars of your own money into this. How many barges and tugs do you have in mind to build? In the first few years, if this program were to go through? Let me withdraw that question. That is an inquiry into your business plans that I ought not to have made. Skip that one.

What would a tug such as Captain Knudsen described cost?

Mr. HVIDE. The approximate price will be close to bidding on the maritime—it is calculated that it will be probably about \$2½ million.

Senator BARTLETT. In one barge of the size described?

Mr. HVIDE. I'm sorry, Mr. Chairman. The price estimated on the tug was about \$2,800,000 to \$2,900,000.

Senator BARTLETT. Beg pardon?

Mr. HVIDE. The price I gave you on the tug is incorrect. The price would be about \$2,800,000 on the tug.

Senator BARTLETT. On the barge?

Mr. HVIDE. The barge will be about \$3,200,000.

Senator BARTLETT. How long will that barge be?

Mr. HVIDE. It will be about 650 feet long.

Senator BARTLETT. Any such barge roaming the seas today?

Mr. HVIDE. Not quite that size, although contracts have been let for barges approaching that size. The biggest barge today, I believe, is about 18,000 tons deadweight capacity.

Senator BARTLETT. And where does that operate?

Mr. HVIDE. The one I had in mind operates between Puerto Rico and the North Atlantic—east coast.

Senator BARTLETT. Of the United States?

Mr. HVIDE. Of the United States. There is, I believe, a larger barge on the Great Lakes.

Senator BARTLETT. That carries iron ore?

Mr. HVIDE. Iron ore, coal, or both; I'm not sure.

Senator BARTLETT. Did you say that one such tug is of the type you had in mind that will haul two barges?

Mr. HVIDE. Yes, sir.

Senator BARTLETT. Now, you have suggested the use of tugs and barges to haul grain to India.

Mr. HVIDE. Yes, sir.

Senator BARTLETT. Has there been any such barge operation to date?

Mr. HVIDE. No.

Senator BARTLETT. Would there be a refueling problem here insofar as the tugs are concerned?

Mr. HVIDE. No; there will be no refueling problem. The tugs can carry a very large amount of fuel. They do have to refuel en route, but this is no more of a problem than refueling a vessel. The barges will be equipped with self-contained anchors, controllable from the tug, and you would simply arrive off the port and you would anchor the barges, and bring the tug in to load your fuel. Its designed fuel capacity is about 35 days.

Senator BARTLETT. How long would it take to go to India?

Mr. HVIDE. About 30 days.

Senator BARTLETT. So, ordinarily, you wouldn't have to refuel at all?

Mr. HVIDE. The 30 days is going through the canal, but going around, it would be another 4 or 5 days.

Senator BARTLETT. Would there be any cargo to be brought back from India?

Mr. HVIDE. There are possibilities of other cargoes.

Senator BARTLETT. What kind?

Mr. HVIDE. Manganese ore coming from India, and there might be other cargo. I haven't looked that up for some time, but our determining economic feasibility is based on coming back empty, even if we come back empty, it is economically feasible. And we say that anything we can pick up coming back will be just that much better.

Senator BARTLETT. How many tugs and barges do you now have?

Mr. HVIDE. My company owns 10 tugs. We operate additional vessels owned by the U.S. Government. All of the barges we tow are owned by others.

Senator BARTLETT. And the operations are between what points?

Mr. HVIDE. For the most part, they are, and have been in the U.S. Gulf, between Florida and Texas, and Louisiana, up to New Orleans.

Senator BARTLETT. Have you ever previously sought legislative relief contemplated by the type of S. 2247?

Mr. HVIDE. No, sir.

Senator BARTLETT. What made you apply for this type of Government help now?

Mr. HVIDE. The fact that I am convinced that to be successful I need to be able to build a sufficient number of units to be able to make them count, to demonstrate this practicability, you do need several units, and it requires that much more invested capital. The general uncertainty about the American merchant marine makes it necessary to get greater mortgage percentage financing in order to attract other equity capital in addition to my own.

