ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE
TO STUDY TRANSPORTATION ON THE
GREAT LAKES-ST. LAWRENCE SEAWAY

OF THE

COMMITTEE ON COMMERCE
UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

S. 3137

TO AMEND THE ACT CREATING THE ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION IN ORDER TO CANCEL THE INDEBTEDNESS OF THE CORPORATION TO THE UNITED STATES

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Special Subcommittee To Study Transportation on the Great Lakes-St. Lawrence Seaway

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ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION INDEBTEDNESS

TUESDAY, FEBRUARY 17, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
SPECIAL SUBCOMMITTEE TO STUDY TRANSPORTATION
ON THE GREAT LAKES-ST. LAWRENCE SEAWAY.

The special subcommittee met at 10:30 a.m. in room 5110, New Senate Office Building, Hon. Vance Hartke (chairman of the special subcommittee) presiding.

Present: Senators Hartke, Hart, Pastore, and Tydings.

OPENING STATEMENT OF THE CHAIRMAN

Senator HARTKE. This morning we begin the first of a series of hearings on the Great Lakes and St. Lawrence Seaway. A decade ago the opening of the St. Lawrence Seaway provided this Nation with a valuable resource: a fourth major seacoast. Since then, that resource has contributed heavily to the prosperity and well-being of the American heartland and the Nation as a whole. However, the seaway and Great Lakes shipping are also experiencing a number of problems. The purpose of these hearings will be to review the accomplishments in this area, to examine the current problems, and to determine what solutions to those problems can be provided by Congress.

The opening up of our fourth seacoast has resulted in many favorable achievements. For example, the St. Lawrence Seaway has permitted the import of certain bulk commodities, such as iron ore to the steel mills, at a reasonable rate.

Second, it has provided a less expensive rate for the farmer's produce, thus benefiting both farmers and consumers.

Third, it has stimulated the export of cargo from this industrial heartland, which is America's greatest producer, and thus had a beneficial impact on our balance of trade.

Fourth, it has helped to create an expansion in jobs and trade.

Fifth, it has strengthened our Nation's military posture by helping to reduce the cost of military goods and by providing an additional thousand miles of protected coast.

However, there are also a number of serious problems. Because of a method of financing and accounting that is unique among American waterways, and because the seaway has not generated tolls adequate to pay both the interest and principal on its debt to the Treasury, the St. Lawrence Seaway Development Corporation is in serious financial trouble. In that connection this special subcommittee has before it

Staff member assigned to this hearing: Emanuel Rouvelas.

S. 3137, a bill, sponsored by 15 Senators, to cancel the indebtedness of the Corporation to the United States.

Second, a number of impediments have hindered Great Lakes-St. Lawrence Seaway shipping from realizing its full potential. These impediments include discriminatory railroad rates, an unpredictable and short shipping season, the operation of the cargo preference laws, and a shortage of American-flag bottoms on the lakes.

Third is a problem that has become increasingly pressing in the public mind during recent months—the problem of pollution.

The future of the Great Lakes, which seemed so bright at the opening of the St. Lawrence Seaway only 11 years ago, today may exist only in the minds of men. For the Great Lakes, although young, are dying. Every single one of them faces extinction. Man, no longer content to maim and slaughter his own, has waged a relentless war against nature itself—perhaps in an unconscious desire to hasten his own end. It is a dismal fact that we now have contaminated almost every creek, river, lake, and bay in the entire United States. Fortunately, man is now trying to save or revive what he previously so carelessly destroyed. Local, State, and Federal authorities are uniting against the pollution of the Great Lakes.

It has been reported by the Interior Department there is now reasonable expectation that the end of pollution of Lake Michigan can be achieved by 1972. If, however, all the Great Lakes are to be saved, a great deal more must be done, a great many more questions must be answered.

It is our intention in future hearings to try to answer some of these questions. For example, is greater cooperation and coordination needed between Canada and the United States? Should new water-quality objectives appropriate to the area be established? Should there be controls in the input of phosphate and should phosphate be eliminated from household detergents? Should the laws and regulations relating to the reporting and control of spills and disposal of oil and toxic or deleterious substances, including transportation of these materials, be strengthened?

Should there be an international contingency plan to deal with pollution incidents? Should there be legislation for water-quality management authorities to prevent or abate pollution where a number of waste sources in more than one jurisdiction collectively cause pollution or deteriorate water quality?

These and other questions will be asked and, hopefully, answered in future hearings. I now submit the bill and agency comments for the record.

(The bill and agency comments follow:)

[S. 3137, 91st Cong., first sess.]

A BILL To amend the Act creating the Saint Lawrence Seaway Development Corporation in order to cancel the indebtedness of the Corporation to the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Saint Lawrence Seaway Amendments of 1969".

SEC. 2. Section 5 of the Act of May 13, 1954, creating the Saint Lawrence Seaway Development Corporation (33 U.S.C. 985) is amended to read as follows:

"CANCELLATION OF INDEBTEDNESS

"SEC. 5. Effective as of the date of enactment of the Saint Lawrence Seaway Amendments of 1969 all indebtedness of the Corporation to the United States pursuant to this section prior to such amendments, is canceled subject to the condition that the Corporation shall pay annually into the Treasury of the United States any revenues determined by the Corporation to be in excess of those needed for operating and maintaining the works under the administration of the Corporation, including administrative costs and payments in lieu of taxes."

SEC. 3. Section 12(b)(4) of the Act of May 13, 1954 (33 U.S.C. 988(b)(4)), is amended by striking out "depreciation, payment of interest on the obligations of the Corporation, and".

SEC. 4. Section (b)(5) of the Act of May 13, 1954 (33 U.S.C. 988(b)(5)), is amended to read as follows:

"(5) That for the purpose of any such negotiations for the division of any tolls due consideration shall be given to the total investment of the United States in the seaway project."

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., February 4, 1970.

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

DEAR MR. CHAIRMAN: Further reference is made to your letter of November 14, 1969, which transmitted a copy of S. 3137, 91st Congress, entitled: "A BILL To amend the Act creating the Saint Lawrence Seaway Development Corporation in order to cancel the indebtedness of the Corporation to the United States," and requested our comments thereon.

The bill involves matters of policy for the consideration of the Congress. However, we believe the committee may desire to give consideration to the following comments.

S. 3137 would cancel the indebtedness of the Saint Lawrence Seaway Development Corporation to the United States, and would also remove certain costs from the base used for determining toll rates and provide for possible changes in the division of tolls between the Corporation and the Saint Lawrence Seaway Authority of Canada.

Section 3 of S. 3137 would delete the provision in section 12(b)(4) of the act of May 13, 1954, 68 Stat. 97 (33 U.S.C. 988(b)(4)), requiring that depreciation and interest on obligations of the Corporation be included in the costs on which the toll rates are to be calculated. Section 4 of the bill would delete the requirement in section 12(b)(5) of the act of May 13, 1954 (33 U.S.C. 988(b)(5)), that the toll rates shall provide for sufficient revenue to the Corporation to amortize its indebtedness over a period not to exceed 50 years but would require that in the negotiations for the division of tolls, due consideration be given to the total investment of the United States in the seaway project.

The act of May 13, 1954, provides that toll rates shall be calculated to cover, as nearly as practicable, all costs of operating and maintaining the works under the administration of the Corporation, including depreciation, payment of interest on obligations, and payments in lieu of taxes. Moreover, the act requires that the tolls should provide revenues sufficient to amortize the principal of the debts and obligations of the Corporation over a period not to exceed 50 years. Thus the basic philosophy of the act appears to be that except for revenues sufficient to amortize the debt of the Corporation, toll rates should be fixed at a level which would recover only costs as stated above.

The effect of the deletions prescribed in sections 3 and 4 of the bill would be to reduce the base on which the toll rates are calculated for traffic through the United States portion of the seaway and open the way for lowering the toll rates through that portion. However, the elimination of the interest, depreciation and amortization items from the rate base would establish a new rate base for calculating toll rates at a level necessary to cover only those items other than interest, depreciaton and amortization. Thus, regardless of any increase in traffic, it appears that toll revenues would not be sufficient to allow for payments into the Treasury as contemplated by S. 3137.

Moreover, the United States portion is considerably smaller than the Canadian portion and unless the rates through that portion are similarly reduced, it is questionable whether the overall reduction in rates would be sufficiently attractive to increase seaway traffic, most of which is carried in foreign flag vessels.

One of the apparent expectations of the sponsors of S. 3137 is that reduced toll rates will lead to lower freight rates to shippers thus benefiting United States Thus the basic philosophy of the act appears to be that except for revenues sufficiently to bring about lower freight rates, the reduction in toll rates will accrue principally to the benefit of the shipowners. In either event the reduction in toll rates would in effect be a subsidy by the United States Government since the reduction woudl be a direct result of the elimination by the United States of legitimate costs related to the operation of the seaway.

It is not clear how "due consideration," as stated in section 4 of the bill, is intended to be applied in terms of a specific amount in negotiations for the division of tolls. It could be intended to mean all or some of the items that would be deleted by sections 3 and 4. In any event, the wording of section 4 needs to be modified to make clear how the investment of the United States is to be considered in such negotiations.

Under the present agreement between the United States and Canada, the percentage of toll revenue that each receives is based on the ratio of gross revenue which the Corporation and the Saint Lawrence Seaway Authority of Canada anticipate they will require to pay for operation and maintenance expenses, interest on borrowings, and amortization of indebtedness. Under the requirements of sections 3 and 4, the United States would be undertaking to negotiate a revenue-sharing percentage on the basis of including costs which were not considered for rate-making purposes.

The Saint Lawrence Seaway is a joint venture between the United States and Canada. Although the act permits one or the other country to establish rates of tolls unilaterally, subject to certain conditions, if bilateral negotiations do not result in agreement, we are not aware of any situations in which there has not been bilateral agreement. As far as we know the actions proposed by sections 3 and 4 of S. 3137 have not been discussed with the Saint Lawrence Seaway Authority of Canada. In light of the aforestated observations on the effects of these sections, if it is the intent to bring about a reduction in toll rates, we suggest that it would be preferable to amend these sections to authorize the Corporation to enter into negotiations with the Saint Lawrence Seaway Authority of Canada with the objective of reaching agreement on means—possibly including the substance of sections 3 and 4—by which toll rates can be reduced for both the United States and Canadian portions on a comparable basis and by which there will be an equitable division of tolls as provided in the act.

The purpose of S. 3137 as stated in its title is to cancel the indebtedness of the Corporation to the United States. If the bill is to be favorably considered, you may wish to broaden the stated purpose to include the matters covered in sections 3 and 4.

Also, it appears that the reference to "Section (b)(5)" on page 2, line 14, of the bill, should be "Section 12(b)(5)."

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

DEPARTMENT OF STATE,
Washington, D.C., February 17, 1970.

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

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of November 14, 1969, requesting comments on S. 3137, a bill to amend the Act creating the Saint Lawrence Seaway Development Corporation in order to cancel the indebtedness of the Corporation to the United States.

The Department of State considers that action on S. 3137 should be deferred until the views of the Canadian Government on Seaway indebtedness are known. Canada might have considerable difficulty with unilateral cancellation of U.S. indebtedness since this would have important implications for Canadian Seaway indebtedness. Action of this nature without Canadian agreement would also be contrary to the spirit of cooperation and coordination which led to the joint construction of the Seaway.

The Department of State defers to the Department of Transportation with respect to technical and economic considerations pertaining to the Seaway. The Department of Transportation is currently conducting a thorough review of these considerations. We anticipate consultations with Canada on the Seaway following completion of this review. The question of Seaway indebtedness will no doubt be an important topic of these consultations.

We should be able to ascertain the views of the Canadian Government at that time and to comment more meaningfully on S. 3137. We shall write you again in the light of those views as soon as they are available.

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.

Sincerely,

H. G. Torbert, Jr.,
Acting Assistant Secretary for Congressional Relations.

The General Counsel of the Treasury,
Washington, D.C., February 17, 1970.

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. 3137, "To amend the Act creating the Saint Lawrence Seaway Development Corporation in order to cancel the indebtedness of the Corporation to the United States."

The proposed legislation would provide for cancellation of the indebtedness of the Saint Lawrence Seaway Developemnt Corporation to the Treasury, subject to the condition that the Corporation pay annually into the Treasury any revenues in excess of operating and maintenance costs, and payments in lieu of taxes. The bill would also eliminate the requirement that depreciation, and payment of interest on the obligations of the Corporation, be considered in determining toll charges. Finally, the bill would provide that due consideration be given the total investment of the United States in negotiations for the division of any tolls.

Under existing law, the Corporation is authorized to issue revenue bonds to the Secretary of the Treasury in a face amount not exceeding $140 million. Interest payments may be deferred, but any such deferred payments bear interest after June 30, 1960. Deferred interest may not be charged against the debt limitation of $140 million.

The Corporation's indebtedness to the Treasury through the issuance of revenue bonds is $133.5 million. Deferred interest and interest on such deferred interest due from the Corporation amounts to $16.5 million as of October 31, 1969.

Existing law requires that the tolls levied for use of the St. Lawrence Seaway be calculated to cover, as nearly as practicable, all costs of operating and maintaining the works under the administration of the Corporation, including depreciation, payment of interest on obligations of the Corporation, and payments in lieu of taxes. In addition, present law requires that the tolls provide revenue sufficient to amortize the principal of the debts and obligations of the Corporation over a period of not to exceed fifty years.

The cancellation of the indebtedness of the Corporation to the United States would be in direct conflict with the principles of the original legislation which contemplated that the Corporation be self-sufficient through the imposition of toll charges to cover all costs, and, in addition, to provide for amortization of its capital investment. If there is no way to increase the revenues of the Corporation or to decrease its expenses, operation under present law will most accurately disclose its true financial condition.

In the circumstances, the Department is opposed to the propsed legislation.

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,

Auburn Eggers,
General Counsel.

Senator HARTKE. I think that the hearings that we begin today in this special subcommittee will allow us to focus on all these problems, and others as well, so that we can begin to develop some meaningful legislation.

Senator Hart.

STATEMENT OF HON. PHILIP A. HART, U.S. SENATOR FROM MICHIGAN

Senator HART. Once again we are here to consider the financial problems of the seaway and other difficulties confronting the Great Lakes maritime industry. My hope is, Mr. Chairman, that this time our consideration will lead to action. Something must be done now. We have a right to insist that the seaway and the Great Lakes be treated on an equal basis with the other coastal areas of our country. The toll question must be settled fairly and permanently so that we can get on with other programs to make the seaway reach its full potential. The best interest of the United States is not served by the denial of "full citizenship" for the seaway.

We live in an era when nearly every form of transportation is subsidized—air, bus, highway, steamship—and now railroad subsidies are proposed. Yet a persistent group of critics tenaciously clings to the concept that the seaway must be the only self-supporting waterway in the United States; it should under no circumstances be accorded subsidy in any form. Never mind the fact that the original financial projections have been repeatedly proven inaccurate; never mind the fact that the seaway bill has already been paid by the Federal Government; never mind that the Government is paying interest to itself, in effect transferring funds from one pocket to another. The result is to cast a pall of gloom and doubt upon the accomplishments of the very seaway which it should be encouraging in the most positive terms possible.

The practical impact of such policies can only mean increased costs to midwestern shippers. Already, one major company in the State of Michigan is being forced to consider locating its plant expansion in other parts of the country because it can't predict what will happen to its shipping costs via the seaway. It is vital that this situation be stabilized before plants and jobs are needlessly lost because of uncertainty as to seaway policy.

As a transportation artery, its main purpose, the seaway is already a success. Here are the facts. Since opening its locks in 1959, over 385 millions of tons of cargo have moved over its waters; ore for steel mills, machines from our plants, grain from midwestern farms. Shippers have paid for use of the locks to the tune of $56 million. From these revenues the Corporation has paid all of its operating costs. And it has still paid some $35 million into the U.S. Treasury.

Based upon a recent Federal Maritime Administration formula, general cargo and grain shipments to and from U.S. ports through the seaway contributed more than $175 million to the economy of the Great Lakes States in 1969 alone. But, even more important, it has lowered the transportation costs of its hinterlands industries.

This then is the true picture—the real seaway. Let's get this financial knot untied so the seaway will be free to look ahead—not behind.

The money has been spent—we must put this great waterway to maximum use to serve the transportation needs of the Midwest and the country.

Therefore, Mr. Chairman, as one of the cosponsors of the Mondale refinancing bill (S. 3137) which would put the St. Lawrence Seaway on a sound economic basis, I urge that your committee give early and earnest consideration to this measure. Unless prompt action is taken, I fear that we could all of us be faced with a dangerously deteriorating situation which would result in benefit to none.

Senator HARTKE. We will proceed with you at this time, Senator Mondale.

STATEMENT OF HON. WALTER F. MONDALE, U.S. SENATOR FROM MINNESOTA

Senator MONDALE. Thank you, Mr. Chairman, and Senator Hart.

First, permit me to say how pleased I am, and I think I speak for every Senator who serves States bordering on the Great Lakes, that this new subcommittee has been created to deal with the Great Lakes-St. Lawrence Seaway system. We know this has come about because of the leadership of the Senator from Indiana. All of us are most grateful for its creation and are hopeful that this will establish a new level of focus of attention and commitment to the achievement of the great potential which the Great Lakes and St. Lawrence Seaway has but which has so tragically eluded us in the past years.

I think the establishment of this subcommittee is a very significant step in developing, facts concerning both the problems and the potential of the Great Lakes-St. Lawrence system—this vital transportation artery which extends 2,342 miles from the ocean into the heartland of America. When the facts have been put on record, I am confident that your subcommittee will be able to lead the way toward unlocking the great potential of this unique transportation system.

The American midcontinent is the keystone of the Nation's production. In both agriculture and industry, the Midwest is a leading world producer. It outproduces the six Common Market nations together. It also outproduces the Soviet Union.

Within the United States, the midcontinent has become the largest exporting region of the United States. Indeed, Chicago has become the leading export city in the Nation. And Detroit is now the second largest exporting city.

Senator HARTKE. That's due to the fine work of Senator Hart.

Senator HART. Thank you.

Senator MONDALE. As we all know.

Do we find that these leading export cities are shipping their products out of their own port facilities? No; on the contrary, we find that the overwhelming majority of exports are being shipped by expensive overland routes to coastal cities. There, they must be reloaded on oceangoing vessels to sail to ports which, in many cases, are no closer to the U.S. coastal city than they are to the port of origin on the Great Lakes. For example, the distance by water from Baltimore to Liverpool is 3,936 miles. The city of Detroit is actually closer to Liverpool by water. It measures only 3,710 miles. If we add the 604 miles overland from Detroit to Baltimore we see that the route through the coastal port is 840 miles longer than that through the Great Lakes-St. Lawrence system.

Cost analysis of shipments through the lakes and from coastal ports bears out the savings which should accrue from direct exporting. For example, the Wall Street Journal recently observed that a shipment of power transformers from Oil City, Pa., to LeHavre, France, cost the shipper $1,387 through Cleveland, compared with $2,232 if the transformer had been shipped by rail to New York and then to France.

Similar cost savings exist for shipments via Duluth in my own State. For example, in 1968 it cost $1.39 per case to ship scotch whisky from Glasgow to Minneapolis via Duluth and $1.99 via New York. Rough quarried marble cost $2.43 per 100 pounds from Leghorn, Italy, to Minneapolis via Duluth and $3.45 per 100 pounds via Boston.

Despite these inherent advantages of proximity via great circle routes to major U.S. buyers abroad; despite the cost avantages of waterborne commerce over landborne commerce; and despite the ability to ship directly without reloading at coastal ports, we find that the lake ports are handling only 2½ percent of the U.S. overseas waterborne trade.

Virtually no U.S. Government cargo is shipped abroad out of Great Lakes ports. For example, the Department of Defense alone exports almost 30 million tons in a year and only 2,000 tons were shipped through Great Lakes ports in 1968. This amounts to less than 1/100 of 1 percent of the total Defense exports. In contrast, approximately 35 percent of the material exported by Defense originated in the Great Lakes area.

Why do we find that the lake ports are not handling the traffic which would seem to be their reasonable share of U.S. exports? The reasons are complex and interrelated. They include some natural limitations such as the extended winter period when, at least by tradition, shipping is thought to be impractical because of ice conditions on the lakes. But they also include a variety of grossly discriminatory practices which are either imbedded in Federal legislation or are sanctioned by Federal agencies.

For example, under section 22 of the Interstate Commerce Act, free or reduced rates are often given for Government cargo moving to coastal ports. But such rates are seldom offered on traffic to Great Lakes ports.

Moreover, the railroads have charged excessive and unfair rates on shipments to Great Lakes ports as contrasted to rates for shipments to more distant coastal ports. As noted by the Wall Street Journal, "it costs nine times as much per mile * * * to ship steel silos by train from Kankakee, Ill., to Chicago than from Kankakee, Ill., to New York." Another example is the proposed rates which have been filed with Government agencies for shipment of soybeans and meal from central Illinois to New Orleans—resulting in costs which are the same as those for shipment to nearby Chicago.

We also find that the cargo preference laws operate to prevent shipments of Government cargo through lake ports because there are usually no American-flag carriers available in which to ship such cargo. The reason there are so few American-flag carriers on the lakes is that, traditionally, the Maritime Administration has not made the benefits of maritime assistance programs available to the Great Lakes.

For example, the maritime construction subsidy program offers some $100 million per year in Federal assistance, but not a dime has gone to the construction of vessels in the Great Lakes. Similarly, the $300 million a year in operating subsidies have gone almost exclusively to the three coasts enumerated in the Merchant Marine Act of 1936. The Great Lakes seacoast is conspicuous only by its absence.

Only three American-flag carriers have received operating subsidies from the Maritime Administration, and these supported only about 15 voyages out of the Great Lakes in 1969. By comparison, vessels registered to the Soviet Union made 33 voyages into the lakes in 1969.

The total subsidy for the Great Lakes service of the three American-flag carriers in the last 4 years has been approximately $11 million. In contrast, the operating subsidy to a single U.S. vessel; namely, the SS *United States*, was $11 million in the last year alone.

In 1969, more than half of the trips made by U.S.-flag vessels were in connection with a temporary Department of Defense test to assess the cost advantage of shipping defense cargo directly through lake ports. Even this test, however, reflects the Government-sanctioned discrimination against the seaway which has plagued development of the area and its transportation system.

Since these defense-chartered vessels were able to carry only defense cargo back from their European destinations, they frequently returned with uneconomic loads. As a result, this test could not fairly show the inherent cost advantages of shipment through the lakes.

All of these factors have operated to limit the number of voyages out of the lakes, making it difficult for shippers to rely on timely delivery through lake ports. Thus, the solution to the problems of the Great Lakes-seaway transportation system is as complex as the interrelated causes. But a start has to be made, and the work of this subcommittee should mark that important beginning.

I hope this subcommittee will help to explore the feasibility of greatly extending the navigation season on the lakes and suggest steps which can be taken during this session of this Congress to begin the process. Every year, hundreds of millions of dollars are spent on navigation improvements on toll free waterways throughout the United States. Let us not hesitate to spend a small portion of these waterways improvement funds on the Great Lakes-St. Lawrence system.

A feasibility study, recently concluded by the Corps of Engineers, revealed that it should be entirely practical from a technical point of view, and entirely reasonable from an economic point of view, to greatly extend the shipping season. Including a 30-year amortization schedule for capital investment, the total cost per year for extending the shipping season to a 12-month basis has been estimated to be only $27 million.

Mr. Chairman, United States Steel this past winter experimented with extending the season in the shipment of taconite from Minnesota to their eastern plants. I am told that this effort was exceedingly successful, and most encouraging, and I would hope that this committee would explore their experience and what they found. If we can add 3 or 4 months to the shipping season, the economic implications for the Great Lakes-St. Lawrence Seaway system are obvious.

I also hope that this subcommittee will begin to explore and expose the grossly discriminatory overland transportation rates to lake ports. It is almost inconceivable that an agency of the U.S. Government—

the Interstate Commerce Commission—should have sanctioned such rates in apparent contravention of statutory policy against discriminatory rates. Unfortunately, the lake ports have only recently begun to protest these unfair rates. But it is time for the Congress to show that it supports their cause and will not condone the continuation of such unfair policy and practice by one of its regulatory arms.

It is also time to bring to a stop the discrimination against the lake ports under the maritime subsidy programs. We must eliminate any imperfections in the 1936 Merchant Marine Act, and make it perfectly clear that Great Lakes ports are fully eligible for all the benefits under that program. But, in my opinion, we must do more.

I was amazed to note that the recent proposal of the Administration for a 10-year maritime program made no reference to the Great Lakes trade. The Maritime Administration has shown something less than enthusiasm for the development of Great Lakes trade. In order that it does not continue its well-established practice of overlooking Great Lakes commerce, I believe it essential that we amend the legislation proposed by the Administration to be very specific about our objectives. We must not only permit Federal assistance to the Great Lakes maritime trade; but we must require it.

I am quite sure that with the consistent historical anti-Great Lakes-St. Lawrence bias of the Maritime Administration we are going to have to require a fair proportion of their programs to be made available to our area or I fear we will receive none at all.

I would also hope that this committee could be helpful in persuading the Defense Department to extend the so-called test for studying the possible economies of shipping defense cargo through lake ports. The test conducted so far was like sending a contestant into the fray with one hand tied behind his back. Surely, if we are going to have a test of the economics of shipment to European ports, we can devise one where a ship will have a full cargo on both legs of its journey.

Finally, I would like to turn to the subject of the financial structure of the St. Lawrence Seaway Development Corporation. I was proud to introduce S. 3137 with the cosponsorship of 14 Senators from both parties from all of the States in the upper Midwest.

May I say, Mr. Chairman, I think this is one of the most hopeful developments in this whole effort. We have enjoyed a strong bipartisan approach to the problems of the Great Lakes-St. Lawrence Seaway. Every Senator serving States along that system has joined in this bill and in the Great Lakes conference to seek fair treatment for our area, not as a political matter but as a matter for our country.

This bill should not be regarded merely as a regional measure. The seaway has clearly benefited the entire Nation. The Great Lakes-St. Lawrence Waterway system permits extremely economical water transport serving one of the world's richest agricultural regions and leading industrial complexes.

In the year before the seaway opened, less than 12 million tons of cargo moved through the St. Lawrence. This jumped to over 20 million tons in 1959 and continued to grow to almost 50 million tons in 1968. Unfortunately, traffic declined last year to about 41 million tons, due in large part to extended labor disputes. Much of this growth in volume represents an increase in the U.S. share of world trade. I hope the committee will be able to develop data to document this growth.

Overseas tonnage was a mere 300,000 to 600,000 tons before the seaway opened. In the first year, this jumped to almost 5 million tons and continued to grow to almost 15 million tons by 1967.

There are only five countries competing in the world wheat market. The seaway has helped to secure a significant portion of that market for U.S. farmers. Canada has made use of the seaway to become the world's leading grain exporter. The seaway has provided an excellent low-cost route for exporting surplus agricultural production. And so it is for other U.S. exports of commodities and industrial products, such as automobiles, locomotives, gasoline engines, farm equipment, turbines, earthmoving equipment, and heavy machinery. Manufacturers and processors have also found that the seaway provides efficient and economical access to raw materials from Canada and abroad. Here, too, the benefits of increased U.S. production are shared by the entire Nation.

According to a study by the Maritime Administration, the additional income to the Great Lakes area in a single year, as a result of the waterborne commerce, is estimated at $300 million. This represents a return of more than 200 percent per year on the total U.S. investment in the seaway.

Two years ago, while similar legislation was pending, we were successful in securing a 4-year moratorium on toll increases on the St. Lawrence Seaway. Two years have passed without the action which is necessary to prevent new proposals for toll increases.

If we fail to pass this measure or something like it, the chances are very good the tolls will jump even further on the St. Lawrence Seaway system, having disastrous repercussions on the future of the Great Lakes-St. Lawrence Seaway system.

It is abundantly clear that the financial projections underlying the original Seaway Act are unsound. The time to put the seaway on a solid financial footing is now. The United States will soon have to agree with its Canadian partner on new toll rates to be effective in 1971. Therefore, I believe that prompt action on this bill is essential.

The St. Lawrence Seaway Act of 1954 requires that the Corporation pay, out of toll revenues, the entire cost of construction by the year 2009. In addition, toll revenues must cover fully the cost of operation and maintenance.

This self-sustaining requirement is unique for waterways in the United States. The Federal Government has developed and maintained waterways and ports throughout the United States entirely out of general revenues.

I do not have to tell this committee that the Great Lakes-St. Lawrence Seaway is the only system that pays any tolls at all, despite the fact that there are many other federally maintained waterways that have been built through heavy U.S. cost and which are operated and maintained by Federal expenses out of general revenues. The Great Lakes-St. Lawrence Seaway remains alone to pay tolls on its operation.

For example, the United States has spent over $56 million for the development of the Gulf Intercoastal Waterway and an additional $50 million for operation and maintenance. The same region has been benefited by an expenditure of $62 million for the 76-mile Mississippi River-Gulf outlet and close to $11 million has already been spent on operation and maintenance. The 50-mile Houston ship channel has cost the taxpayers almost $33 million and more than $37 million has been paid for operation and maintenance. The 96-mile Delaware River channel to Philadelphia was developed at a public cost of $130 million—which is greater than the U.S. investment in the St. Lawrence Seaway. Moreover, $140 million from general revenues has gone into operation and maintenance of that channel.

No user charges whatsoever has been levied in the case of any of these facilities. For this reason, there is growing recognition that the financial framework of the St. Lawrence Seaway is unfair and unreasonable and discriminates against the Nation's "fourth seacoast."

This discrimination in financing an essential link in this 2,342 mile waterway into the midcontinent is dramatized by contrasting the Federal transportation aid given to other regions, such as Appalachia. Up to the end of the last fiscal year, the U.S. Government had invested $470 million in developing roads to serve Appalachia. And much more remains to be spent there.

I do not begrudge those expenditures for Appalachia, and I am sure that my fellow Senators from the Great Lakes area do not either. But we are compelled to wonder why this unequal treatment for the seaway. I, for one, am determined to obtain fairer treatment for Minnesota and her sister States in the Great Lakes region.

Perhaps, when the Congress authorized this historic project, there was reason to believe that the seaway could, indeed, bear the unprecedented financial burden which was placed upon it. But this belief has proved unfounded. Since the seaway was opened in 1959, it has not been able to make any significant payments toward reduction of the bonded debt. Although it has made substantial interest payments to the Treasury, it has fallen in arrears $15.7 million in interest charges.

Thus, the original capital cost of $124 million, plus $7 million in interest during the construction period, and $9 million for lock rehabilitation has grown to a total of $155.9 million. Based on present traffic projections and current toll revenues, the debt of the St. Lawrence Seaway Corporation will not be eliminated by the year 2009. In fact, it may grow to some $800 million if corrective action is not taken.

The act requires that tolls pay all these costs and the tolls be increased to cover them. So under the present act, unless we change it, tolls are going to rise, as I have indicated.

Raising toll revenues is not the solution. Those who propose this easy remedy may be unaware of what the toll rates are. Perhaps, when they think of tolls, they have in mind the $1.75 for an automobile to drive the length of the New Jersey Turnpike. Or perhaps they think of the $5 a truck might pay. How many realize that, for example, a ship named *Andwei*, carrying 22,636 tons of iron and steel, paid a toll of $21,225.28 on October 12, 1969, to use the St. Lawrence Seaway?

The existence of competitive modes of transportation which were once, themselves, heavily subsidized, would draw off the necessary traffic if the tolls were significantly raised. But the existence of the seaway has already served a very useful purpose in keeping the rates on other transportation down.

A "principle" was put forth in 1954 that transportation facilities should be self-supporting. As I have noted, in the 15 years since then, no waterways have been built or operated in accordance with this principle. Air transport is also subsidized by the Federal Government. Should the seaway be forced into "bankruptcy" in the interest of establishing this elusive principle?

Under existing law, the current break-even point would be some 56 to 58 million tons of seaway traffic annually. In contrast only 41 million tons were handled in 1969. Thus, it can be seen that intensive traffic-building efforts would still fall far short of making the seaway self-supporting under present statutory provisions. But, clearly, we should do our best to build traffic. Last year, however, the House of Representatives denied the Seaway Corporation $30,000 for a traffic development study. I regret that the Senate did not restore that small sum.

Based on exising practice with respect to all other federally assisted waterways and ports, it would be entirely reasonable to purpose that the bonded debt of the seaway be written off and that operating and maintenance costs, henceforth, be paid out of general revenues.

We still hear proposals for initiating waterways "user charges" on other federally assisted waterways. Perhaps we should propose that toll charges on the seaway be abandoned until such time as the Congress adopts such charges.

We have not made that proposal, however. S. 3137 merely proposes to relieve the seaway of the crushing burden of debt services. It could then pay more than its far share by fully covering its operating and maintenance costs and maintain reasonable toll levels.

The bill would cancel the existing debt of the seaway to the Treasury. It would, however, require the seaway to pay operating and maintenance costs, and payments in lieu of taxes, out of toll revenues. Any money remaining would be returned to the Treasury.

The Corporation has already returned more than $36 million to the Treasury in the form of interest on the original bonded debt. Until such time as agreement can be reached with Canada for a substantial reduction in tolls, the seaway would have a "surplus" after paying operating and maintenance costs. Under our bill, and in light of existing Canadian law and international agreement, this "surplus" would result in payments to the Treasury at approximately the current rate of $4 to $5 million per year.

However, it is our hope that this bill will lead to significant toll reductions. Based on present traffic volume, and assuming Canadian agreement, a toll reduction of approximately two-thirds would be possible.

It does not seem unreasonable for the United States to pay out of general revenues the approximately $5½ million annual interest cost on the U.S. investment in the seaway. This seems very small in relation to the billions of dollars in Federal revenues which have been paid for the construction and operation of other waterways. Considering the extensive public interest and national defense value of the seaway, it is clearly appropriate to have general revenues assume this modest cost.

I wish it were possible for the U.S. Congress to require that seaway tolls be substantially reduced and eventually eliminated. But we own only two of the seven locks. And our action must be coordinated with Canada's. Accordingly, I will merely state at this time the objective of the sponsors that everything possible be done by the United States to prevent any toll increase and to move as rapidly as possible toward reduction in tolls.

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I suggest that, in hearings on this bill, the committee explore various possibilities for reducing or eliminating toll charges on the seaway. If a formula could be devised to assure such reductions, I would like to see it incorporated in the bill. If not, I would hope the committee would express its intent about toll rates in its report on the bill.

Perhaps enactment of the bill will encourage our Canadian partner to consider changes in the financial structure of its seaway authority. If Canada adopted similar legislation, then surely there could be significant toll reductions.

If action along the lines of this bill is not taken, the seaway will be forced to consider toll increases in the order of 25 to 50 percent in the near future. That would clearly be disastrous to the economic growth of the Great Lakes region.

I believe that the national benefits already realized from the construction of the St. Lawrence Seaway are clear. It has been estimated that seaway traffic could be doubled over the next 20 years, with vastly increased contributions to the security and well-being of America. I hope that the bill will be enacted speedily so that it will be unnecessary for the United States to agree to an increase in tolls, which would seriously jeopardize the seaway's potential. I also hope the other steps which are necessary to extend the navigation season, eliminate discriminatory practices, and assist Great Lakes shipping will be taken promptly.

Senator HARTKE. Thank you for your excellent statement.

Senator MONDALE. I think the fair thing to do, if there are not going to be tolls on other federally maintained waterways, is to eliminate them entirely on the Great Lakes-St. Lawrence system. My proposal is a halfway house.

Senator HARTKE. It is hardly halfway. It is rather a modest proposal considering the real equity of the situation. The proposal that I joined in with the Senator from Minnesota is a very modest proposal considering what really should be done in true equity to the great midcontinent of America and to that part of the country which is really supplying most of the food needs of this Nation, and to a great extent making the biggest contribution toward our balance-of-payments problem, which is at this moment in arrears about $8 to $9 billion on an annual level.

So I want to congratulate the Senator from Minnesota for what he has done here. But I do not think that it goes far enough, as I have indicated before.

Senator MONDALE. As I said, if you can figure out a way to go further, I will be glad to join you. This is a modest, what you might call "compromise", designed to place a hopefully practical ceiling on the tolls. If an agreement can be reached with the Canadians, since they own many of the locks, we would want to reduce them, hopefully as much as two-thirds. That would be very helpful but it would still leave us in splendid isolation as the only example of a federally maintained water system that pays any tolls at all. We would still be paying substantial tolls.

Senator HARTKE. I really cannot see how any person or any part of the Nation in good conscience could come forward with the idea that this burden should be placed on the Great Lakes area and still at the same time take public work funds for water projects in any other part of the country or any subsidy of any nature whatsoever.

Senator MONDALE. I could not agree with you more. I have indicated one waterway, the Philadelphia Waterway, that cost the Federal Government more to develop than the St. Lawrence Seaway. In addition, the cost of operating and maintenance, paid out of general revenues, already exceeds the cost of the St. Lawrence Seaway.

In addition, not a penny in tolls has been paid by the users of that Federal waterway and yet, on the St. Lawrence Seaway, we have to pay back the capital cost of the construction of the seaway and all the costs of operation and maintenance out of the tolls.

As I said, one ship alone paid $21,000 plus in tolls and I think it is clearly discriminatory.

Senator HARTKE. I do not need to express to the distinguished Senator from Minnesota my support for this bill but I am only one member of this committee and I am not of the opinion that I necessarily represent even the majority. I certainly represent my own opinion and I want to very strongly support this bill that has been introduced by the Senator from Minnesota.

Senator PASTORE. I would like to ask one question. Would this involve any consent on the part of the Canadian Government?

Senator MONDALE. The enactment of our bill would not, but in order to reduce tolls it has to be done by agreement with the Canadians. In other words, there is no point in our reducing the tolls on our locks simply to have the Canadians increase their tolls which would simply shift the greater share of the revenue to the Canadians and the lesser share to us.

Right now, the total tolls go about 77 percent to the Canadians and 23 percent to us, because that is essentially the ratio of the number of locks that they have to the number of locks we have.

Senator PASTORE. The reason for asking the question was that from a practical point of view I wonder if a necessary predicate to any enactment of this bill that you have proposed would be to get agreement from the Canadian Government first. How do you handle that in your bill?

Senator MONDALE. The bill, in effect, gives the authority to the seaway administrator to negotiate these reduced tolls with the Canadians.

Senator PASTORE. It does?

Senator MONDALE. Yes; it does.

Senator PASTORE. I have it right here before me and——

Senator HARTKE. Let me say, Senator, the problem at the moment is that we are faced with an increase in tolls, not necessarily a reduction in tolls.

Senator PASTORE. I know, but we are talking about how good this bill is.

Senator MONDALE. Presently the Administrator has authority to negotiate tolls but he has to negotiate in the framework of the present legislation. That requires that the tolls bring in enough revenue to repay the cost of constructing the St. Lawrence Seaway and the cost of operation and maintenance.

Our bill would take that pressure off so that all that would have to be paid is the cost of operation and maintenance. So that it would give him far more elbow room in negotiating reduced tolls.

Senator PASTORE. Would you not think it would be advisable to write another section calling upon them to do thus and so?

Senator MONDALE. Telling our negotiators to try to do this?

Senator PASTORE. Yes. If it makes that necessary, then I would put something in the bill calling upon them affirmatively to do something about internegotiations with the Canadian Government.

Senator MONDALE. They have negotiations every few years and they will have some more. I would have no objection to incorporating your proposal.

Senator PASTORE. But they would have an immediate mandate in the bill.

Senator MONDALE. I have no objections to such an additional requirement.

Senator HARTKE. But that power exists now.

Senator MONDALE. But I think Senator Pastore's proposal——

Senator HARTKE. If that would gain the support from the Senator from Rhode Island I would be happy to include it.

Senator MONDALE. His suggestion is that we not only shift to a requirement that the tolls simply cover operating and maintenance, but also direct our officials to proceed to seek to reduce the toll structure in agreement with the Canadian Government. This makes a great deal of sense, I think.

Senator HARTKE. Senator Hart?

Senator HART. I join the chairman in thanking Senator Mondale. I think that the geography lesson that you began your statement with is one that all of us should repeat periodically. For example, Detroit is so much closer to Liverpool than Baltimore. We really did not get that point as we grew up, I think, my having grown up in Philadelphia. It is something that all of us ought to understand more fully.

Senator HARTKE. I think that is true; and also the production and the exports that come from Detroit, I think is very important.

Senator MONDALE. May I say it is not only this committee that learned a geography lesson. I remember a few years ago looking at a memorandum prepared by the Defense Department in response to our request for the use of these ports for military cargo and it began, "Duluth is a wonderful port located in the middle of a desert." The truth of it is that the upper Midwest produces 35 percent of the military cargo shipped out of this country but only one-hundredth of 1 percent of the total national military cargo is shipped out of those ports. So it is a bias that is deeply ingrained in the ICC, in the Maritime Administration, the Department of Defense, and in this present toll structure.

Senator HARTKE. I might say that I am going to have the Interstate Commerce Commission back in front of the Surface Transportation Subcommittee and the full Commerce Committee for other matters, and I will certainly be glad at that time to bring that matter to their attention to see if we can eliminate some of that bias.

I think one of their problems is that they continually defer to their staff and I want them to resume their responsibility of being Commission members and not have the staff run the Interstate Commerce Commission.

Senator HART. Bias may or may not be the right word for it. I have indicated the area in which I grew up, Philadelphia. If anybody, when I lived there, and I am sure it is true now, suggested that they toll the Delaware River in order to pay for that $130 or $140 million construction, they would be regarded as out of their mind.

It is a law of nature on the east coast. All of these things are paid for out of general revenue. It is in the nature of the system. It is a right inherent in the society. It is not just a bias. It is just that everybody knows that that is the way we build the country.

Senator HARTKE. Is that the power of the eastern establishment?

Senator HART. Why, in heaven's name, what logic, would distinguish a similar undertaking for the Nation's best interest in the Great Lakes Basin to be treated differently? What is the logic?

Senator MONDALE. I do not think there is any logic at all. I think it is without any supporting reasons, except possibly one region trying to paralyze the economic growth of another region. If that is the way this Nation is going to proceed we are going to be a sick nation.

Senator HART. If that was acknowledged to be the reason, fine. Absent that, what is the logic?