Senator BARTLETT. Insofar as you know, do the Norwegians have any tug and barge operations?

Mr. HVIDE. They don't have any of any consequence.

Senator BARTLETT. Insofar as you know does the Norwegian Government give any assistance to the maritime industry?

Mr. HVIDE. Their tax law, in many ways, favor the maritime industry. Their tax laws are certainly more favorable toward the Norwegian merchant marine than the American tax laws are to the American merchant marine.

Senator BARTLETT. All right, gentlemen. We thank you very much for your appearance. Thank you very much.

Senator BARTLETT. Mr. Barer has a question.

Mr. BARER. If the bill S. 2247 should remain in amendment to section 1104, would you have any objections to exclusionary language as follows: "Excepting vessels engaged solely in the transportation of property on inland rivers and canals, exclusively."

That is the same exception in section 509.

Mr. WHITEHEAD. We would have no objection to that.

Mr. BARER. That would provide you the same limitations in 509, and you would be prohibited in applying for direct construction—

Mr. WHITEHEAD. I think that perhaps that would be best, because it would further announce our intention of not announcing for aid. May I point out one other thing to the committee, which is in our files? When the chairman read the letter from the Department of Transportation today, I have in my files clippings from the New York Times, May 2, 1967, reporting on the Secretary of Transportation's testimony before this committee on May 1, and I'm sure the chairman recalls the New York Times report that he concluded his testimony by, in effect, saying that the Administration did not have an overall program at that time, and the New York Times quotes Mr. Boyd as saying, "I confess to being exhausted in all but one category, patience." But the important thing is the following quote from the New York Times article. The New York Times says, during the interview, Mr. Boyd said there was nothing to prevent Congress from attempting to implement the ship policy changes. Quite to the contrary, I think, of what was stated in this letter that you read today, and that is in effect what we are asking for in this case, and I think it should be brought to mind once more that in asking for this legislation, we are not asking Congress to pass on the economic feasibility of this program, but only to make it possible for the experts in the Maritime Administration to pass on it.

Senator BARTLETT. There will be inserted in the record at the end of this day's hearing a letter from Bartholomew J. Turecamo, endorsing S. 2247.

Since you have referred once more, Mr. Whitehead, to that letter, from the Assistant Secretary of the Department of Transportation, I am obliged to reiterate that the language which I quoted from that letter is the most puzzling that has come to my attention in I don't know how long.

Here the Congress has been waiting; at first, patiently, and then impatiently, for a comprehensive maritime program from the administration. Long since promised. We have been waiting, although at various times individual Members of the Congress, in the House and Senate, have publicly stated that if the administration did not propose a program, we should be obliged to, the point being, as we saw it, not only to the decline of the American merchant marine but perhaps its expiration. And to have the Department of Transportation, on October 19, inform Chairman Magnuson that there was opposition to the bill that you are testifying to now, or you three gentlemen, because it represents an approach to maritime solutions in a piecemeal manner—just bowls me over. I have been on this subcommittee ever since I came to the Senate in January 1959, and it is true that everything we have done from necessity has been on a piecemeal approach, and we don't like this. We think it is becoming nonsensical, that there ought to be an overall policy to reinvigorate the

American merchant marine, and capable of doing so, and for my part, as one individual Member of the Congress, I have about lost my patience, and I lose it a lot quicker when I read this kind of a statement, saying don't do things bit by bit, wait for an overall policy.

Wait we shall not, I assure you of that, but as we proceed in what the Assistant Secretary of the Department of Transportation terms a "piecemeal manner" we probably will, in the absence of the submission of the program from the administration, have to move on our own.

Thank you, gentlemen. Thank you very much.

Mr. WHITEHEAD. Thank you, Mr. Chairman.

(Whereupon, at 12 noon, the meeting was adjourned.)

(The letters previously referred to and others submitted for the record follow:)

U.S. DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D.C.