Senator MONDALE. Both the Senator from Michigan and I enthusiastically supported the creation of the Appalachian Commission which has now spent well in excess of a billion dollars and nearly a half a billion dollars just on Federal development of roads in those areas. I think we have been glad to support that.

If we were to operate in a selfish way, we would say, well, before Appalachia gets any help we want to be sure we get our share. We did not act that way and I do not think we should act that way.

Now, what we are proposing here is that other regions of the country deal with us in the same way so that every sector of the country can grow fairly without being stunted by these unfair regional discriminatory practices.

Senator PASTORE. I think, Senator, there is another reason, because I was here at the time this legislation was passed. The representation made at the time in order to pass the legislation was that this would be self-liquidating and self-supporting and that is the only way the law got passed. After the law got passed we found out that we had some of these difficulties that you state. I think we ought to meet them as of today, currently. If this harms the country as a whole I think we ought to give it consideration, whether it is up around the Great Lakes or Rhode Island or down in Maryland, that would not affect me in the least. If it is for the good of the country we ought to give it consideration.

But at that time you remember some very far-reaching promises were made because there was some resistance to this project and that is the only way it was sold. This thing was going to pay for itself. Now we find out that, of course, it just cannot do that because of the situation that exists, and maybe we ought to meet that problem as it exists today.

I am just answering the question of how did that happen. It happened because that is what the representation was at that time. Those who were interested in this project said that if we did it this way we would not have anything to worry about because it would be self-liquidating. It turns out to be that this is not so.

Senator HART. I wonder if the Delaware would be self-liquidating on a comparable basis.

Senator PASTORE. I do not know too much about the Delaware.

Senator HART. Or that Houston Ship Canal or any of the broad reaching public undertakings to which we never attached such a condition.

Senator PASTORE. But for people who were interested in this, they did make that attachment.

Senator HART. Because, I would suspect, the people that were interested knew that if they were to get anything they would have to make that.

Senator PASTORE. That is right.

Senator HART. Why is that bar imposed to the Great Lakes when we never raise it with respect to the infinite variety of plain and garden kinds of public works? Should we begin to impose that condition on these other canals and undertakings? I do not think so.

Senator MONDALE. That question has occurred to me. This has not been the way I have operated in the Senate, but if we are going to get a multi-billion-dollar maritime construction subsidy bill without a dime for the Great Lakes or St. Lawrence Seaway, if we are going to appropriate hundreds of millions of dollars for the construction and operation of other competing ports, then perhaps our constituents are going to ask us what hopefulness we see in our strategy of supporting others while those same areas oppose us in a modest objective of this kind.

Senator HARTKE. Thank you, Senator Hart.

Senator Tydings is a member of this committee and is also scheduled to testify, but at this time I will call upon him in relation to any questions or comments he has concerning Senator Mondale's statement or some of the comments that have been made.

Senator TYDINGS. I have just two questions of Senator Mondale. Is the St. Lawrence Seaway an international waterway?

Senator MONDALE. Yes, it is, and I think one of the big problems is that the Maritime Act should include the St. Lawrence Seaway system as a fourth seacoast. That is what it is.

Senator TYDINGS. What portion of the cost of construction of the St. Lawrence Seaway was contributed by the Canadians?

Senator MONDALE. About two-thirds. I can get the actual figures.

Senator TYDINGS. So that the Canadians put up two-thirds of the money for the construction of this. Now, have the Canadians agreed to the introduction of this legislation?

Senator MONDALE. Well, we are told that there is increasing interest on the part of the Canadians to reconsider the toll structure. I am not privy to those discussions. I do not know what they involve.

What this legislation provides is a revised financial structure on the U.S. side of the system which would permit our negotiators to cooperate with the Canadians in reducing tolls if the Canadians would agree to do so.

Senator TYDINGS. What would be the effect, for the sake of argument, if we forgave our debt and the Canadian Government decided they did not want to forgive their debt? With the politics in Canada, how would the toll structure relate? Would all ships continue to be paying for a portion of the reduction of the Canadian capital expenditure while at the same time we would forgive ours?

Senator MONDALE. No. If tolls were not reduced, the seaway would have a surplus, under my bill, which would revert to the U.S. Treasury. This bill tries to deal with that realistic problem by not making a unilateral reduction in tolls on the U.S. part of the system. Rather, it contemplates a bilateral agreement with the Canadians by which we would together reduce tolls. Obviously, if we reduce tolls and they did not they might increase their tolls and pick up our reductions.

What we do is change the law which now requires an ever-escalating rise in tolls to a prohibitive level, which ties the hands of our negotiators. We change it so that only the cost of operation and maintenance would have to be paid from tolls. So tolls could be reduced to the extent that the Canadians will agree with us to do so.

Senator HARTKE. We are faced with a problem on the floor of the Senate in that there is a live quorum on the Stennis amendment.

Senator MONDALE. Mr. Chairman, I am very interested in that myself.

Senator HARTKE. Yes. I would like to make a comment before we recess to make this quorum. That is the fact that what the Senator from Minnesota is attempting to do here is not to really impose any type of major change on the agreement which built this seaway or which is operating it. The problem of operation and maintenance is one thing, and there is no question that as far as the actual tolls are concerned, they can be adjusted in order to meet that cost.

Interest charges are not considered to be a part of the operation and maintenance of the seaway and if we wanted to liquidate the entire debt by having the Treasury pay it off there is no prohibition or any restriction upon that action whatsoever. In other words, we could take that action. That does not mean that we could not even in turn probably in the end go ahead and pay from the Federal Treasury, if we so determined, to even pay the operation and maintenance, which is even a further step beyond.

In other words, the bill here is such a modest one really, all it does in substance is to eliminate the requirement of the payment of interest. You could take the next step and that is to pay off the principal, and you could take even a third step and that is to pay for the operation and maintenance expenses, if we so determined, without even jeopardizing the agreement.

Now, in considering the tolls, of course, the operation and maintenance factors do become an item which makes the determination as to whether or not the tolls shall be lowered and raised. That would be a matter of ultimate Canadian-American agreements, but I have witnessed one of these secret agreements and this is what we are faced with now. One of the problems we have as to answering any real questions as to what is being proposed by the Canadians, is the simple fact that the Executive at this time is proceeding to discuss this matter without permitting the Congress to be privy to what the discussions are.

This is a rather sad state of affairs because it can lead to the fact that all of the information is going to be submitted to the Canadians—it has to be necessarily if you are going to discuss what our proposals are, and what they propose—but at the same time the Congress is being locked out at though we are not capable of even passing judgment. Ultimately we might have to be asked to ratify some executive action.

We have seen that happen in the Canadian automobile agreement, which was entered into without prior consideration, and then Congress was asked to ratify action. We were faced with the proposition of either embarrassing the President or agreeing, so we agreed. So we gave half of our automobile industry to Canada and we got nothing in exchange for it except, supposedly, good will. I am not opposed to good will with Canada but I do think there is a place of equity and I do think there is a responsibility to make sure that those of us who do live in the Midwest are at least given the same type of basic consideration, not only internationally but domestically, that is accorded throughout the rest of the United States.

This is the point the Senator from Michigan is making, that fairness is fair and it is not a question of being fair to the eastern establishment only.

Senator TYDINGS. I think that Senator Pastore really put his finger on it, that the whole Nation has a responsibility for our sister States in the Midwest. My concern with the Canadian part is the touchiness of our relationship between the United States and Canada which no one knows better than the Senator from Indiana, and the question is what sort of position would we put the Canadian Government in if we forgave interest or part of the cost or funds due to our Government by the St. Lawrence Seaway but the Canadian Government, because of their financial position, was not in a position to do the same? How embarrassing would it be, and whether or not in effect we might have the cart before the horse? I do not know the answer to that question, but that is the reason I posed it to Senator Mondale. But I think Senator Pastore really speaks—he is not here now—but his point of view is the point of view that we all have to take. We appreciate the problems of our sister States, but as my statement will point out, there are several areas which I think at least should be considered in this proposal.

One of them is, of course, the relationship with the Canadians.

Senator MONDALE. Might I interrupt there a moment? We already do have a policy that our negotiators are required to pursue, in negotiating with the Canadians, which might offend them. It calls for an ever-escalating increase in rates on the Great Lakes and the St. Lawrence Seaway system. This proposal gives more flexibility to our negotiators to negotiate them downward, if the Canadians desire to do so. So the directions to our negotiators are there. This just gives them a broader range of negotiable opportunities and I think offers a much more hopeful future for the St. Lawrence Seaway which would appeal to them because two-thirds of the system is theirs.

Senator TYDINGS. Has the St. Lawrence Seaway Authority taken a position on this legislation?

Senator HARTKE. They are going to testify.

Senator MONDALE. They are going to testify, but may I say this? One of the problems has been a belief in "user charges," and this was taken by the former Secretary of Transportation, Alan Boyd. I do not know what we are going to hear from the Department of Transportation today, but I might say that I bitterly oppose that policy. The Department had this idea and they really believed it. They think every waterway should pay its own way. Maybe it should, and maybe it should not.

Senator TYDINGS. Every waterway or every international waterway?

Senator MONDALE. Every federally maintained waterway. They said that bargelines down the Mississippi ought to pay their own way and there ought to be a national toll structure applying to water commerce and that we ought to increase taxes on highway commerce in the same way so every truck pays its full share of the cost of the system that must be provided and every airplane pays its full cost and so on.

Senator TYDINGS. No more subsidies for the transportation industry?

Senator MONDALE. That is the direction in which they wanted to go.

Senator TYDINGS. What would you do with all the taxpayers' money you would save, Senator?

Senator MONDALE. That is a delightful and pure approach they have, but I think the political realities are that they do not have a chance at all of achieving any such objectives. They would like to hold the St. Lawrence Seaway out in splendid isolation as an example to which the Nation could look as one pure area that is gutting itself in some masochistic way to prove what could be if America were what it is not.

You know, it is sort of an honor, but it is killing us.

Senator HARTKE. Let me say to the Senators from Maryland and Minnesota, in this discussion we have before this committee, as you well know, a bill which the Senator from Maryland was very instrumental in helping us to draft and urged upon us in this whole field. It is indicative of where the Congress is going to go. I do not know where the administration is going to go, frankly. We have not been privy to that and I think we will not be for a couple of years.

On the railroad situation we plan to go ahead and try to salvage the passenger railroad services, as we know. The intention there is that it is going to cost the American taxpayers some money and we are going to subsidize hopefully a first-class railroad system in this country with adequate service, on time, and so forth.

I think the Senator from Minnesota makes what is a realistic statement and a realistic judgment that the trend of the time is certainly not toward a further assessment in this field but further in the other direction if anything at all.

Senator TYDINGS. I am not quarreling with the political realities of the Senator's judgment. As you know, the political realities of the passenger rail service is that they are not subsidized.

Senator HARTKE. They are not at the present time.

Senator TYDINGS. Not like the trucking industry or plane industry or so many of our other great transportation industries, and as a result, the transportation system in the Nation suffers.

Senator HARTKE. The Senator from Maryland has been one of the prime movers in that proposal that we have now held up since the last of November waiting for the administration to come up with what they said was a better plan or an alternate, which we have postponed the reporting of from week to week, waiting for the Department of Transportation. We thought they had Railpax and the Bureau of the Budget knocked that in the head, I understand, after it was announced by the White House. It was announced one day and withdrawn the next day.

All I am pointing out is the fact that subsidies are not a thing of the past, in my opinion.

Senator MONDALE. Thank you very much, Mr. Chairman.

Senator HARTKE. Thank you for a very fine statement, Senator Mondale, and I want you to know I agree with it.

Senator HART. Let us hear Senator Tydings.

Senator HARTKE. Yes. Do you want to make the live quorum?

Senator TYDINGS. Do you plan to make it? I can probably make my statement in 10 minutes.

Senator HARTKE. I think we will proceed here.

Senator TYDINGS. Do you want me to testify from here?

Senator HARTKE. You may.

STATEMENT OF HON. JOSEPH D. TYDINGS, U.S. SENATOR FROM MARYLAND

Senator TYDINGS. I appreciate the opportunity to appear before the subcommittee this morning and make some preliminary observations about S. 3137, a bill enabling the St. Lawrence Seaway Development Corporation to cancel its bonded indebtedness to the United States.

The St. Lawrence Seaway is without doubt a major engineering accomplishment. Bypassing rapids, the seaway's channel and lock system lifts a ship 600 feet from the time it enters the seaway at the mouth of the St. Lawrence in the Atlantic Ocean to the time it finally reaches Lake Superior. Built at a cost of approximately $500 million, the seaway is a joint U.S.-Canadian navigation and power project. It symbolizes the mutual interests of two great nations and has undoubtedly stimulated the economic development of the Great Lakes region. Although at present unable to support regularly scheduled U.S.-flag-vessel service, the seaway is indeed entitled to its description as the fourth coast of the United States.

Regrettably, the St. Lawrence Seaway has not lived up to the confident expectations of its advocates. The seaway has never reached its maximum cargo load of 50 million tons a year and has been unable to finance its costs as required by the 1954 act creating the St. Lawrence Seaway Development Corporation. Total cargo for 1969 has been estimated at 40 million tons.

This is a sharp decline from the 1968 total of 48 million tons. While the 1968 figure was above the 1967 total, it was below the peak of 49.2 million tons achieved in 1966. Moreover, the Corporation's debt as of December 31, 1968, amounted to $148.3 million. This is composed of $129.1 million in outstanding revenue bonds and $19.2 million in deferred interest. In the words of Robert B. Shaw, associate professor of accounting and finance at Clarkson College of Technology writing in the June 26, 1969, edition of the Wall Street Journal, the seaway "as an economic entity * * * cannot be described as more than a limited success."

Reasons for the seaway's disappointing record are not hard to find:

Limited port systems in comparison to Atlantic and Gulf facilities.

Reluctance on the part of shippers to change established trade patterns,

Inflated cargo forecasts,

A 27-foot channel depth that severely limits the size of ships able to use the seaway,

Vigorous competition from the railroad and trucking industries,
The necessity for tolls and the failure to manipulate them properly.
The 14-day time in transit for a ship using the seaway,
Locks that are 80 feet wide and thus prevent the new, larger ships from using the seaway,
The high cost, generally of ship operations today.

Taken together, these at least help explain why the seaway has been unable to meet its financial obligations. It must be clearly understood, however, that despite statements to the contrary, no single reason will suffice to explain the seaway's apparent failure. In an economic system as large and complex as the St. Lawrence Seaway, simple cause and effect relationships do not exist. There is no one, sole reason why the seaway has not lived up to expectations. Its disappointing record is the result of many interacting factors. To seek a single, a simple explanation for the seaway's troubles is thus not possible.

Considerable attention has been given to the requirement that the seaway be self-supporting. Contention is made that this requirement unfairly discriminates against the seaway for other inland waterway projects are not subjected to the burden of paying their own way. This is an important issue and merits our full attention.

I do not believe that the St. Lawrence Seaway suffers from unfair discrimination. In the first place, the seaway is not like other waterway projects developed by the Federal Government. In fact, it is not an inland waterway at all. It is an international waterway that at times lies totally outside of U.S. territory. Five of the eight locks are in Canada. As the 1954 report of the Senate Foreign Relations Committee noted, the seaway's "true perspective is continental and its final results must inevitably be continental in their impact." (S. Rept. 441, 83d Cong., second sess., pp. 23–25.) Moreover, the seaway was not built by the Federal Government. It was a joint venture of the Americans and Canadians. The two Governments shared the $500 million cost. As Senator Mondale indicated, the Canadians paid for approximately two-thirds of it.

In the second place, the legislation authorizing the St. Lawrence Seaway Development Corporation was accepted by the Senate in 1954 on the basis that the seaway would pay its own way. On January 13, 1954, Senator Alexander Wiley, one of the seaway's most forceful advocates, upon calling up the seaway legislation, summarized the five reasons why he felt it should be passed. The fourth reason was that "the project would pay for itself and the pending bill would not put an additional burden on the Treasury." The Foreign Relations Committee's report accompanying the legislation said the bill's terms were "based on the conviction that the revenues of the corporation will permit it to amortize the principal and interest of debts and the obligations of the corporation over a 50-year period." (S. Rept. 441, 83d Cong., second sess., pp. 17–20.) Thus, it was both clearly stated and understood that the St. Lawrence Seaway Development Corporation was to pay its own way. Another international waterway, the Panama Canal, is likewise obligated to be self-supporting.

The seaway, therefore, does not suffer from unfair discrimination. Unlike the Houston ship channel and Delaware River channel, which are not required to be self-sustaining, the seaway is bound by law to meet its own financial obligations. The Houston ship channel and the Delaware River channel are all within the continental United States. They are not international bodies of water. This requirement exists because the St. Lawrence Seaway is unique. It is an international waterway whose construction was predicated on the condition that it would pay its own way.

S. 3137, if enacted, would repudiate the agreement by which the Senate accepted the 1954 legislation authorizing the St. Lawrence Seaway. Its passage would constitute a direct breach of faith by simply removing a basic condition under which the seaway proposal was finally accepted. Additionally, approval of the bill would in effect provide a subsidy to the users of the seaway at the expense of the general taxpayer and competitive modes of transportation. The bill provides a windfall to the St. Lawrence Development Corporation. This is in essence a subsidy for it relieves the corporation of the need to repay at least this Treasury the money it owes. At the present time the Treasury Department has enough burdens without adding one which simply writes off a major investment of the United States.

The effects of S. 3137 are particularly important since the 1954 act provided for joint construction and operation of the seaway with Canada. Both countries must agree to any revision of the tolls schedule and to the division of revenue. Each nation has a veto over proposed changes. Both countries, however, are free to manage their own investment as they see fit. Yet, passage of S. 3137 would affect the operating policies of the Development Corporation's Canadian counterpart, the St. Lawrence Seaway Authority. S. 3137 acts unilaterally without consideration of this impact, when the basis of action in the past has always been cooperation and consultation with our Canadian partners. They put up better than half of the money.

Mr. Chairman, no Senator, regardless of the State he represents, takes delight in the present predicament of the St. Lawrence Seaway. The seaway is in debt, yet the time for either apathy or blind opposition to measures designed to help is over. The St. Lawrence Seaway is here to stay and all those who opposed it from the beginning must recognize this fact. Yet the economic realities confronting the seaway must be faced. The seaway is $148.3 million in debt.

Two methods of meeting this financial obligation have been advanced. The first is the approach taken by S. 3137. This confronts the seaway's indebtedness by simply writing it off and letting the United States take the loss, although operation and maintenance costs would be borne by the corporation. At this time I am opposed to this approach, as I believe others are.

The second is the approach suggested by the 1954 act. This provides for revision of the toll schedule if the revenues produced are insufficient to pay off the seaway's obligations. Toll revision should have taken place in 1966 but did not. Now toll revision should be permitted, as the act itself stipulates. Before a key element of the St. Lawrence Seaway legislation is eliminated, we should at least allow it to become operative, as provided for under the original statute, to prove itself, to see what the actual effect of a change in tolls would be.

Seaway proponents contend that revision means toll increases that would result simply in higher costs for a ship using the seaway and thus actually decrease the seaway's use, such as higher fares for the transit authority in the center city. This reasoning is used by those who favor S. 3137. Yet a decline in seaway traffic from revised tolls is by no means certain. The seaway tolls, while not insignificant, may well constitute only a secondary item in the operating expenses of a modern cargo ship, which takes 14 days to use the seaway. I would suggest for Senator Mondale's figure to be relevant, the $21,000 toll should be compared to the operating costs of the ship. We ought to have the complete books and records of that ship to know what the total cost of operation from the Atlantic there and back was and what percentage of that total cost the toll actually constituted.

Senator HARTKE. We will ask for that information either from Senator Mondale or some member of the Commission.

Senator TYDINGS. In a recent report to the Canadian authority, J. Kates and Associates noted this possibility. The Kates report held that the seaway traffic was not particularly sensitive to existing tolls or moderate changes in them. The advantages of the seaway outweighed the small portion of the shippers' transportation costs which tolls represent. A similar conclusion was reached by a November 1965 Stanford Research Institute report which found that moderate changes in tolls would have little influence on projected tonnage estimates of traffic in the seaway. Moreover, the instability of cargo levels during the past few years while toll rates have stayed the same is further evidence of the slight impact which tolls have on seaway traffic.

To be more specific, you would have thought that since the tolls were not raised in 1966, as required by the law, that therefore the traffic would have increased in the St. Lawrence Seaway, not decreased as we did not raise the tolls. Well, that has not been the case.

The proper way to start meeting the financial obligations of the seaway is through revising the toll schedule. This is the approach required by the 1954 legislation. It is an approach that has not yet been tried. It is an approach that, contrary to some thinking, should not result in decreased seaway use. Before we simply write off a $148.3 million debt owed to the U.S. Government, as S. 3137 would have us do, the toll revision mechanism provided in the legislation authorizing the St. Lawrence Seaway ought to be given a chance. Once given a chance—and found inadequate—then a comprehensive review by Congress of the entire financial situation of the seaway would be in order. The debt of the Seaway might then be deferred, revised, or stretched out. But until that time, until a revision of tolls has been clearly shown inadequate, legislation that cancels the bonded indebtedness of the St. Lawrence Seaway Corp. to the United States forthwith would seem to me to be unwarranted and unjustified.

Mr. Chairman, the issues raised by S. 3137 are both complex and controversial. The impact of the bill extends far beyond the Great Lakes region. I would hope that the subcommittee, before acting finally upon S. 3137, would hold further hearings in Washington and consider the views of the Department of State, the Treasury Department, the representatives of Atlantic and gulf ports, other parties like interested railroad and trucking organizations, as well as the views of academic and professional experts in the fields of finance and transportation.

Mr. Chairman, that concludes my statement. Let me once again express my appreciation for the opportunity to testify this morning and let me commend you for your work in the field of transportation and commerce.

Senator HARTKE. I might say to the Senator from Maryland that is a very fine statement. I do disagree with his conclusions, as I have indicated.

I might point out that on the basis of the present cost of what this would do to the Treasury, this is about the equivalent of about 2 days of the war in Vietnam. So to have a significant effect upon this country, I do not think that this is the type of expenditure that——

Senator TYDINGS. If the Senator could conclude the war 2 days earlier, I would vote for this measure.

Senator HARTKE. The war could be ended in 48 hours.

Senator TYDINGS. Our thinking is the same on the war.

Senator HARTKE. But all I am trying to do is draw to the attention of the Senator from Maryland the fact that this is, as he has indicated in his statement, an investment. It is an investment in the future of a nation. This is not a boondoggle. This is a tremendous investment. What we are trying to do is provide a way for its full utilization and I think this would make a valuable contribution and I do feel that the prior legislative history would indicate, as Senator Pastore said, and the Senator from Maryland said, that it was anticipated that it would pay its own way and it did not. As has been indicated, there probably are other reasons.

Our own State of Indiana, for example, our port is just really beginning to go into operation. The net result is that there is an industrial complex building there that will put us in a position to produce about a fourth of the steel of the United States of America. It is not done yet. We are looking for further investment to follow this investment.

Senator TYDINGS. It would seem to me that factors like that are so significant that I would really like to see the toll increase tried. Now, it may be that it would react adversely, but it seems to me that the problems of the St. Lawrence Seaway are really not related to the toll. The problems are related, as you point out—they have not had enough time really to operate and many of the port facilities are just being built. There is no question that there are many factors involved.

Senator HARTKE. In the meantime, the interest is going unpaid, as you have indicated, and it is a tremendous burden and what is going to happen here if you put that additional burden on that plus the discrimination which existed prior to that time in the field of the railroad transportation and other transportation, it gives an unfair advantage to the eastern seaboard.

I am not interested in being unfair to them but I would hope that they would not want to continue to be unfair to us who live in the heartland of America.

Senator TYDINGS. We will always try to be as fair as the distinguished Senator from Indiana.

Senator HART. Well, the Senator from Maryland has presented the subcommittee a very thoughtful brief, and what he says would make great sense if I still lived in Philadelphia.

Senator TYDINGS. It would not appeal to me if I were a Senator from Michigan.

Senator HART. No, and to get that $148.4 million debt, which you suggest we ought not simply write off, into perspective, the Senator from Indiana compared it to the hourly rate in the Vietnam war, but it is $148.3—you know how much money all of us, including those of us who live in the Great Lakes Basin, put into that Delaware River channel to build it, $130 million, and we have already put into its operation and maintenance another $140 million, if my math is right it is about half of the total that we have already put into the Delaware.

You say there is a distinction, that the Delaware is not an international waterway. What possible distinction does that make to the port of Philadelphia? The service, the function, the utility, the value, whether you are on one side of the bank fronting another State or Canada, what difference is it in terms of its contribution to this society of ours?

Senator TYDINGS. As the Senator knows, the rivers and harbors authorizations and the independent offices appropriations for each State from time to time relate to the power and the prestige of the Senators and Congressmen. You know that the State of Oklahoma now has more shoreline than the State of Minnesota. I do not know how much has been spent in the rivers and harbors appropriations or authorizations in the State of Michigan or the State of Pennsylvania or the State of Texas or the State of California over a period of time, but I know that these are appropriations for State projects within the continental United States and you cannot compare expenditures say for the port of Detroit or something like that, deepening the harbor there, with an expenditure on an international waterway, at least the major part of which lies in Canada.

Senator HART. You would bar even that undertaking in Detroit, because, as you know, we face Windsor and we are part of the Great Lakes Basin and Seaway so it is international.

Senator TYDINGS. The harbor port has had substantial funds poured into it.

Senator HART. And no tolls required.

Senator TYDINGS. Because it is a city in the United States. I do not think the people of Detroit would like it if we drenched the harbor of Winnipeg or any——

Senator HART. We are not talking about that. That is the distinction.

Senator TYDINGS. When you try to draw an analogy between the St. Lawrence Seaway and the Delaware Channel it is completely inappropriate because more than half of the St. Lawrence Seaway is within Canada and approximately two-thirds of the cost was put up by the Canadians.

Senator HART. Would the Senator from Maryland agree that we in this country can decide what we want to do with our debt and it is not correct to suggest that this inhibits, influences, undermines the Government of Canada? We are not telling them how to handle their debt. This proposal of Senator Mondale's is how we shall handle our debt.

Senator TYDINGS. That is article II.

Senator HART. This is completely within our right.

Senator TYDINGS. That is article II, that Congress has certain responsibilities with respect to money, but we still have, ourselves, the responsibility to our constituents to treat funds which we loaned to international authorities or money we give in foreign aid or in joint projects with a careful eye, and they are not the same as funds which are provided for our own cities and towns and States and internal projects. That is the point I am trying to make.

Senator HART. The Senator agrees that we are free to act affirmatively on the Mondale bill? There is no restraint imposed on our decision with respect to how we handle our debt?

Senator TYDINGS. I am not privy to the details of the St. Lawrence pact enough to know whether—I presume we are, or Senator Mondale would not have introduced the bill. But I do know this, if we should pass it, that it would affect the Canadians. I do not know whether it would be adversely or not adversely, depending on whether or not we embarrassed the government in power, because they could not provide the same relief to the Canadian side. They are not in quite as good a shape as we are. That is another reason, and I think it is a good point the Senator has made why we should approach this whole matter with caution and not rush into it. We ought to know what the position of the Canadians is going to be.

Senator HART. Does the Senator from Maryland understand that the Canadian law does not even explicitly require them to repay to their dominion government the interest and pay the operating costs? They treat it as though it does, but it does not require it.

Senator TYDINGS. I think those are tied to the financial question. I do not know, and I think one should be cautious about jumping to conclusions, certainly before an overall plan on the finances of the seaway system can be formulated. Certainly any overall plan ought to be formulated in consultation with Canada. For us to move without any respect to the effect it might have on them, the embarrassment it might give the Government——

Senator HART. It is not the debt of the Canadian Government. It is our debt.

Senator TYDINGS. The Canadians paid for approximately two-thirds of it and if we were to forgive our debt and they were not to forgive their debt you might put their Government in an extremely difficult position to justify why the United States did something and they did not. How would you justify the tolls? Would you repay it?

Senator HART. The one embarrassment that I can clearly see is if we could present a plan which would enable a much lower toll charge; as a consequence of our action it might be embarrassing.

Senator TYDINGS. That is right, exactly.

Senator HART. It would be very healthy to the St. Lawrence Seaway.

Senator TYDINGS. Would you think it fair to repay with the tolls the Canadian payment and interest with two-thirds of the total cost, and not any of the principal and interest of the cost we put up, when they have really two-thirds of the interest in it? There are a lot of problems here that ought to be considered and approached judicially, from a complete overall point of view and not just a rush right in, which I think—I do not like to characterize anything that Senator Mondale proposes because he is such an able legislator, but I do think this has not been thought out. It has not been weighed with consideration of the overall finances of the Canadian's Seaway Authority, with the position of the Canadians. Would the Senator from Michigan think it fair to the taxpayers of this country for us to forgive our debt or have lower tolls for the St. Lawrence Seaway and yet have the lower tolls if accepted by the authority, perhaps through pressure, pay for the two-thirds of the debt that was advanced by the Canadians?

Senator HART. That is not the way it would work.

Senator TYDINGS. How do you know it is not?

Senator HART. You do not have to be a Ph. D. in economics to figure out the consequences of our reduction. It might put heat on the Canadians to lower tolls.

Senator TYDINGS. Exactly. If we reduce and they do not and the tolls were divided they can use their half of the tolls for whatever they want. These are some of the points that ought to be considered. It is not quite as simple as——

Senator HART. Let us agree that we will consider them and act, not just consider them. That is one of the hazards that this corporation has been faced with.

Senator TYDINGS. Let us not act for the sake of acting. If the facts in the matter do not suggest the proper course of conduct. We have done enough of that in recent years.

Senator HARTKE. May I make just one closing comment? Take the last provision, section 4, which really deals with section 5 of the old law: "For the purpose of any such negotiation for the division of any tolls, due consideration shall be given to the total investment of the United States in the Seaway Project," which obviates the argument made by the Senator from Mayland.

All we are talking about is how the United States of America is going to deal with that part of the Seaway which we pay for which is not the total. We are dealing with our debt, with our part of the Seaway, and we are just saying that we have made a decision as to how we are going to handle the payments. That is all.

We are certainly entitled to do that. We could have done it in the first place if we wanted to. We could have done that in the original act if the Congress had wanted to, and even provided for tolls.

Senator TYDINGS. That goes right back to the point Senator Hart brought up. If we want to lower tolls because we do not have to pay for our amortization on our side and yet the Canadians still have to pay back to their Government the two-thirds of the cost on their side, they have the right to veto the reduction on tolls.

Senator HARTKE. We have a right to veto theirs.

Senator TYDINGS. That is right, but you do not know—you are not positive until you sit down and work this out with the Canadians that this would absolutely mean a reduction in tolls. Suppose the Canadian Government feels they are in very, very serious shape and they need all the revenues from tolls they can get to repay their debt; they are not able to forgive it. They can veto a reduction in tolls. The original authority provides it. Either country can veto any tolls changes.

Senator HARTKE. But the point remains that unless you do this the law requires that you are going to have an increase in tolls and that is the net result and this is what we are trying to avoid. I think it is quite clear as far as Senator Mondale is concerned in the provision of his bill, and those of us that support that position do not want the tolls increased. I think it is clear the Senator from Maryland does want the tolls increased and that is the division. I do not.

Senator TYDINGS. I want the question of toll increases and the whole problem approached from a broad basis rather than from a short, quick, easy unilateral solution. I think the Canadians have to be considered.

42-425—71——3

Senator HARTKE. Thank you, Senator Tydings. We will not proceed any further. I thank you for your usual spirited support.

Senator TYDINGS. It is always a pleasure.

Senator HART. It is good support.

Senator HARTKE. We are looking forward to your support on the floor of the Senate after we pass it in the committee.

We have also received a letter from Senator Proxmire which I would like to enter into the record.

(The letter follows:)

U.S. SENATE,
Washington, D.C., March 4, 1970.

Hon. VANCE HARTKE,
Chairman, St. Lawrence Seaway Subcommittee,
Senate Commerce Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I strongly favor enactment of S. 3137, the St. Lawrence Seaway Amendments of 1969. I have co-sponsored this legislation along with 14 of my colleagues, and I believe its enactment will provide a tremendous boost for the economy of the Great Lakes region and for the economy of the country as a whole.

The St. Lawrence Seaway has, since its inception, operated under a crushing burden of debt service. The requirement that the Seaway's operating revenues cover not only operating and maintenance costs but also initial capital costs has imposed an intolerable burden upon Seaway operations. It has prevented the Seaway from reaching its full potential, and it is unlikely that it can ever do so as long as the Seaway remains shackled with this gigantic financial burden.

The present Seaway debt totals $155.9 million. This is nearly $32 million above the original Seaway debt of $124 million. Not only has the Seaway not been able to retire any of the original debt in its first 10 years of operation, but it has not even been able to keep up with interest payments. By the year 2009, Congress had anticipated that the Seaway would have retired the original debt. But if operations continue at the rate now projected for it, and toll revenues go as predicted, the Seaway debt will not diminish. It will not even stay within manageable proportions. In fact, by 2009, the Seaway's debt will grow to a staggering $821 million.

Clearly, if we permit this to happen, the Seaway's chances of maintaining itself as a going entity will be very slim indeed. Whatever the projections made in 1954 when the Seaway Act was passed, it is obvious today that they were totally unreasonable.

But the debt service is more than unreasonable. It is unfair. And it is discriminatory. No other waterway in the country is required to be self-sustaining. Other waterways have been built and paid for out of general treasury revenues, and no user charges have been levied.

For example, $56 million was spent to build the Gulf Intercoastal Waterway. Another $50 million has been spent on operation and maintenance of the waterway. The Mississippi River-Gulf Outlet was built at a cost of $62 million, with another $11 million spent on operations. And $33 million went to build the Houston Ship Channel, with $37 million additional for operations. All of these expenditures on behalf of Gulf Coast shipping have been courtesy of the Federal government.

Similar instances of Federal expenditures on behalf of the Atlantic or Pacific Coasts could be cited easily. But the point is clear. Three of the nation's seacoasts have been regarded by Congress as vital to commerce and the economy, and subsidies have been granted without question.

But what of the Great Lakes—America's "fourth seacoast"? And what of the St. Lawrence Seaway, its only link to the outside world? When it comes to financing this link—a link about as vital as any that we have—Congress balks and says "you must pay your own way".

The result: ships which use the Seaway must endure a staggering schedule of tolls, in a vain effort to retire the debt. One ship which went through the Seaway last October, carrying a load of some 22,000 tons, paid tolls amounting to $21,225.28. It doesn't take a Ph.D in Economics to see that business can dry up pretty fast at these rates.

The Seaway is a victim of a vicious circle. The Seaway will not even begin to break even on its balance sheet until traffic exceeds 56 to 58 million tons annually (present traffic levels are between 45 and 48 million tons). But the Seaway has little chance of surpassing this goal as long tolls are pegged at levels designed to retire the debt. With any business there exists a point of maximum net revenues; past that point higher prices simply result in lower profits. In all likelihood we are past this point where the Seaway is concerned; higher tolls, which are a distinct possibility next year, may only result in decreasing net revenue, and drive the Seaway further into debt.

S. 3137 is the logical way out of this dilemma. It would retire the Seaway debt, but still require the Seaway to cover its operating and maintenance costs. It is fair. It is reasonable. And it makes good economic sense.

The Great Lakes are not seeking special treatment; we ask only that this region be treated on a parity with the rest of the country. Fair and non-discriminatory treatment, such as S. 3137 would institute, will provide the Great Lakes-St. Lawrence Seaway system with the opportunity to develop and realize its full potential as America's "fourth seacoast".

Sincerely,

WILLIAM PROXMIRE,
U.S. Senator.

Senator HARTKE. We will proceed with the Honorable James M. Beggs, the Under Secretary of the Department of Transportation.

Is this a joint presentation?

Mr. BEGGS. Yes, sir, it is.

Senator HARTKE. Mr. Oberlin, the Administrator of the St. Lawrence Seaway Development Corporation, is a part of the Department of Transportation; is that right?

Mr. BEGGS. Yes, sir.

Senator HARTKE. My understanding is that your preference is that both statements be presented in total.

Mr. BEGGS. If that is agreeable, Mr. Chairman. They hang together.

Senator HARTKE. We are glad always to accommodate the Department of Transportation. You may proceed, sir.

STATEMENT OF HON. JAMES M. BEGGS, UNDER SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY DAVID W. OBERLIN, ADMINISTRATOR, ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Mr. BEGGS. Mr. Chairman, Senator Hart, I appreciate this opportunity to appear before you today to discuss the St. Lawrence Seaway, its operations, accomplishments, and problems. I have with me the administrator of the St. Lawrence Seaway Development Corporation, David W. Oberlin.

The completion some 10 years ago of the St. Lawrence Seaway ranks high among the significant events of this century. Its system of new locks and channels removed the final bottleneck to oceangoing vessels between the Atlantic and the Great Lakes system. In a manner of speaking, the seaway transformed the geography of the world by creating a new "seacoast" penetrating over 2,300 miles into North America. Creating the seaway was more than a regional or national achievement, and more than a joint Canadian-American achievement. It was an achievement of worldwide significance.

The portion of the seaway operated by the Seaway Development Corporation consists of over 100 miles of channel and the Snell and Eisenhower Locks near Massena, N.Y. The two locks, each capable of lifting 800-foot vessels as much as 49 feet, are part of a seven-lock system extending from Montreal to the Thousand Islands area.

After its opening in 1959, use of the seaway increased substantially. In the first year of operations a total of 20.6 million tons of cargo passed through the facilities operated by the Seaway Corporation. This total rose to 49.2 million tons in 1966, nearly a 2½-fold increase over the 1959 figure. Bulk cargo has always constituted the lion's share of the shipments, although on a percentage basis, the increase in general cargo shipments has been greater. The largest single commodity shipped through the system was iron ore, increasing from 6.2 million tons in the first year of operation to 17.9 million tons in 1968.

Viewed in terms of the initial forecasts of cargo movements, the seaway came into its own in 1966. In its first few years of operation, however, the seaway did not mature as rapidly as was hoped. And now a leveling-off period of three seasons has elapsed since the peaking of traffic in 1966. The question now is, What does the future hold? Its capacity has been estimated to be as low as 60 million tons, and as high as 75, but we have not progressed beyond the 1966 level of some 49 million tons.

The statute under which the Seaway Corporation operates calls for maintaining operations, as nearly as practicable on a self-sustaining basis. Full development of the seaway is essential if justice is to be done respecting this mandate. However, we are primarily concerned about the fulfillment of the seaway's potential because of its importance to our overall transportation system and to the Nation's economy. We should strive to bring into sharper focus the importance of the seaway as a national asset and as an element of our overall transportation system. Viewed in terms of transportation fundamentals such as investment, costs, distances, speeds, reliability, and convenience, there is plenty of reason to continue to nurture the seaway, and plenty of reason to expect that it will serve us well.

Before turning to Mr. Oberlin for a discussion of the financial status of the seaway, I would like to mention briefly some of the important issues associated with its growth which we now have under study. These include the possibility of extending the shipping season; effecting better coordination of Federal programs (including those for research and development) which have an impact on the seaway; and correcting any deficiencies that may exist respecting the availability of information about the operations of the system. Many of these matters are closely tied to the financial question, however, and we caution against jumping to conclusions on any of them before an overall plan respecting the finances of the system can be formulated, after consultation with Canada. The administration has conducted a broad and comprehensive review of the financial issues involving the St. Lawrence Seaway. However, the findings and recommendations of this review form an integral part of, and are critical to, the forthcoming negotiations with Canada and cannot, therefore, be made public. For these reasons, we oppose S. 3137. Moreover, we recommend deferral of any legislative action at this time.

This recommendation should not be interpreted as a lack of either interest or desire on the part of the administration to assist this committee in its efforts to bring full development to the Great Lakes-St. Lawrence Seaway system. The seaway serves a highly complex regional economy, so its long-run financial health is a matter of serious concern and we should resist any temptation to offer simple solutions to a difficult problem. The fact that this vital waterway is jointly owned and operated with the Canadian Government offers further complication. As an international waterway, any recommendations should be ones that minimize international differences.

We realize fully that, in working toward a solution to the problem, careful consideration must be given to the views of all the various interests concerned. We are hopeful of reaching a solution acceptable to the widest possible group of these interests, and laying the groundwork for further progress for the seaway.

Mr. Chairman, that completes my prepared statement. I would like now to ask Administrator Oberlin to review the financial problems in more detail.

Senator HARTKE. You may proceed, Mr. Oberlin.

Mr. OBERLIN. Mr. Chairman, Senator Hart, this is my first appearance before you since my confirmation and it is a pleasure to return.

As Under Secretary Beggs has indicated, the financial problem of the Seaway Corporation to which S. 3137 is addressed is quite complex. We are presently operating under a statutory requirement that the debt of the Corporation (currently about $155.9 million) be paid off by the year 2009. There is a serious question whether this can be done if the current traffic trends continue. I would like to emphasize that each year the Corporation has paid its administrative, operations, and maintenance costs, and no appropriations have been devoted to meeting such costs. However, the balance of the seaway revenues, which are derived from tolls imposed on cargo, have not been sufficient to retire any of the debt incurred in constructing the system or to pay all of the interest as it has become due.

Let me outline the current status of the finances. At the end of 1969, the Corporation's capital debt was $155.9 million, consisting of $133.6 million in bonds and $22.3 million in deferred interest. The debt includes $9 million in extraordinary costs to rehabilitate the Eisenhower Lock, none of which was contemplated at the time the Corporation was established. In 1969 revenues from tolls amounted to $5.9 million, none of the bonded debt was retired and $3.1 million in interest was deferred. The debt has grown from $123.8 million in 1959 to $155.9 million in 1969. Obviously, great strides are necessary to achieve traffic levels so that the goal of paying off the indebtedness within the statutory time period can be accomplished.

A number of alternatives to this problem are being carefully considered. However, we cannot discuss these alternative solutions now in any detail because of the existing agreement with Canada respecting the division of toll revenues for the total seven-lock system. At present we divide these revenues with Canada on a 27 percent (to the United States—73 percent (to Canada) basis—an arrangement tied to an agreement that the division must be based upon relative Canadian and United States annual charges, which include retirement of, and interest on, the debt, as well as operating and maintenance charges. Since forgiveness of any portion of the debt affects the charges which are the basis of the division of revenues under the existing agreement, any action in this regard should be preceded by a new agreement with Canada as to the division of revenues.