Hon. WARREN G. MAGNUSON,
Chairman, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for our comments on a letter to you from Mr. H. J. Hvide of the Port Everglades Towing Co.

Mr. Hvide in his letter and the accompanying memorandum discusses the economics of tug and barge transportation; states that we have a proposal for legislation to reduce the required downpayment on tugs and barges from 25 to 12½ percent for purposes of mortgage insurance under title XI of the Merchant Marine Act, 1936; states that he has discussed this proposal with Mr. Lowell Bridwell, Deputy Under Secretary for Transportation, who he says agrees with it; and requests your help in obtaining this amendment.

We agree that tugs and barges are an efficient method of transportation. We have initiated the proposal for legislation which Mr. Hvide mentions. This proposal has cleared the Department of Commerce and is now pending in the Bureau of the Budget. We hope to receive clearance of the proposal by the Bureau of the Budget in the near future.

If we can be of further assistance, please let us know.

Sincerely yours,

J. W. GULICK,
Acting Maritime Administrator.

THE MISSISSIPPI VALLEY ASSOCIATION,
St. Louis, Mo., October 16, 1967.

COMMITTEE ON COMMERCE,
U.S. Senate,
Senate Office Building,
Washington, D. C.

GENTLEMEN: It is my understanding that your Committee has scheduled hearings on October 20 on S. 2211 and related bills concerned with financing the passenger vessel *Delta Queen*. This is to advise you that the Mississippi Valley Association supports this legislation.

The *Delta Queen* is the last passenger vessel with overnight accommodations operating on our Nation's inland waterways. Since the present vessel must cease operation next year it is imperative that a replacement vessel be constructed if a last vestige of the "steamboat era" which played such an important part in the development of this nation is to remain as an outstanding example for the benefit of future generations. We urge your support of legislation which will make it possible to replace this historic vessel.

Respectfully yours,

E. MICHAEL CASSADY,
Executive Vice President.

TURECAMO COASTAL & HARBOR TOWING CORP.,
Brooklyn, N.Y., October 16, 1967.

HON. E. L. BARTLETT,
Subcommittee on Merchant Marine and Fisheries, Senate Commerce Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BARTLETT: We wish to go on record as being in favor of your bill S2247.

In our opinion this Bill will prove very beneficial to the Merchant Marine Industry.

Very truly yours,

BARTHOLOMEW J. TURECAMO,
President.

OHIO VALLEY IMPROVEMENT ASSOCIATION, INC.,
Cincinnati, Ohio, October 17, 1967.

HON. WARREN G. MAGNUSON,
Chairman, Senate Committee on Commerce,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This Association, founded in 1895, is dedicated to the economic, industrial, social and recreational development of the Ohio River Valley, particularly through more effective use and development of the Basin's water resources. Its membership is broadly representative of civic, cultural, industrial, agricultural, water transportation, commercial and financial interests throughout the Ohio Valley.

The River boat *Delta Queen* plying the Ohio-Mississippi System is the last of the old river stern-wheelers in passenger service. Its summer cruises have been a source of pleasure to thousands of persons from all parts of our country, affording them a unique opportunity to enjoy the scenic beauties of our great rivers and to share fully in the lore and beauty of the rich American tradition of leisurely river travel.

It is necessary, as you know, that to comply with existing safety regulations the *Delta Queen* be reconstructed by November 1, 1968. S. 2211 is designed to permit the financing of that reconstruction on terms within reach of the owners. Its early enactment is essential to provide sufficient lead time to meet this deadline.

We think it is of the utmost importance to preserve the recreational, educational and aesthetic values afforded by the *Delta Queen* in the complex, urbanized world of modern America where opportunities for meaningful participation in our great national traditions are rapidly diminishing.

Accordingly, we strongly urge early enactment of such legislation, and respectfully request that this letter be included in the printed record of the hearings.

Sincerely,

HARRY M. MACK,
Chairman of the Executive Committee.