Discussions with Canada are due to begin soon respecting the arrangement for the division of charges. Undoubtedly those discussions will also involve the proper levels for tolls, a matter which must be dealt with carefully because of the effect of tolls on both the traffic and revenues of the seaway. As Mr. Beggs has indicated, it would be premature to consider legislation such as S. 3137 until we have held discussions with the Canadians on the broad issues involved.

Senator HARTKE. Gentlemen, I want to say I am very disappointed. I think you made absolutely no contribution to these hearings whatsoever. That is very sad. If it were because you did not understand the purpose of the hearings then I could excuse it. But that is not the case. The Department of Transportation was asked to come here to help us deal with the problems of one of the most important transportation systems of the United States of America. It is an important part of our national transportation system. It has many problems. You admit it has problems. We have been talking about them this morning. But the only problem to which you even refer, is the one concerning the debt. Even on that you have recommended no action whatsoever.

Not one single positive recommendation was made. The only plea is that you are conducting negotiations with Canada and therefore it is premature to discuss the problems with us. Although you have to discuss them with a foreign government, you cannot talk to your own Congress about them.

I have a series of questions which I would like to ask you. I wonder whether or not you understand what the Congress is trying to do. It is not trying to embarrass the Department of Transportation. We are not trying to do anything except come up with some solutions to what we consider to be serious problems.

We want you to talk about what you want to do. What is there that you cannot tell the Congress but which you can discuss in detail with a foreign government? After all, is it some question of national defense, of security? Can either one of you tell me what there is about this that must have this shroud of secrecy of a cloak and dagger operation about it? Is the CIA involved or something to that effect?

Mr. BEGGS. Let me try, Mr. Chairman, and then I will defer to the Administrator.

The negotiations in the past with the Canadians have been quite difficult. They are tough bargainers and we should expect nothing different than that from the Canadians since they have a great deal of money invested in this project.

The last time we negotiated with them they wanted to raise the tolls and in the settlement that was reached on the basis of that negotiation we lost two percentage points in the split of the tolls. That lowered our share from 29 percent to 27 percent. This, of course, has resulted in putting us even further behind in covering the interest charges on our bonded indebtedness. We expect equally tough negotiations this time.

The issue is further complicated by the fact that the Welland Canal, which is wholly within Canada and operated by the Canadians, has been subject to the imposition of increased lockage charges since that last negotiation. We would like to go into that negotiation in the hopes of reaching a permanent agreement on the division of revenues—rather than having to negotiate the matter every few years.

This problem, of course, is complicated by reason of the fact that the Canadians also have been having financial troubles on their side of the border and though the mandate from the Canadian Parliament respecting the coverage of their charges is framed in terms of the word "may," the Government has interpreted this to mean that, insofar as they can, they are obligated to cover their debt. This has meant that as a general rule they have favored higher tolls, and as has been stated several times, studies on their side of the border as well as ours indicate that the toll structure for the seaway at least to some extent, is unimportant in terms of traffic generated.

Now, I do not think we believe this completely, however, there is some evidence that the demand is inelastic here and there is a problem related to this question of whether an increase in the tolls would result in a substantial decrease in tonnage.

What I am trying to say is that the Canadians have negotiated hard on the basis of their expenses and they have thrown onto the table the point that they are not covering their interest payments nor are they retiring any of their principal. We would like to go into that negotiation with a position that would allow us to counter that we are in a similar position in this country. In that way we could at least start off on an equal basis.

That, very simply, is the way I view it and it is why we would prefer not to have a strictly determined formula made a part of this negotiation.

Senator HARTKE. Let me point out first, that Senator Mondale has testified here on one bill. But as you well know, this committee advised you that it was not going to be restricted to the terms of this one bill, but that it was concerned with many issues. You did not even give us any discussion of all the other important and directly related problems.

Eight months ago, Mr. Beggs, you made a statement to the New York Times which was quoted on June 22, 1969. You said that as to the condition of the seaway, there were three alternatives: first, you could raise the tolls; second, go before Congress to seek refinancing; or third, seek a new format for operating the seaway. You capped that all off by saying that action must be taken immediately, and must be completed before 1971. However, there is nothing in the budget about it, no reference to it.

I do not know if you submitted anything to them. Did you?

Mr. BEGGS. To the Bureau of the Budget?

Senator HARTKE. Yes.

Mr. BEGGS. Yes, sir; we did.

Senator HARTKE. And you were knocked out, is that it? Are they the culprits in this operation?

Mr. BEGGS. No. sir; we have not been knocked out. We have been reviewing the situation with the Bureau of the Budget.

Senator HARTKE. The message is here and there is nothing in it about it. What happened to it?

Mr. BEGGS. Mr. Chairman, I think the issue of whether there is a position or not is strictly related to the forthcoming negotiations.

Senator HARTKE. Is it accurate to say that as far as your statement that action had to be taken before fiscal 1971, there is no longer a possibility that that will occur? Is that correct?

Mr. BEGGS. That is correct.

Senator HARTKE. All right. And yet you said it was "urgent" and that action must be taken within that time?

Mr. BEGGS. I think the words "urgent" were the newspaper's words, not mine, but nevertheless, I did feel at that time that we would have to come up with a position on this. We have not been able to.

Senator HARTKE. Let me come back to your statement. I want to show you one of these rhetorical expressions which seem to be so popular now. You say "these include the possibility of extending issues shipping season" and identify that as one of the important issues associated with the seaway's growth. Then you come back with the rejoinder and the disclaimer, "however, we caution against jumping to conclusion." As you well know, you might as well have said nothing.

Is there a report or a study that has been made by the Army Corps of Engineers dealing with the extension of the shipping season?

Mr. BEGGS. Yes, there is.

Senator HARTKE. Why do you not tell us about it? Is it secret? Do we have to go to the corps to get it? Did you ask them to do it and report it to you?

Mr. BEGGS. No, sir.

Senator HARTKE. Is that the secret that could not be talked about to us?

Mr. BEGGS. It was not done for us. The corps is continuing to study the whole problem of shipping on the lakes.

Senator HARTKE. What conclusions have you drawn from those studies?

Mr. BEGGS. Well, I do not think that we have drawn any conclusions as of this point. I think we have gotten some ideas. The Coast Guard, of course, has been heavily involved in this effort. I think we feel that it gives promise of being able to extend the shipping season and I think we did extend the shipping season this year. I defer to the Administrator on that.

Mr. OBERLIN. Yes, we did.

Mr. BEGGS. I think our general feeling is that we can continue to extend the shipping season. Whether we can extend it year around, of course, is open to great question, but their technology is progressing here and I think there is some promise that we can make it considerably longer. But I do not think that we have drawn any definitive conclusions of how this would be done in any frame of time.

Senator HARTKE. Was the Army Corps of Engineers' study of any value to you whatsoever?

Mr. BEGGS. I would like to defer to the Administrator.

Mr. OBERLIN. I think it has a great deal of value. The conclusion of the Army Corps of Engineers report basically was that further work should be done by the International Joint Commission since this was a joint venture, because obviously both Canada and the United States must get together on any essential decision.

Their conclusion was that we should work each year to extend the season bit by bit rather than trying to tool up for a major effort to get the season extended, because of the factors that are involved.

For example, most of the lake vessels which carry ore are not equipped for winter operation at the present time. They are not ice-strengthened. The crews are not used to working in the dead of winter and there is a great deal of experience to be gained as to how to operate these vessels. There is also a great deal of work to be done to strengthen the vesesels and this must be done by the vessel operators. The corps pointed this out.

Their suggestion was that, particularly in the lakes, the extension of the season be worked on year by year. At the same time, however, they suggested that the larger question of getting the seaway open and the Great Lakes open as long as possible be studied by and under the auspices of the International Joint Commission.

Senator HARTKE. All right. Here is another omission. Can you tell me the results of the recent experiment developed by the Military Sea Transportation Services to determine the cost effectiveness of seaway shipping for governmental cargos?

Mr. OBERLIN. In general, I can relate my understanding, but we have not been advised of the final results by the Department of Defense.

Senator HARTKE. I understood that whole study was done and completed. Is that right, Mr. Beggs?

Mr. OBERLIN. I believe, sir, they will not release their report until next week. That is my understanding.

Senator HARTKE. Do you have advance copies of their report?

Mr. OBERLIN. No, sir.

Senator HARTKE. Nothing, whatsoever?

Mr. BEGGS. No.

Senator HARTKE. When was it due, do you know?

Mr. OBERLIN. No, sir; I do not.

Senator HARTKE. Do you think that is important to know?

Mr. OBERLIN. Yes. I think it is very important. I think it is a very important study.

Senator HARTKE. Is that not an important part of your operation?

Mr. OBERLIN. Yes, sir.

Senator HARTKE. Would you think it would be important to try to put these things together if you know you are going to come here to try to help us solve one of the problems of a major part of the transportation system of the United States?

Mr. OBERLIN. Senator, I would like to make clear the fact that we have been—and I personally have been—discussing this with people from the Department of Defense, but I have not seen the final figures. To my knowledge, there was no date set for the report release.

Senator HARTKE. Well, did you think you might ask them?

Mr. OBERLIN. Yes, sir they have been asked.

Senator HARTKE. Would they not be courteous enough to give you a reply?

Mr. BEGGS. There may have been a misunderstanding here. It was my belief that the committee would be asking the Department of Defense directly for that information, and also that the Corps of Engineers with respect to their findings on their report.

In view of the fact that we were coming up here, we should have checked on this. It was an oversight for which we apologize.

Senator HARTKE. All right. What about the new maritime program which is pending before another subcommittee of this committee? Also, it is my understanding that the House committee has commenced their hearings already. So certainly you ought to be prepared to make some kind of comment upon that at this time.

This new maritime program has been criticized in that it provides nothing for Great Lakes shipping. How do you respond to that? Do you feel that it should or should not? What is the position of the Department of Transportation on that?

Mr. BEGGS. We have no—the problem here, as I understand it, is related to the subsidy, and my understanding is that—and the Administrator may want to comment further on this—the subsidy provision does not specifically discriminate against the Great Lakes, although in its operation it undoubtedly would. That is to say, there is nothing specifically written into the act that is discriminatory against the Great Lakes but in view of the fact that the size of the ships is limited in the lakes it would, of course, in its operation discriminate against the shipping in the Great Lakes.

Senator HARTKE. Do you recommend that the program include some smaller ships? As you have indicated, it only applies to the larger ships. Have you made any recommendations that it be applied to smaller ships that would be working on the Great Lakes?

Mr. BEGGS. No, we have not.

Senator HARTKE. Do you have a position? Let me ask you for a yes or no. Do you or do you not have a position?

Mr. BEGGS. Our position is embodied in the administration bill.

Senator HARTKE. The bill in the operation discriminates against the Great Lakes, and you are in favor of discrimination; is that what you are saying?

Mr. BEGGS. Insofar as that bill goes, yes, sir.

Senator HARTKE. Do you think that is fair to the heartland of America? Do you think it is fair that you discriminate against one section of the country?

Mr. BEGGS. Well, I guess I have got to look at it in a little bit different way, Mr. Chairman. Fairness to one part of the country or another is perhaps an issue that should be covered under a maritime program, I do not know, but it is a matter of public policy. This particular bill was drawn as an aid to our maritime industry.

Senator HARTKE. Do you not consider——

Mr. BEGGS. In view of the fact that this was the first initiative that has come forward in quite some time and in view of the fact that we have on our hands here a very sick industry, the administration proposal was seeking to use the money and use the initiative that was embodied in that bill as quickly as possible to make the American merchant marine somewhat more competitive in world markets, so it was in that sense directed toward the larger ships where competition is the keenest.

Senator HARTKE. In other words, the Great Lakes system seems to be the sucker fleet?

Mr. BEGGS. I do not think I said that.

Senator HARTKE. You are subsidizing parts of the maritime industry and you are not going to subsidize any part of that that deals with the Great Lakes. That is, in fact, what you have said is the administration's recommendation, is it not true?

Mr. BEGGS. In the operation of the bill, yes, sir.

Senator HARTKE. How old is the average—what is the average age of the fleet in the Great Lakes? Do you know that?

Mr. BEGGS. I think it is quite old. I did have that number at my fingertips. Thirty years or more.

Senator HARTKE. Over 50 years?

Mr. BEGGS. Yes, sir.

Senator HARTKE. Here you have this distinct fact before you and you can take a policy and endorse a policy which says that you are not going to modernize that Great Lakes fleet—even though it is 50 years old—simply because of the size of the ships? How do you really see that you are going to generate any additional tonnage for what you are going to generate any additional tonnage for what you consider a very urgent problem of our transportation system, when you completely are giving different atention to one part of shipping as contrasted to that which is in the Great Lakes area?

Mr. BEGGS. It is not really fair to compare the age of the Great Lakes fleet to the salt water fleet, although I think it is a pertinent point.

Senator HARTKE. Why is it not fair? Why is it not fair when Senator Hart indicates and the geography indicates that it is closer from Detroit to Liverpool than from Baltimore to Liverpool? Why is it not fair to give us consideration?

Mr. BEGGS. If I may finish the first statement, in the first place, while the hulls are 50 years old, the ships have been modernized in terms of machinery and equipment used thereon. A ship hull operating in fresh water, of course, is not subject to the same kind of corrosion as it is when exposed to salt water, and so the age factor is not complete determinative of whether the fleet is modern or old aged.

I admit 50 years sounds awfully old but my understanding is that those ships have been modernized from time to time. Now, I am not suggesting that further modernization is not required. I think it is. But it is not quite the same problem as when you are dealing with ships that are operating in salt water.

Senator HARTKE. Let me ask you a question. Do you believe that the act of 1936, which deals with tax deferred capital reserve funds for the merchant marines, should or should not be extended to Great Lakes operators?

Mr. BEGGS. That is a question that goes quite deeply into public policy. I cannot answer that.

Senator HARTKE. Sure it is a question of public policy. What do you think the Department of Transportation deals with? You are dealing with the public transportation system.

Mr. BEGGS. I do not think this——

Senator HARTKE. I am sure you have to make decisions. That is why I do not like these rhetorical disclaimers. If there is one thing that you have to do—if there is one thing the Government is frequently criticized for—it is the fact that it does not make decisions and they just go into limbo. All I am asking is a very simple question.

Do you think the Great Lakes operators are entitled to the tax deferred capital reserve funds treatment of the Merchant Marine Act of 1936? Do you think they should be excluded or included?

Mr. BEGGS. So far as I know, there have been no—this has never been a burning issue. That is, the Great Lakes operators have never applied for this kind of treatment.

Senator HARTKE. But you have said very definitely here that this is an urgent issue.

Mr. BEGGS. The matter of the seaway, sir.

Senator HARTKE. That is just a matter of financing. The rest of the problems in the Great Lakes are not relevant or important in your view?

Mr. BEGGS. That I did not imply, but my comments some months ago were directed to the seaway.

Senator HARTKE. Let me ask you, is it not a fact of life that if you are going to subsidize one portion of the merchant marine which is in competition with that in the Great Lakes that that is relevant to this problem, too, as to whether or not ships would utilize the Great Lakes and seaway?

Mr. BEGGS. As I stated before, sir, whether they are in competition with one another, which is true, was not a consideration in this particular bill which was sent forward. The question here was that we had a rapidly deteriorating industry in our merchant marine and it was necessary to do something quickly to try to revitalize that industry. That was the reason for it. I am sure that the Congress in their wisdom will have to decide whether the program the administration has advanced discriminates against one part of the country or another.

Senator HARTKE. I would say this. It would be much easier for us if you would come forward with a balanced bill instead of putting us in a position of having to fight the administration to receive equity. Do you not really think we are entitled to equity?

Mr. BEGGS. Yes, sir. But you know we are not going to be able to consider every issue that we send forward——

Senator HARTKE. The President made it very clear on the veto message on the HEW bill that he did not want to help one part of the Nation without helping the other; is that right?

Mr. BEGGS. That is what he said; yes, sir.

Senator HARTKE. I want to apply this universally if we are going to apply it in one field. My understanding is that railroads will only quote domestic rates for shipments to Great Lakes ports rather than the cheaper export rates they supply for the Atlantic ports. Have you conducted any studies or made any decisions or made any recommendations concerning this serious problem?

Mr. BEGGS. No, we have not made any recommendations. As you know, the rate setting function and rate review function is with the ICC. We would be, I think, willing to commence such a study and try to find out—of course, the question of discrimination you raise and the question of whether they are competitive or not is a matter of law with the ICC and it is also a matter of fact. So a study could be conducted in this area to find out whether such discrimination does exist under the law, but I think the question is more properly directed to the Interstate Commerce Commission.

Senator HARTKE. Do you not think that it is the responsibility of the Department of Transportation to give consideration to the total operation of developing a national transportation system?

Mr. Beggs. Yes, it is, and I think, as I said, we would be willing to commence such a study.

Senator Hartke. Do you plan to conduct such a study?

Mr. Beggs. We have no plans right now; no, sir.

Senator Hartke. Do you think you might have some?

Mr. Beggs. Yes, I think we probably will.

Senator Hartke. When?

Mr. Beggs. Within the limitations of our appropriated funds and manpower. Hopefully, this coming year.

Senator Hartke. By "this coming year" you mean 1970?

Mr. Beggs. Well, I was referring to fiscal year 1971, sir. It is not currently programed in our fiscal year 1970 appropriations.

Senator Hartke. You mean by June 30, 1972?

Mr. Beggs. Well, by June 30, 1971.

Senator Hartke. Yes, by 1971. All right. In other words, we can expect that this committee will have available to it, and you will have completed and conducted a study dealing with this problem of the difference between the domestic rates for rail shipments to the Great Lakes ports versus export rates for the Atlantic ports?

Mr. Beggs. Yes, sir.

Senator Hartke. Now, have you conducted a study of the effect of section 22 railroad rates on seaway shipping?

Mr. Beggs. No. sir.

Senator Hartke. Do you plan a study?

Mr. Beggs. No. sir.

Senator Hartke. Why not?

Mr. Beggs. Well, I think that could properly be incorporated in an overall study of this issue.

Senator Hartke. Well, then, you would include it?

Mr. Beggs. Yes, sir. I think it could be included.

Senator Hartke. What about the longhaul-shorthaul discrimination, would that be included?

Mr. Beggs. That definitely would be included in the previous study, yes.

Senator Hartke. Do you not think these things are——

Mr. Beggs. We have taken a look at this, although not in great detail, and while it does appear that there perhaps is some discrimination here, it is not real clear whether discrimination exists under the law.

Senator Hartke. Can you tell me what percentage of the total foreign inbound cargo out of the Great Lakes region is Government-generated and therefore subject to the cargo preference laws?

Mr. Beggs. I think Mr. Oberlin might be able to more appropriately answer that. The number fixed in my mind is something in the order of—going out of the Great Lakes—1½ percent or so——

Mr. Oberlin. Less than that, less than 1½ percent.

Mr. Beggs. Less than 1½ percent.

Senator Hartke. Do most agencies, in their administration of the cargo preference laws, lump together the Great Lakes and Atlantic ports to determine the availability of American bottoms?

Mr. Oberlin. That has been their past practice, yes.

Senator Hartke. Have you conducted a study to see what the effect of that is upon the seaway?

Mr. OBERLIN. No, sir; we have not.

Senator HARTKE. Do you think that would be important?

Mr. OBERLIN. That is an important factor, yes, sir.

Senator HARTKE. Let me ask you. Do you believe that there should be tolls of any kind, whatsoever, on the seaway?

Mr. BEGGS. Yes, sir; I do.

Senator HARTKE. Why?

Mr. BEGGS. Well, the administration position is clear on this, and I sort of hesitate to advance it because Senator Hart said I would be out of my mind——

Senator HART. I said anybody who proposed a toll on the Delaware would be viewed as out of their mind.

Mr. BEGGS. We have sent up a bill to impose user charges on the waterways.

Senator HARTKE. If you do not get it on the rest of the waterways, if that fails, are you going to recommend that the tolls be taken off the seaway? Do you think it should be treated in the same fashion as far as the seaway is concerned? In other words, do you feel that the St. Lawrence Seaway should be given equal treatment with the rest of the waterways? Take the famous Delaware River that we have before us now. I was not born in Philadelphia.

Mr. BEGGS. We have a congressional mandate at the present time. Whether we recommend that be changed or not, I think, is really subject to a number of questions, one of which is whether the Canadians would be willing to go along with it.

Senator HARTKE. Why not urge the Canadians to drop the tolls, too? What if we did that? Isn't it possible for you to have an opinion without regard to what Canada thinks?

Mr. BEGGS. Not in this case, no, sir.

Senator HARTKE. You cannot? They are going to have their opinion, but we cannot have ours?

Mr. BEGGS. Five-sevenths is their part of it.

Senator HARTKE. I am not talking about a decision; I am talking about an opinion.

Mr. BEGGS. At the present time I would not recommend that the tolls be removed.

Senator HARTKE. Why?

Mr. BEGGS. Because I am not yet convinced that the tolls really cut down the amount of cargo that moves through the seaway. If I became convinced that this was elastic to the extent that if you eliminated the tolls you would very dramatically increase the amount of tonnage that moved through the locks and through the seaway, then I think I would come to that conclusion, but I am not yet convinced that that situation exists.

Senator HARTKE. Is there a logical——

Mr. BEGGS. I am certainly in favor, Mr. Chairman, of doing everything necessary to enhance the economy of our Midwest and mid-continent area.

Senator HARTKE. Is there any logical reason why there should be a difference in tolls; any logical reason, I am not talking about the law, why there should be tolls on the seaway and not the Delaware River or any other waterway of the United States?

Mr. BEGGS. Well, the only thing I can advance on that is the same argument that Senator Tydings advanced, that it is an international waterway like the Panama Canal, if you will, in some respects, and in this context a toll structure is traditional.

Senator HARTKE. Let me ask you a question of interpretation. Do you believe that if we forgave the debt of the Corporation at this time, that would trigger automatically a reallocation of the tolls?

Mr. BEGGS. No, not automatically, no sir; but it would be an element in the negotiations.

Senator HARTKE. Well, was not the division of tolls changed in 1967 without respect to change in investment?

Mr. BEGGS. I will let the Administrator answer that. He is more familiar with that than I.

Mr. OBERLIN. The percentage split was changed but there was a new agreement made. The toll increase had been recommended for consideration by both Governments. The United States opposed it. The change in the percentage split was more or less a quid pro quo for retention of existing toll levels.

Senator HARTKE. It was changed without regard to a change in investment; was it not?

Mr. BEGGS. That is correct.

Mr. OBERLIN. That is correct.

Senator HARTKE. Was not the moratorium on the tolls agreed to several years ago, precisely so the United States could review its position?

Mr. OBERLIN. I am not certain that——

Senator HARTKE. Let me tell you that it was, so you do not have to be certain. I will tell you it is certain, and I guarantee that this makes you exactly 100-percent right. Now, in view of all this, you still have no position; is that right? You come here with no position whatsoever?

Mr. BEGGS. I am afraid that is correct.

Senator HARTKE. I have no further questions. Senator Hart?

Senator HART. I would be so bland after that examination it would not be any fun. I just want to say that my chairman is most effective in voicing the concerns of those of us in the Great Lakes Basin.

Mr. Secretary, I want to indicate that at least this member of the committee has complete confidence in your Administrator. Mr. Oberlin has lived with many of these problems and until he put on the bureaucratic vest of inhibition, he had very strong opinions about every question Senator Hartke raised. I am hopeful that given that background he can persuade you to come to the point of view that most of us on the committee have about most of these problems.

Senator HARTKE. It has reached the hour of 12:30. I am going to suggest to you gentlemen in very pleasant, bland terms that I would like you to come back. I want you to give some thought to, and have some definitive statements for us concerning this very important part of your responsibilities. When can you come back with something which could be helpful? I want you to name your own timetable, within limits, that is.

Mr. BEGGS. Mr. Chairman, to give you a date right now would be risking having to disappoint you again, which I do not want to do.

Senator HARTKE. Let me say you are not going to disappoint me again. If you have no interest in the Great Lakes, if you have no interest in helping us to meet a very serious problem in the country, then I will just say to you that I am very much disappointed and I shall no longer feel obligated to even ask you to come before this committee for future testimony. If you do not intend to make any contribution whatsoever, and have no time at which you can tell us you will make any contribution, it wastes our time and yours for you to come here. We will try to proceed without you.

I am disappointed that you have no interest in this of a sufficient nature to really be of help to this committee. We have asked for your cooperation. We have asked you to come once. I even said I would be willing to give you, within limits, some time. But if you have no interest in being of any help to us, then there is no sense in our asking you to come back. We will just dispense with any further requests.

Mr. Beggs. I would not like that interpretation to stand in the record, Mr. Chairman. We do have an interest in this. We do have a desire to formulate a position which will result in a sounder financial base for the seaway. It is the intent of this administration to come forward with an initiative on financing the seaway and while I think that there is some necessity for doing this in the near term we are under no financial penalties for not doing so. The debt comes due, to be sure, but it is refinanced as it comes due, so there is no financial urgency in this.

I think the urgency, if it exists, exists because we do have a problem with a foreign government as well as a problem of making sure that we have a sound base for this operation for the future, so it is our intent to come forward. But very frankly, we are having some difficulties in making up our minds just exactly the way we want to go and we do have the problem—and it is a very real problem—of entering into negotiations with the Canadians. I would hate to come back to this committee next year and say that in those negotiations we lost a further percentage in the division of revenues.

But I can give your committee a date just as soon as I have a chance—I would say that by the end of next week I will know pretty well whether we have a firm position that we can disclose to you or not.

Senator Hart. Mr. Chairman, I wonder, putting aside the question of negotiations with Canada and the extent to which that would inhibit the Department, if the Secretary could suggest when the Department might come in here and respond to those other problems that the chairman enumerated, for example, section 22? There was no mention made, but how about support of some promotion money for the seaway? What about the users' studies? What about that defense cargo treatment? What about subsidy, for both construction and operation, as a part of the new maritime program?

Senator Hartke. Yes.

Mr. Beggs. I can say right now we would support promotional activity by the seaway. I think that is logical. The question of subsidy is a broad one which requires serious consideration by the administration. It obviously has to be considered from the financial standpoint by the Treasury and others. But there are certain questions I think we can answer reasonably quickly. There are others that are going to take time to develop.

Senator HARTKE. Well, let me say that we are not going to be able to complete the rest of this witness list this morning anyway. We have two more witnesses. Mr. Leonard J. Goodsell, from Ann Arbor. I would like to cover him since he is from out of town. We will try to do that and proceed with Mr. McCarthy at a later date.

At this time we will hear from Senator Spong, a member of the Commerce Committee.

STATEMENT OF HON. WILLIAM B. SPONG, JR., U.S. SENATOR FROM VIRGINIA

Senator SPONG. I am pleased to have the opportunity to submit my views on S. 3137 which would cancel the St. Lawrence Seaway Development Corporation's $148 million debt to the United States.

The sponsors have been very clear about the objective of this bill, which is to avoid any increase in seaway tolls. As they now stand, there is no question that these charges are inadequate to meet the seaway's basic obligations, a fact which was recognized as far back as 1966 by both the United States and Canadian seaway agencies. Unfortunately, this Government refused to go along with their recommendations for a 10-percent increase and as a result the seaway today is in even more serious financial difficulty. Almost certainly, the agencies will recommend substantial toll increases at their meeting later this year.

The question posed by S. 3137 is whether this country should unilaterally preclude such increases by canceling the indebtedness of the Corporation. I take the position that it should not, and in support, I offer the following reasons:

1. The St. Lawrence Seaway was intended by the Congress to be self-supporting. Public Law 358, which authorized U.S. participation in construction and operation of the waterway, specifically required that tolls should be set at a level sufficient to cover all costs of operation and maintenance and to amortize the principal of the debts and obligations of the Corporation over a period not to exceed 50 years. Despite this clear mandate, tolls in the Seaway today are unchanged from what they were when the waterway went into operation 10 years ago. It is not a case of toll increases having been tried and found wanting; they simply have not been tried at all. I believe that the Congress has a right to demand that the seaway make an effort to be self-supporting before consideration is given to the cancellation of its debts.

2. Proponents of this legislation have argued that an increase in tolls would discourage shippers from using the seaway. This contention is contrary to the 1965 study of the Stanford Research Institute which concluded that moderate changes in tolls would have little if any influence on seaway traffic. It also leaves unexplained the decline in seaway cargo volume from a high of about 49 million tons in 1966 to 41 million today during a period of constant toll charges.

Clearly, factors other than toll rates are responsible for this decline. Some of these are suggested by the following excerpt from a 1969 Library of Congress report:

> A number of factors were responsible for this apparent lag. In 1959 only the seaway proper could assure shippers of a maintained 27-foot channel depth. Connecting channels between the Great Lakes and most of the many harbors

ringing the Great Lakes were of lesser depths, unable to efficiently utilize shipping capable of negotiating the seaway's 27-foot channel.

Many harbors also lacked such proper facilities as berthing space, cargo-handling equipment, ships' services, dockside connections with rail and trucking lines. Freight-forwarding services, financing services, and many other necessary adjuncts of trans-seaway or overseas commerce were either lacking or in embryonic stages of development. It takes time to develop them, in addition to the necessity to develop the demand for them once the fact of the availability of the seaway was appreciated.

Strikes in several key industries such as the iron and steel, longshoremen, and lock operators also had an effect.

These problems will not be solved by avoiding a toll increase. On the contrary, the lack of adequate revenues will hinder the kind of developments that must take place if the seaway is ever to compete successfully with other ports.

3. Seaway tolls are determined jointly by the United States and Canada with each country able to exercise a veto over any proposed change, as indeed the United States did in 1966.

Enactment of this bill would almost surely lead to another U.S. veto of any proposed toll changes which result from this year's review. I believe this country has an obligation under its agreement with Canada to consider Canadian interests in the seaway which are much larger than our own. Certainly, we should not take a unilateral action which would preclude that country from realizing its own objectives.

In conclusion, I want to make clear that I am not unsympathetic to the present financial plight of the Seaway Corporation. However, I believe there are more constructive ways of meeting its problems than simply writing off its debts. Until these are given an honest trial, I will oppose the kind of action being considered here today.

Thank you, Mr. Chairman.

Senator Hartke. Thank you, Senator Spong. We will now hear from Mr. Leonard J. Goodsell, the Executive Director of the Great Lakes Commission. You may proceed, sir.

I want to welcome the distinguished man from the great State of Michigan.

Senator Hart. May I introduce Colonel Goodsell, not mister. He is indeed a figure in our State.

STATEMENT OF LEONARD J. GOODSELL, EXECUTIVE DIRECTOR, GREAT LAKES COMMISSION; ACCOMPANIED BY JOHN McWILLIAMS, GENERAL MANAGER OF TOLEDO-LUCAS PORT AUTHORITY; AND CURTIS G. BECK, REPRESENTING THE ATTORNEY GENERAL OF THE STATE OF MICHIGAN AND THE DEPARTMENT OF COMMERCE FOR THE STATE OF MICHIGAN

Mr. Goodsell. Mr. Chairman, members of the committee, ladies and gentlemen, my name is Leonard J. Goodsell. I am Executive Director of the Great Lakes Commission.

The Great Lakes Commission is pleased to appear before the committee, present views, and discuss with you the St. Lawrence Seaway Act of 1954 and possible amendments thereto, and S. 3137. My statement is made on behalf of the Great Lakes Commission and the Great Lakes Task Force.

With me today in support of this bill is Mr. John McWilliams on my extreme right here, who is general manager of the Toledo-Lucas Port Authority; and on my immediate left is Mr. Curtis G. Beck, representing the attorney general of the State of Michigan and also the department of commerce for the State of Michigan. Mr. Frank J. Kelley, the attorney general, has sent Mr. Beck down here with us.

In addition to that, we have in the room with us here—he is not at the table—Mr. Clinton Green from Indianapolis, Ind., and he is representing the Indiana Port Commission here today. Mr. Tom Wilcox represents the Great Lakes Terminals Association.

As a matter of interest, Mr. Chairman, we also have one of our friends from Canada here who is very much interested in this overall situation.

The Great Lakes Commission has served for 14 years as the advisory and recommendatory agency for the Great Lakes States of Pennsylvania, New York, Ohio, Indiana, Illinois, Michigan, Wisconsin, and Minnesota on regional water resources matters. Within the Great Lakes Commission we have five standing committees: (1) seaway, navigation, and commerce; (2) pollution control; (3) water resources, (4) fisheries and wildlife; and (5) shoreline use and recreation. These committees indicated the broad interest of the Great Lakes Commission in water management, the development of a quality environment for the region, and the orderly development of the Great Lakes region, midcontinent North America, and the Nation.

The Great Lakes Commission is vitally interested in the matter before this hearing today. At the annual meeting of the Great Lakes Commission, November 19, 1969, the commission adopted a resolution expressing its support for Senate bill 3137, 91st Congress, first session, which would convert present indebtedness of the St. Lawrence Seaway Development Corporation to an interest-free loan; have the Corporation defray operating, maintenance, and administrative costs from toll revenues; and, at the end of each fiscal year, pay the remaining moneys to the Treasury of the United States to reduce the face value of the loan.

The Great Lakes Task Force, which includes in its membership the Council of Lake Erie Ports, the Great Lakes Commission, the Great Lakes Terminals Association, the International Association of Great Lakes Ports (U.S. section), the International Longshoremen's Association (Great Lakes district), and the U.S. Great Lakes Shipping Association, strongly supports and recommends enactment of S. 3137.

Mr. Chairman, there are many in the Great Lakes region who would want to present testimony on this bill, and I have been requested to bring this interest to your attention and to recommend that your committee hold regional field hearings.

U.S. WATERWAY POLICY

Historically and traditionally the policy of the United States has been to construct and maintain waterway facilities, including navigation aids, for the beneficial use of the public generally.

Alexander Hamilton was concerned with a fear of sectional discrimination in the use and development of our waterways.

George Washington, Richard Henry Lee of Virginia, and Nathan

Dane of Massachusetts were leading advocates to assure "freedom to navigate the waters for all inhabitants of the United States" and were instrumental in establishing the "forever free" U.S. policy for the use of the navigable waters leading into the Mississippi and the St. Lawrence.

The Northwest Ordinance of 1787 states:

> The navigable waterways leading into the Mississippi and St. Lawrence, and the carrying places between the same, shall be common highways, and forever free, as well as to the inhabitants of the said territory as to the citizens of the United States and those of any other States that may be admitted into the Confederacy without any tax, import, or duty therefor.

Subsequently, this policy has been extended and enlarged to include the many waterways of the United States.

The Rivers and Harbors Act of 1909 states:

> No tolls or operating charges whatever shall be levied upon or collected from any vessel, dredge, or other watercraft for passing through any lock, canal, canalized river, or other work for the use and benefit of navigation, now belonging to the United States or that may be hereafter acquired or constructed.

Many of the navigation improvements within the United States were made possible through Federal land grants, with the trend toward reduction or elimination of any tolls or user charges always being paramount.

The first general prohibition of "tolls or operating charges whatsoever" for all navigation improvements belonging to the United States was in the act of August 2, 1882 (22 Stat. 209). This general prohibition was restated in the Rivers and Harbors Act of July 5, 1884 (23 Stat. 147).

Section 6 of the Rivers and Harbors Act of March 3, 1909, provided for the reconstruction of Federal navigation facilities such as lock and dam replacements, and provided that any navigation improvements thenceforth acquired or constructed by the United States would also be free of tolls, except the Panama Canal.

The St. Marys Falls Canal (our famous Soo Locks) and appurtenant public works were donated by the State of Michigan, and the Rivers and Harbors Act of June 14, 1880 (21 Stat. 189–90) authorized the Secretary of War to accept, operate, and maintain the canal on a toll-free basis.

Tolls on the lower Monongahela River were abolished by the Rivers and Harbors Act of June 3, 1896.

Historically, as the Federal Government appropriated and contributed funds for improvement of navigational facilities, privately and federally owned, provision has been made for abolishment or nonimposition of tolls. Some such are:

- Cape Fear River from Wilmington to Fayetteville, N.C.
- Upper Monongahela River, Pennsylvania and West Virginia.
- Black River, N.C.
- Mouth of the Brazos River, Tex.
- Puget Sound-Lake Washington Canal, Wash.
- Des Moines Rapids Canal, Mississippi River, Iowa.
- Arkansas Pass and Bay, Tex.
- St. Lawrence River, N.Y.
- Red River, La.
- Cumberland River and South Fork River above Burnside, Ky.
- Snake River, Alaska.

Other toll-free navigation improvements include the Chesapeake Delaware Canal, costing over $130 million, project for deepening channels in Baltimore Harbor to 40 feet costing over $100 million and many, many more.

It has been pointed out that the St. Lawrence Seaway is an international waterway. It is, in the sense that the route leads through a portion of Canada; but its ultimate use is to serve Chicago, Detroit, Port of Indiana, Milwaukee, Cleveland, Toledo, Buffalo, and many other, including Canadian, ports.

The Rivers and Harbors Act of 1954 in effect prohibited collection of tolls or operating charges for the use of any canal or other improvement of navigation belonging to the United States.

The national policy of encouraging development and improvement of waterway transportation facilities has long been established, and the resulting lower transportation costs effected by such improvements have permitted the savings to be passed on to the general public through lower prices of products. Waterborne transportation availability promotes competition within the transportation field and stimulates trade.

When the present-day St. Lawrence Seaway legislation was enacted (act of May 13, 1954), the Congress departed from the historic and traditional policy of waterways free from tolls and user charges. Congress passed the law with toll payments, amortization, and operating and maintenance cost provisions, because other segments of the transportation industry and areas or regions of the country insisted on these provisions. The Great Lakes region was forced to accept these provisions at that time, because it was the only way the region could come to realize the benefits of seaway waterborne commerce into the area and into the "Heartland of America."

Even though tolls came to the seaway through reluctant agreement there is no conscionable reason why this wrong must be perpetuated today on the people of the midcontinent.

The law requires that the tolls must be reasonable to attract tonnage; the law requires that the revenue from tolls must be sufficient to pay off the seaway debt within 50 years—conflicting requirements difficult to reconcile.

SECTIONAL AND MODAL DISCRIMINATION

Tolls on the St. Lawrence Seaway came with the Seaway Act and they were accepted under duress. These tolls are regionally discriminatory and inequitable.

Notwithstanding the burden imposed on the region, the Great Lakes region has shown little or no tendency in retribution to join in advocating sectional, regional, or modal discriminatory practices.

As a matter of interest, a review of the Public Works Appropriation Act for 1970 shows that the entire Great Lakes Basin is included for $16 million, out of a total appropriation for the U.S. Army Corps of Engineers alone of $1.145 billion, or 1.4 percent. If the entire cost of the U.S. seaway ($131 million) were to be included in this single annual appropriation, the Great Lakes portion would come to 11 percent of the total.

Senator Mondale, when he, with 15 cosponsors, introduced S. 3137, listed several waterway projects constructed and now being operated at Federal expense.

The St. Lawrence Seaway should enjoy equal treatment.

Inland carriers (other than water carriers), ocean ports and certain segments of industry opposed the Seaway, alleging that cargo diversions to the Seaway would severely affect the railroads and eastern ports. In the 1950's, when the railroads were experiencing difficult times, the Congress passed the Transportation Act of 1958, which was designed to aid the railroads by loans, tightening of regulating exemptions and allowing greater discretion in assessing minimum rates. Subsequent regulative decisions have tended to affirm the principle of marginal, cost-based minimum rates. Eastern and gulf ports enjoyed special access to mid-continent traffic and lake ports anticipated similar rates and services.

(Upper Great Lakes Regional Commission, the Great Lakes-St. Lawrence Transportation System: Problems and Potentials, December 1969, p. 71.) But the "anticipated similar rates and services" have generally not been realized by the lake ports.

Traffic diversions by the Seaway from other carriers and ports appear to be quite modest, despite substantial relative growth in lake port overseas commerce. One study correlated early Seaway gains (1959–60), with concurrent modest declines in eastern seaboard trade but did not substantiate the coincidence by adequate analysis of commodity patterns. Our analysis (section IV) indicates that Seaway overseas commerce is, in total, no larger than the average annual gain in waterborne foreign trade during the 8 years of the Seaway, at the time this was written, and there has been no evidence that either eastern ports or trunkline railroads have experienced substantial diversions by the Seaway. Both are accommodating more traffic today than they did with the advent of the Seaway. (Upper Great Lakes Regional Commission: Ibid., p. 79.)

If this committee will hold regional hearings on this bill, we will be able to demonstrate that today, because of tolls and other practices, there is actually a diversion of traffic from the seaway.

Mr. Chairman, it is my hope to express clearly to the committee that the national interest requires healthy and prosperous Atlantic, gulf and Pacific coast ports and Great Lakes ports.

The national interest requires efficient, healthy and operating railroads, over-the-road carriers, airlines and other modal carriers that might be developed, along with a healthy, operating Great Lakes-St. Lawrence Seaway system. It cannot be that one or more, or combinations, of these sectional interests and modal carriers will stymie or "put out of business" the Great Lakes-St. Lawrence Seaway system.

Such a negative or destructive attitude is certainly not in evidence in the Great Lakes region. In fact, the reverse is true; because we realize that our transportation problems and opportunities are assuming proportions that might well lead to a major breakdown in our abilities to keep our whole economic system viable.

Sectional or modal discrimination is inimical to the national interest.

TRANSPORTATION REQUIREMENTS

Presently, the President and the Congress have expressed a desire to strengthen our merchant marine and improve our foreign (overseas) trade opportunities and position.

All segments of our industrial, agricultural, and commercial enterprises contribute to the production of goods and commodities, the processing of raw materials and producing and marketing the goods and services, domestically and internationally. The truckdriver, the railroad worker, the deckhand, the airline employee—all participate directly or indirectly in getting this job done.

And we are concerned now because we see requirements placed on these people and their machines that might prove to be too much to handle.

Former Secretary of Transportation Alan S. Boyd stated, in a speech in Detroit, not too long ago:

> Transportation is one service which Americans need across the board. Without it, you can no more fight a war than you can mail a package—and there is little you can do in between.
>
> America's system of transportation is by any standard, mammoth. It represents an investment of some $500 billion. It meets needs as diverse as the 200 million people who use it. It accounts for 1 of every 6 dollars in the economy; provides jobs for nine million people, and unites a continent.
>
> Yet the increasing demands on this system already strain its capacity in some areas, and the growth to come * * * compounded by concentration of that growth * * * could bring it near collapse.
>
> Take the year 1975 as a yardstick of growth—a good year, because you can almost reach out and touch it.
>
> By then the number of aircraft will have nearly doubled. Commercial air travel will have tripled. Automobile traffic will be up 40 percent. Railroads, which now haul 750 billion ton-miles a year, will be hauling 1 trillion ton-miles. Trucks, now carrying 500 million ton-miles, will carry 50 percent more.
>
> In fact, if the demand for transportation continues to match America's economic growth, we will have to double in less than two decades the capacity of a system that has taken the lifetime of a nation to build.

Mr. Boyd also had this to say:

> The St. Lawrence Seaway must play its role in the national transportation system; it cannot be stifled; it must be used and nurtured; it is a natural asset that we cannot afford to waste.

Secretary of Transportation Volpe, on July 7, 1969 in Detroit, reiterated many of these same views.

The remarks of our Secretaries of Transportation are most demonstrative of our growing transportation system and its needs, and require nothing more in the way of elaboration.

GREAT LAKES ECOSYSTEM

The elements of the Great Lakes-St. Lawrence Seaway system are basically:

1. The midcontinent economy, whose logistics, trade, and mobility demands generate the system's traffic.
2. The land transport network which controls inland access and, in part, competes with the system.
3. The lake ports, which bridge the gap between the inland and water carriers.
4. The waterborne carriers, whose service decisions determine the interlake and overseas service reach of the system.
5. The Great Lakes-St. Lawrence waterway which provides the right-of-way for ships, determining in part the size and economic capabilities.

The Great Lakes-St. Lawrence system, with the seaway locks, connecting channels, the vital SOO Locks, the Great Lakes ports, the shippers and their vessels, and certainly the trade tributary area, stands today as one of the world's great commercial traffic arteries, penetrating midcontinent North America and affording waterborne access to and from ports throughout the world.

The midcontinent intrigues many an economist who normally expects the costal area to be the dominating industrial region of a nation. In North America, however, the midcontinent is the most important section for agriculture, population, industrial production, and employment.

It is difficult for many to realize that many of the ports on the Great Lakes are actually closer to northern Europe and Britain than ports on the Atlantic seacoast. Mileage savings, in some instances, approach 20 percent. Since we are all so aware of the problems of handling, intermodal changes and transfers, the cost and difficulties incidental thereto:

It is appropriate and logical for us in our quest for improving and promoting the foreign (overseas) trade of the United States to include the Great Lakes as port range along with the Atlantic, Gulf and Pacific ranges;

It is reasonable and proper to accept the ships which sail (inbound and outbound) between the ports of the Great Lakes and ports of the world as being actively and creditably engaged in the foreign (overseas) trade of the United States, and as being eligible for the same type of benefiits or considerations as ships operating from other port ranges;

It is sensible to recognize that need for replacing and modernizing the U.S. Great Lakes fleet and moving to meet this need;

Last, but certainly not least, it is imperative that we make efficient use of the Great Lakes-St. Lawrence Seaway system: (1) It is a natural resource and traffic artery we cannot as a Nation afford to waste; (2) it is the most readily expansible traffic artery in midcontinent North America to meet our growing transportation requirement; (3) it must be incorporated in our national transportation plan and program, and (4) it provides transportation opportunities and savings for the benefit of the entire region and Nation and Canada.

In the interest of reducing the amount of time needed to present a fuller case for the Great Lakes or midcontinent North America region, I should like to present to the committee, and request that it be included in the record of this hearing, a pamphlet, "The Next Decade, 1969–1979, St. Lawrence Seaway," by Dr. John L. Hazard, Michigan State University, a condensation prepared by the Great Lakes Commission. This is an attempt to look in the future for the next decade and see where do we go in the seaway.

Senator Hart. It will be received.

(The pamphlet follows:)

ST. LAWRENCE SEAWAY—NORTH AMERICA'S WORLD TRADE GATEWAY

A decade ago Queen Elizabeth II, then-President Eisenhower, and now-President Nixon joined in ceremonies dedicating the Seaway. Displaying approbation of the good judgement and foresight of these luminaries and those responsible for the Seaway's construction, the Governors of Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania and Wisconsin and the Premiers of Ontario, Manitoba and Quebec joined together and, with the Great Lakes Commission, presented a coordinated regional program, ably assisted by respective federal agencies and departments, and congressional and senatorial delegations.

Prime Minister Trudeau and President Nixon participated in ceremonies at Montreal and Massena, New York, on June 27, 1969. Several regional observances were held, culminating in a concluding or "wrap-up" event in Detroit-Windsor on July 7.

Originally, it was forecast that manufactured products would account for about 10 percent of the cargo movements through the Seaway. By 1965, however, general cargo had increased to 13 percent and in 1968 to 16 percent of the total tonnage. As the Seaway traffic grows, it becomes apparent that the economic advantages offered by it are being more widely recognized in both North America and abroad.

The growing movement of containers to ports like Toronto, Hamilton, Cleveland, Toledo, Detroit, Milwauke, and Chicago points up the progressive attitudes of Great Lakes shippers in furnishing and operating facilities adaptable to the most up-to-date techniques in cargo handling. Just as the large 730-foot lakers now being used, and the larger vessels—up to 1,000 feet—are tailored for the interlakes trade, so are the ocean vessels being changed, with the trend now swinging toward large dual-purpose bulk and general cargo vessels such as the Rolwi and Nanfri (709 feet in length) and the Federal Schelde and Federal St. Laurent (681 feet).

Former Secretary of Transportation, Alan S. Boyd, never eager to promote the St. Lawrence Seaway system, had this to say, here in Detroit, not long ago: The St. Lawrence Seaway must play its role in the national transportation system; it cannot be stifled; it must be used and nurtured; it is a natural asset which we cannot afford to waste.

For establishing toll charges on the Seaway—tolls, a most undesirable development—it was estimated that St. Lawrence Seaway traffic would reach 50 million tons. In 1966 49.2 million tons passed through the Seaway, near future traffic will exceed 50 million tons and the capacity of the present Seaway is estimated at almost 70 million tons.

I need not dwell at length on the importance of the Seaway system to Detroit and the State of Michigan. Suffice it to say, Michigan, with its eight million people; a gross state product in excess of $40 billion annually, $3 billion in exports, $2.5 billion in imports; holding fifth position among the states in exports; with the busy ports and agricultural-industrial complexes of Detroit, Grand Rapids, Bay City-Saginaw, Muskegon, Monroe and Port Huron; with the Detroit River, the world's busiest waterway; served by 46 shipping lines connecting 200 ports throughout the world, becomes truly the Seaway gateway to world markets.

In 1968 foreign flag vessels made more than 1180 vessel trips into the Great Lakes. With a guaranteed extended navigation season, improved and enlarged locks and navigation facilities, expanded cargo volumes and Seaway promotion, and an equitable operating procedure for the Seaway in keeping with the overall national policies of the United States and Canada we can logically expect that our Seaway traffic for both U.S. flag and foreign vessels will increase to cause the Seaway to move upward to its tonnage capacity. Further, with forethought and foresight, we must recognize that the whole system for the region—cargo volume requirements, port and inland freight facilities, upgrading of ships and cargo handling techniques, improved waterway facilities, and all these factors as they interact and interrelate—must respond to requirements and demand. For the Seaway that spells Growth!

Introduction

By Colonel Leonard J. Goodsell, Executive Director, Great Lakes Commission

This year the St. Lawrence Seaway celebrates its tenth anniversary.

It was a full decade ago that HRM Queen Elizabeth II and President Eisenhower together dedicated and officially opened the great North American inland seacoast.

Today, 2,300 miles of inland waters—from the entrance of the Seaway at the Gulf of St. Lawrence to the Lakehead in Canada and Duluth—carry ships of the world to inland ports in the heart of the United States and Canada. Ships traveling the inland route are lifted a soaring 600 feet from the sea by seven Seaway locks, eight Welland Canal locks and the famous Soo Locks.

The St. Lawrence Seaway ties Midcontinent North America directly into the commerce of the world. This year, two nations celebrated a decade of achievement for the Seaway, and the entire world pauses to seek a special definition of what the Seaway means and what it has become since its completion.

Governors of the eight Great Lakes States, the Prime Ministers of the Provinces of Manitoba, Ontario, and Quebec, the Conference of Great Lakes Senators and Federal departments and agencies of the government of Canada and the United States presented appropriate programs and events to commemorate this occasion. The Governors' Committee, Tenth Anniversary, St. Lawrence Seaway, and the Great Lakes Commission which served as the central coordinating agency, helped develop local, regional, and international programs to promote the Seaway's use in world trade for international benefit.

It was in 1895 that the United States and Canada appointed a deep waterway commission to study the possibility of an extensive lock system to connect the Great Lakes with the sea and to open up the St. Lawrence River for deep draft ocean going vessels. While the report was favorable, it took 50 years of debate and study to achieve joint action.

A joint U.S.-Canadian treaty to develop the Moses-Saunders Power Dam and facilities was signed and ratified in 1950. In 1951, Canada created the St. Lawrence Seaway Authority. In 1954 Congress passed the Wiley-Dondero Act, creating a Saint Lawrence Seaway Development Corporation to work with the Canadian Authority. The Seaway was to begin. The task of building the new Seaway was immense. Each section of the 112 mile construction site had its own seemingly insurmountable difficulties. At Montreal, for instance, the Jacques Cartier bridge had to be raised 80 feet to provide a necessary 120-foot clearance. The Channel between the Lower and Upper Beauharnois Locks, the shortest in the system, was constructed in a bed of hard, abrasive Potsdam sandstone and had to be blasted free, yard-by-yard. The $50 million cost of the Beauharnois project makes it the most expensive mile of the entire Seaway.

After five years of excavating and dredging some 360 million tons of material, providing a total of seven new locks and the world's largest joint international power facilities, offering a full 27 foot depth to vessels from all nations of the world, the waterway was ready.

The St. Lawrence Seaway has taken the midsection of the North American continent and linked it to the world. Great Lakes' seaports have become international centers and the heartland of America has been transformed into a coastal region with world ports ready to accept shipping to and from every nation.

The agricultural and industrial greatness of the Seaway rigion—from the water gateway at Montreal to the lakehead ports of lakes Superior and Michigan—is unequalled in any comparable area of the world. The five lakes contain 95,000 square miles of navigable waters, the greatest treasure of fresh, inland water on earth. And, located on the shores of lakes Superior, Michigan, Huron, Erie, and Ontario are nearly fifty ports that handle more than 1,000,000 tons annually serving a tributary area of 17 states and 4 provinces.

Since most maps are Mercator projections, it is difficult to recognize that many ports on the Great Lakes are actually closer to Northern Europe and Britain than ports on the Atlantic seaboard. The distance by water from Baltimore to Liverpool, for example, is 3,936 miles. From Detroit to Liverpool, the ditsance by water is 236 miles less. The 236 mile difference assumes the greater significance when overland travel of 604 miles from Detroit to Baltimore is added. Thus, a savings of 840 miles, or 19 per cent is realized through use of the Seaway.

The Midcontinent intrigues many an economist who normally expects the coastal area to be the dominating industrial region of a nation. In North America, however, the Midcontinent is the most important section for agriculture, population, industrial production and employment. Indeed, the region out produces all six nations of the European Common Market and the whole of the Soviet Union.

Ocean-going vessels bound for Great Lakes ports enter the Gulf of St. Lawrence from the Atlantic about 1,000 miles downstream from Montreal, where the Seaway begins. The waterway requires no improvement to about 190 miles below Montreal and Canada maintains this upstream section at a minimum depth of 35 feet. Tidal effects extend up the river to Trois Rivieres, about 80 miles from Montreal.

Before entering the Seaway, the vessel owner or agent files a pre-clearance form. When the ship wishes to transit, a declaration form is sent to the St. Lawrence Seaway Authority giving the origin and destination and the kinds and weight of cargo carried.

From Montreal to Lake Ontario, the vessel rises more than 225 feet over the 182 miles. The section itself is comprised of five sub-sections, three of which are solely in Canadian waters. The others are in international boundary waters.

The first of these sub-sections, some 31 miles in length, enables marine traffic to bypass the Lachine Rapids. Two locks—the St. Lambert, opposite Montreal and the Cote Ste. Catherine, eight and a half miles upstream—are employed to raise vessels 50 feet to the level of Lake St. Louis, a wide section of the St. Lawrence at the confluence with the Ottawa River.

Beyond Lake St. Louis, vessels enter the second sub-section—the Soulanges, a 16-mile stretch which includes the two Beauharnois locks providing a total lift of about 85 feet.

The third sub-section, 29 miles in length, terminates east of Cornwall, Ontario. It is the last of the three all-Canadian sub-sections in the Montreal-Lake Ontario section of the Seaway.

The international segment is entered at the head of Lake St. Francis and extends to a point of Ogdensburg, New York. Previously a swift-flowing section of the river, it was converted into a broad lake by the Moses-Saunders power dam. Differences in elevations are overcome by the United States' Eisenhower and the Snell locks near Massena, New York and by the Canadian control lock at Iroquois, Ontario.

The remaining 68 miles of the St. Lawrence—The Thousand Islands section—is open channel and free of rapids. Many rock shoals were removed to provide the 27 foot navigation channel.

Access to the eastern end of Lake Erie, barred by Niagara Falls, is provided through the 27-mile Welland Canal, which has 8 locks to lift vessels some 326 feet to Lake Erie.

Lakes Erie, Huron, Michigan and Superior, together with their connecting channels the Detroit River, Lake St. Clair, the St. Clair River and the St. Marys River), and the locks at the Soo form the rest of the Great Lakes-St. Lawrence Seaway system.

Once a ship has reached Lake Superior it has climbed 600 feet above sea level—roughly the equivalent of a 60-story building—and has clear sailing for western Lake Superior, a 2300 mile penetration into the heartland of North America.

The Next Decade of the Seaway—Emergence of the Midcontinent

By Dr. John L. Hazard, Michigan State University

THE NEXT DECADE

As we celebrate the close of the first successful decade of the Seaway, it is appropriate to note that it is also the opening of the second decade. And if reports from the former administration in Washington are accepted, the second decade of the Seaway is clouded with uncertainty. One forecasts a diversion of all general cargo from the Seaway by container hauling railroads by 1980.[1] Another prophesies little expansion of cargo movement within the lakes or by the Seaway, financial difficulties for the Seaway by 1985, and recommends no further expansion of the locks and facilities.[2] A former Secretary of Transportation unexpectedly recommended a 20 to 40 percent increase in Seaway tolls shortly before becoming the President of the Illinois Central Railroad.[3] The announcement produced a traumatic wave through the lake ports and shipping circles and if accepted by the present administration could provide a means of assuring the fulfillment of the dire prophesies.

THE RELEVANT QUESTION

The difficulty with these technically plausible studies and precipitous pronouncements is not whether they ultimately prove to be accurate, for if accepted as creditable they do become in a large measure self-fulfilling prophesies. Rather the difficulty is that they provide little relevant information to those respondents whose decisions will determine the future utilization of the Great Lakes-St. Lawrence trade route. And it was with this positive function in mind that I undertook a study of the Great Lakes-St. Lawrence Transportation System for the Upper Great Lakes Regional Commission and the Michigan Department of Commerce some 15 years after my first studies of traffic and tolls as the Seaway

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[1] *Oceanborne Shipping: Demand and Technology Forecast,* Litton Systems, Inc., for the U.S. Dept. of Transportation, Culver City, California, June 1968.

[2] *Great Lakes-St. Lawrence System Study,* E.B.S., Inc., for the U.S. Dept. of Transportation, Washington, D.C., January 1969.

[3] *Journal of Commerce,* December 31, 1968.

economist. I am hopeful that some of the conclusions of these studies will prove informative to you, for I have always believed that the public and private decisionmakers in the Mid-continent region are the relevant respondents in the Seaway. Certainly the Seaway is but an instrument whose ultimate success will be measured in terms of its contribution to regional and North American development. So the question of essence then is not how successful has the Seaway been, but rather, how well has the region used the Seaway.

TO DATE

The Seaway has been relatively well used during the first decade. Tonnage through the St. Lawrence has moved up from 10 to 12 million tons as a pre-seaway average of 20 million tons with the opening of the Seaway in 1959 to over 49 million tons on 1966 before leveling off in the face of disabling strikes. Most of the tonnage moves between the new resource frontier opened in Eastern Canada and the industrial Mid-continent.

It is the smaller but more valuable *overseas trade* that has been the most exciting development of the Seaway. Overseas tonnage has moved up from 300–600 thousand tons carried in ocean miniatures in the pre-seaway 1950's up to almost 5 million tons which virtually engulfed the unprepared lake ports in the first year of the Seaway in 1959. Subsequent growth of around 25 percent per year to 1967 has brought Seaway overseas tonnage up to over 14.6 million tons in 1967. The value of overseas trades has also expanded dramatically—from around $100 million in the early 1950's to over $1,600 million at the present time. And since overseas transhipments through Eastern Canadian ports are credited as internal commerce by the Seaway and no value records are maintained for Canadian lake ports, there tends to be some understatement of the true magnitude and growth of Mid-continent overseas trade. *In reality, the Seaway has been the fastest growing major trade route in the United States or Canada.*

Yet there is little room for complacency about this relatively rapid rate of growth, for in absolute terms the U.S. lake ports are handling only 2.5 percent of the U.S. overseas waterborne trade and around 5 percent of the value. And despite rumors of massive diversions from established trade routes the seaway handles less overseas commerce than the average annual growth in U.S. trade. Stated differently, the railroads and seaboard ports who opposed the Seaway are handling more overseas trade and probably more Mid-continent trade than before the opening of the Seaway. And for that matter, the lake ports appear to be handling less than 18 percent of the value of exports originating in its Mid-continent hinterland. *If the U.S. lake ports were to carry a third of Mid-continent trade, they would double their existing traffic or if they were to accommodate a seasonal two-thirds, they would quadruple their present traffic.*

There is no economic reason that the lake ports should not aspire for a greater share in the region's trade. To the contrary, the Mid-continent's exports have become larger than any other section of the United States and have grown more rapidly since the advent of the Seaway.[4] Much of the export expansion has occurred in the metropolitan areas around the lakes directly accessible to Seaway service. Chicago has become the leading export city in the nation surpassing Los Angeles; Detroit has moved up to second exceeding Philadelphia, New York, Houston and all other cities. Rochester has moved way up the list to seventh city in the nation and Milwaukee has moved up from 13th to 10th city in the past three years and other lake communities have added substantially to export expansion. But still only a modest portion of the trade moves by the Seaway and most of it moves the longer and more costly haul to seaboard ports thence overseas. This is the anomaly of the Seaway for most ocean rates from the lake ports to Western Europe at the advent of this navigation season were lower than ocean rates from seaboard ports to Western Europe.[5] *Consequently, the lake port located exporter and importer could save more than the full overland transport cost to the seaboard ports and this could amount to 40 to 50 percent of the through transport cost to Western Europe.* It has become the habit of mind to attribute this routing anomaly to disabilities of service by the Seaway involving extra time, infrequency, and seasonality. But with the improvements of lake port and ship-

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[4] See *Survey of the Origins of Exports of Manufacturer Products,* current industrial reports, U.S. Department of Commerce, separately for the years 1960, 1963, and 1966.

[5] Merely a sampling of Great Lakes and North Atlantic Conference Tariffs on ten major commodity exports and imports to and from Western Europe on file with the Federal Maritime Commission on March 7, 1969.

ping service, the extra inventory, distribution, and dual routing costs do not outweigh the transportation savings available by the Seaway. Our total distribution cost studies still reflect substantial cost savings by the Seaway for most commodities in the immediate port area. So the lag in exporter-importer orientation to the Seaway service can not be attributed entirely to disabilities in Seaway service nor can it be attributed in the lake port cities to inland rate and service obstacles that encumber lake port access to hinterlands. The roots of the problem run deeper.

CONTRIBUTIONS

Despite the limited regional utilization, the Seaway has helped to precipitate a significant shift in regional orientation. Lake ports that were but visions of port administrators on my first visits in 1956 have grown to fairly sophisticated foreign trade complexes in Toronto, Hamilton, Toledo, Chicago and Milwaukee and some progress can be observed at numerous port cities throughout the Great Lakes Region. Most of the small ports have, however, come in for difficult times as ship lines have consolidated port service. *Where the ports have persevered they inject $18 to $20 directly into the local economy for each ton of general cargo accommodated which is multiplied several times as it makes the income and employment rounds.*[6] Some of the ports have been able to attract supporting trade and transport complexes. And in the process the region's export markets have been expanded and logistics support is economized. In a large measure the trade expansion has been facilitated by virtue of the pressure that the Seaway has brought on overland rates and service as an alternate route, as well as by its direct utilization. As skills ashore and afloat have increased, the trade has become directionally balanced with benefits on both sides. Ocean vessels and foreign crews enter the lakes regularly and the lake ports have become generally more cosmopolitan places. *Europe and much of the rest of the world are able to see beyond the coastal periphery to the heartland of North America. And what they see is an emergent region throwing off its unwarranted image of isolationism, protectionism, and corn fed insularity and becoming a direct participant in international trade and commercial processes.*

But as the traffic share gives indication, one should not be too sanguine about the international emergence of the Mid-continent. The states, provinces, and industries and firms have by no means fully utilized the potentials of the Seaway. Rate and service adjustments to the lake ports are not only adverse but growing worse. Few states play a direct role in developing lake ports. The region has yet to achieve a unified and articulate voice in the G.L.-S.L. system development. Few initiatives have been used to promote commercial reciprocity with Canada which at the interior is part of a common economic region. And internationally the region has taken little initiative in aiding the formulation of multilateral tariff and trade policy; as a consequence most of what it exports encounters high foreign tariffs and most of what it imports faces high U.S. tariffs and restrictions. *The latter is particularly anomalous because our studies demonstrate that the Mid-continent is not only the major export region of North America, but also the section least likely to be injured by import tariff reductions.* The time would appear at hand for a fuller international emergence of the region in which it throws off remaining isolationism and assumes a more positive role in the formulation of commercial policy.

IMPENDING COMPETITION

The place to start a shift in regional orientation is probably with the Seaway. And the only certainty about the second decade of the Seaway is that the route will be subject to increasing competition. Overland competition will intensify with the introduction of expedited unit trains, rent-a-trains, and container trains to seaboard ports that are not accessible to the lake ports. Selective rate cuts are being applied to seaboard ports without equal applications to the lake ports. Maritime innovations have gone to size with most tankers, dry bulk vessels, and container vessels accessible to coastal ports but too large to enter the present Seaway locks. Significant construction programs are underway at most ocean ports to adapt revolutionary ship-to-shore technology and container systems in a period in which lake port investment appears to be dropping. Moreover, signif-

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[6] *Port Related Employment and Income Multipliers,* Professor Eric Schenker, the Center for Great Lakes Studies, University of Wisconsin—Milwaukee, Unpublished Paper, Spring 1969.

icant changes are being made, toll free, on the other inland waterway systems which are geared more to the seaboard than the lake ports. These changes assure a more competitive environment in the future and this is all to the good if it were provoking a positive regional response. But in place of such a response, one finds considerable uncertainty.

STRATEGIC ALTERNATIVES

The private and public interests in the Mid-continent could move one of several ways on the Seaway.

1. The region could *do nothing* or nothing more than it has been doing. If it did, the most probable outcome is that the trade route would lose much of its general cargo (as forecast by the Litton report), the seaway locks would remain as is and thus grow progressively more obsolescent with changes in ship size and technology. The trade route would become a laker transhipment route to larger ocean vessels adhering primarily to lower St. Lawrence and seaboard ports, and tolls, deriving primarily from bulk cargo, would never reach break-even levels.
2. The region could choose to *sustain the route as a live alternative* to bring continued pressure on overland routes and seaboard gateways. Under such a delicate balancing act, it is probable some of the direct general cargo overseas services would be sustained, the Seaway facilities would need to be duplicated at the Welland, with the probable result that the Seaway would be able to break even in the short run, but would lose in the long run. The latter is contrary to the views of the E.B.S. report, which used an excessive figure on the cost of duplicating the Welland on the American side ($1.6–$2.2 billion) and insufficient traffic potential and elasticity factors.
3. The region and Seaway entities could program for *optimum utilization* of the Great Lakes-St. Lawrence transport system. The probable outcome here would be a growing direct overseas service, enlarged duplicate locks at the Welland and eventually the St. Lawrence sections, the introduction of larger, more sophisticated ships in the interlake and overseas trade, and larger short-run losses but sounder longrun financial status for the St. Lawrence project. This is an alternative that has evidently not been studied at present.

STRATEGIC DECISION

Which of the three strategies (do nothing, sustain, or promote) should the region adopt? I shall explore the third alternative merely in the interest of setting forth a new approach and seeing it provisionally through a complex network of decisions. Such an approach will differ substantially from the first approach, which has characterized the first ten years of the Seaway in recognition that "doing little" will be less successful during the competitive second decade. And it would not involve, as does the second alternative, using the Seaway as a ploy in a competitive transportation game unless the positive approach encounters immovable obstacles at some point in the future. So let us merely assume for the time being that the region is the primary respondent in the Great Lakes-St. Lawrence Seaway and that it will choose to use the system to optimize economic development.

What problems is the region likely to encounter?

What live alternatives are available?

How should the region proceed?

We shall start with the elements of the Great Lakes-St. Lawrence transportation system and examine their status and interaction. The elements are basically:

1. The Mid-continent economy, whose logistics, trade, and mobility demands generate the system's traffic.
2. The land transport network, which controls inland access and in part competes with the system.
3. The lake ports, which bridge the gap between inland and water carriers.
4. The waterborne carriers, whose service decisions determine the interlake and overseas service reach of the system.
5. The Great Lakes-St. Lawrence waterway, which provides the rights of way for ships, determining, in part, the size and economic capabilities.

SYSTEM DYNAMICS

Where does the system stand at present? We must pursue a rather simplistic explanation to witness the cyclical pattern of interaction between the elements of the system.

1. The waterway was expanded first by the opening of the St. Lawrence ten years ago and has proceeded ever since with the deepening of the connecting channels and the harbors of major lake ports.
2. Regional demand generated traffic dramatically in the overseas trades and much more subtlely within the lakes.
   A. A University of Minnesota geologist discovered a technological process for pelletization of hard rock taconite in 1952.
   B. The steel industry invested over $1.2 billion in upper lake pelletization facilities in the late '50s and early '60s.
   C. A University of Michigan naval architect designed a super laker carrier capable of carrying 52,000 tons of ore at substantial economy in the early '60s.
   D. The Corps of Engineers enlarged its Poe Lock design (to 1200′–110′–35′) for vessels yet unbuilt and Governor Milliken helped to dedicate the new structure in June 1969.
   E. A Cleveland consultant designed 1000′ and 858′ super ore carriers and the revolutionary vessels are now under construction by Litton Industries and American Shipbuilding in Lake Erie yards.
   F. Thus did the cycle of innovation return to the projects at the Welland and the St. Lawrence, which were conceived as a seaway with a nominal life of 50 years, now incapable of accommodating major elements of interlake as well as ocean shipping within its first decade.

At this point in time, how should the region proceed on a coherrent front to advance the Great Lakes-St. Lawrence transport system in the interest of regional development? We will examine the individual elements first before proceeding with a systemwide program.

DEFINITION OF REGIONAL REQUIREMENTS

The Mid-continent has become the largest economic region in the United States and Canada and it, in fact, produces more industrial goods and agriculture commodities than the Common Market Six or the Soviet Union. It moves more goods and people internally, inter-regionally, gateway, and internationally than any other region in the United States and probably the world at large. Yet this massive internal region does not know where it buys, sells, or travels. And not knowing where it moves, it does not know where it stands. As a consequence, each state and province develops its own internal economic plan with little reference to the fact that 70 percent of its business is done beyond its own borders and most of it within the encompassing economic region that has grown virtually unrecognized in and around the lakes and inland river system and across the Canadian-United States boundary. The constituent states and provinces still plan their development independently and frequently competitive. *As a consequence, developmental decisions are primarily internally geared, transportation expenditures are made without adequate reference to market and source priorities, and regional positions on external commercial policy go largely by default.* It is little wonder, then, that the Seaway has failed to provide a coherent regional response.

What is needed to fill this appreciable interior void is some knowledge of the region's internal and external mobility requirements. Then a schedule of transportation priorities can be established, appropriate supporting infrastructure developed, and internal development can be better geared to external potentials. And where the Great Lakes-St. Lawrence system provides the most economic transport alternative, its development could be programmed ahead. The studies of Seaway commerce to date (there have been fourteen, two of which I conducted) have not reached at this depth to define regional requirements.

But study of the seaway alone is not sufficient. Several steps would be required to provide a hard definition of regional requirements for system service.

1. *Determination* of present potentials and future regional demands for:
   a. Transportation and distribution services in all overseas trades with a view to forecasting Seaway market share.

b. Translake movements by all carriers with the view to utilizing interlaks services where appropriate and economic.

c. Translake and urban passenger movements susceptible to interlake or interurban technology ground effects carriers, hydrofoils, or fast cruise ships.

d. Transwaterway hauls with a view to measuring the potential for a more affirmative integration of lake with inland waterway carriers, using new lake, river, ocean barge concepts and transhipment technology.

2. *Dissemination* of the potential traffic findings to the appropriate industries, carriers, chambers of commerce, local ports, and government agencies, particularly the Corps of Engineers and Seaway entities, responsible for waterway and harbor adjustment.

3. *Facilitating* measures to assure inland access, expeditious certification procedures, and coordinated port and inland transport facility development.

4. *Promotion* of trade, tour, and travel services in conjunction with chambers, ports, carriers, and private interests.

ACCELERATION OF MARITIME TECHNOLOGY AND SERVICE INNOVATIONS

The growing problem at this point is that the environment for maritime innovation is less than ideal. The roots of the regional problem reach even deeper than the disabilities that afflict the North American ship construction and operating industries. This is because:

1. Very little of the maritime research and development funds has been spent to develop seaway or interlake prototypes.

2. None of the U.S. shipbuilding subsidy (around $200 million) is spent in lake yards.

3. The U.S. merchant fleet offers only 3 percent of the service by the trade route and without flag service the region's contribution to maritime subsidies goes elsewhere and its contribution to aid and defense cargoes moves overland at great public expense to preferred flag carriers in seaboard ports.

4. The lake fleets have aged, lost diversity and vitality (other than for the steel company ore fleets) and the yards have not launched a single major vessel since 1959.

5. The Canadians have built a more viable interlake fleet but have few overseas vessels.

6. The foreign lines, which pioneered the overseas service, have too little assurance about tolls, fees, strikes, capacity and inland access to engage in major ship investments for a seasonal route.

How might the region move to expedite the process of maritime innovation in the lakes and overseas trade?

1. *Encourage R and D* on vessel and ship-to-shore technology best qualified to accommodate regional requirements. Particularly promising is the prospect of:

a. New unitized ships, side port loaders, multiple cargo ships, modified container ships and barge ships in the lakes-overseas service.

b. Prototypes that may aid in the revitalization of the interlake trades include the side port loaders, the roll on-roll off ship, the barge ship with detachable power units, as well as modified crane and self-unloading ships.

c. Vessels to facilitate cross lake interurban passenger movement at high speed include the hydrofoil, the air cushion vehicle (operable over land, water and ice), and the fast roll on-roll off ship (capable of hauling autos, trucks, or even train cars).

d. Related marine technology warranting investigation includes the lake-river-ocean barge to facilitate integration of the lakes with the inland waterway system, flexible or cellular hold vessels, cellular container lakers, and ship automation, and improved navigation aids.[7]

2. *Participation* in the reformulation of maritime legislation with a view particularly to:

a. A more effective and equitable distribution of construction funds.

b. Removing the lakes from the "horse latitudes" of maritime and transport policy.

c. Tieing operational subsidies to trade route performance.

d. Removing preference on aid and defense cargoes where flag lines refuse to use the most economic trade route at extra costs to the taxpayer.

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[7] See Appendix II of my report, *R. and D. Program for the Great Lakes-St. Lawrence Transportation System,* made to the Upper Great Lakes Regional Commission for a set of over 50 technology recommendations by Professor Harry Benford and colleagues in marine engineering at the University of Michigan.

3. *Provide* foreign lines, who primarily man the Seaway trades, with greater assurance and forums so that they might proceed with investments in vessel and service innovations.

4. *Move progressively* toward reciprocal cabotage suspensions with Canada so as to permit cross-lake infusions of maritime technology and enlarged service networks.

5. *Extension* to the lake lines of tax deferral on ship replacement and other financial measures that already apply to ocean shipping.

6. *Creation* of conditions that ease certification procedures and entry into common carrier service within the lakes, between lakes and river systems, and from the lakes-overseas.

7. *Attempting* demonstration and test projects within the lakes to evaluate the applicability of advanced marine technology, e.g., air cushion vehicles, laker barges, fast Roll-on-Roll-off vessels.

8. *More emphasis* on development of advanced maritime skills through higher education and research within the lakes.

SUPPORTING PORT DEVELOPMENT

Most of the initiative in developing Seaway traffic has fallen to the lake ports. And considering that most started late amidst formidable opposition and with little support at the city, state, or federal level, some have accomplished heroic change in the past decade. *Overseas commerce has increased from 16 to 28 times the value and volume in the late 1950's and some of the major lake ports have become substantial foreign trade complexes. But progress in the second decade may be more difficult than in the first.* This is because competition overland is increasing, ocean ships are going to larger size, and seaboard ports are making major investments in containers and advanced ship-to-shore technology. In place of a healthy competitive response, one finds considerable uncertainty in the lake ports and substantial declines in city support.[8] The cycle of lake port inertia is equally true for developing international airport services.

What are the state and regional alternatives to facilitate port diversification and advancement? I shall suggest only a few as time permits.

1. *Enabling* legislation that facilitates the development of adequately funded and administratively independent port authorities organization.

2. *Organization* at the local, state, bi-state, or bi-province-state level as appropriate to the geographic circumstances and hinterland of interest in port development.

3. *Attract* top flight port professionals to replace retiring port leaders or create modes of organization that will fill the voids and enhance operational effectiveness.

4. *Expand* financial resources available to the ports in recognition of the declining availability of city millage, the higher costs of local revenue bonding, and the new potentials of federal, state, and private financing.

5. *Support the marketing programs* of the ports by supplementary promotion, contact overseas missions, export education programs, and distribution costing models.

6. *Improve inland access* to the lake ports by intervention in cases of discriminatory inland rates and services, establishing the principle of equality of access, and a concerted attack of the whole export-import rate structure.

7. *Gain ocean port status* and treatment by federal agencies for the lake ports.

8. *Integrate port expansion* with urban planning and decentralization and State economic programs.

9. *Coordinate port development* at the regional level to avoid undue parochialism and interfraternal competition and to take fuller advantage of and concert the purposes of growing regional organizations.

10. *Obtain* a more effective and unified regional voice to bear on federal Seaway, shipping, transport and trade decisions.

INLAND ACCESS

The region's access to its lake ports has not improved since the advent of the Seaway. Instead, the situation has deteriorated. This is because inland rate and service adjustments to seaboard ports have been far more substantial in the net than they have to the lake ports, which started from a gravely disadvantaged po-

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[8] According to the *Port Expenditure Surveys* by the Port of New York Authority, which could involve less than full disclosures of lake port plans.

sition. The pattern of inequitable inland rates and service extensions to the region's ports has spread. Cases now before the regulatory commissions involve proposed rates on soybeans and meal from central Illinois to New Orleans as low as to nearby Chicago;[9] rates from southern Ohio-Kentucky coal fields to Essexville, Michigan, that will be lower than to by-passed Toledo, which is half the distance;[10] and proposed international air freight rates to midwestern airports that are based on New York plus inland local air charges even when the aircraft flies direct great circle routes of no greater distance than New York.[11]

So far, the lake ports and chambers have fought a lonely battle in these complex matters on a case by case basis. What is needed is a clear declaration by the region of its intention to participate directly in its overseas trades and a series of moves to liberate access to its own ports. These might very well include:

1. *Persuasion* of inland carriers to extend proportional rates and equal services to the region's air and lake ports with the backing of industry, associations, and chambers.

2. *Intervention* in key rate proceedings with a view to obtaining precedents to undergird the principle of equality of access.

3. *Application for relief* under the Interstate Commerce Act (Sec. 1 (6)) which prohibits unjust (regional) discrimination, (Sec. 500 and Sec. 142) which are designed to promote the development of water transportation and the Civil Aeronautics Act which is designed similarly to promote the development of air transportation, and (Sec. 15) which requires the establishment of through routes at reasonable joint rates and provides for regulatory agency initiatives in these matters.

4. *Re-amend* the minimum rule of rate making (Sec. 15a) to require Commission consideration of the adverse effect of rates "lower than a reasonable minimum" for carriers that are reliant for inland access on their major competitors, such as river, ocean, and air carriers.

5. *Apply* for a Knott-Todd type agreement ruling from the I.C.C. offering lake ports parity access to Midcontinent imports and exports, as enjoyed by seaboard ports since 1902.

6. *Require* closer cost scrutiny of governmental agency shipments by circuitous and uneconomic routes.

7. *Remove* Section 22 Rates in the United States and Agreed Rates in Canada which allow overnight rate concessions to governmental agencies shipping through seaboard ports.

8. *Institute* a midwestern governors' request for examination of the whole import-export rate structure as the southern governors did to obtain equitable access to northeastern markets after 13 years of litigation.[12]

9. *Establish* commerce and transport agencies at the state level to assure continued gearing of economic development to external market and transport circumstances.

10. *Coordinate* state and regional efforts for commercial development policy through more viable regional organizations and agencies.

PROGRAMING WATERWAY DEVELOPMENT

The region could not be expected to initiate a whole program of commercial development without some assurance that the transport structures will be geared according to regional needs. This will require long range planning and project commitments in advance by the appropriate federal agencies. Advance commitments are necessary because the waterway tends to be the slowest adjusting element in the transportation system and appreciable lags can develop. For instance, it took 60 years to pass Seaway enabling legislation, 5 years to build the St. Lawrence project, and 10 years to dredge the connecting channels and lake ports. These periods add up to 75 years, yet with the completion of the new, enlarged Poe Lock this year, the dimensions of the Welland and St. Lawrence are already in question. Moreover, a project built to last a nominal 50 years must plan to accommodate the third generation of ships lasting 20 years. Beyond the issue of waterway capacity remains a variety of questions having to do with trade route

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[9] I.C.C. Order No. 34348, *Board of Trade, Chicago* v. *Illinois Central Railroad Co. et al.*

[10] I.C.C. Docket No. 34822, *Lake Carriers Association, et al.* vs. *The New York Central Railroad, et al.*

[11] C.A.B. Docket No. 18531, *Domestic Coterminal Points—Europe All-Cargo Investigation.*

[12] I.C.C. Docket No. 28300 and 28310, *Class Rate Investigation,* initiated in 1939 and settled in 1952.

season, discontinuities, and charges on which regional traffic developmental efforts will require some assurance.

What kinds of commitments, even tentative commitments, could the region expect from the responsible federal agencies? I shall suggest some of the measures on which more regional initiatives may be required, working with and through the appropriate federal and dominion agencies and processes.

1. *Improve the efficiency* and economy of the trade route to ships by imposition of controls over costs, a moratorium on toll increases, expedited processes for settlement of crippling labor-management disputes, accelerated vessel movements, and reduction of unwarranted impositions and restraints on vessel time, fees, and costs.

2. *Season extension* targets should be set for segments of the trade route to become firm commitments on opening and closing dates in an attempt to gain year round operations in the long range as technology advances.

3. *Programed waterway expansion* of locks and channels to avoid congestion or obsolescence.

a. At the Welland canal where a duplicate set of locks will first be required, i.e., the United States, Lake Erie-Ontario canal with dimensions sufficient to accommodate the new, larger ships of the future.

b. Then at the St. Lawrence where lock and channel dimensions and design should follow the lead of the Poe and Welland.

c. Then within the connecting channels and lake ports to provide a uniform systemwide dimension.

d. Then between the lakes and to inland river systems to assure integration of waterway networks and services.

e. Then cut-off canals within the lakes and eventually across the projecting peninsulas to improve the configuration, safety, and network possibilities of the route with a view primarily to passenger movements, urban development requirements, and tour and recreation potentials.

f. Coordinate development of related maritime and trade route sub-systems, including navigation aids, ship services and repairs, communications systems, and shore facilities.

4. *Clarify the developmental* role of the Seaway entities so that there is no further ambiguity about where the task falls and who is responsible.

5. *Coordinate system information* to facilitate vessel and traffic through flows by on line data on vessel, cargo, pilot, port, labor, and other element availabilities and status.

6. *Sponsor measures* to attain an equitable balance of national initiatives, financial responsibilities, and Canadian-United States unity jointness in the Great Lakes-St. Lawrence project.

IN SUMMARY

To promote the fuller utilization of the Great Lakes-St. Lawrence transport system in the next decade to the end of optimum regional development, the Mid-continent must move to:

1. Identify and develop its large trade potentials and traffic requirements.

2. Open equitable inland and overseas access to its own ports, ocean and air.

3. Assume a larger degree of initiative and responsibility for port development and related trade processes.

4. Take more initiative in development of direct trade routes and transport services to world markets and sources.

5. Gain assurances and commitments that the waterway capacity will be available to meet regional needs, expedite vessel services, and at reasonable fees and charges.

I am not unaware of the difficulties that the region will encounter in moving ahead in a unified fashion, on a coherent front, through these complicated channels over an extended period of time. But I believe that the Seaway's first decade establishes that the effort is worth the undertaking. Moreover, if the region is successful in the Seaway, it will be in a better position to address the other major commercial potentials in its future, including:

1. The development of direct air freight and passenger services to global markets without seaboard intermediation.

2. Moving toward a coordinated developmental program with central Canada on the future preservation and utilization of the lake water resources.

3. Fostering reciprocity between Canada and the United States on joint transport, trade, and resource development policy.

4. Assuming a more articulate voice in the formulation of multinational trade and tariff policy.

These matters are the larger challenges before the international emergence of the Midcontinent.

Mr. McWilliam. I might add, too, Mr. Chairman, that the material presented in this pamphlet is backed by a publication of the Upper Great Lakes Regional Commission, December 1969, "The Great Lakes-St. Lawrence Transportation System—Problems and Potential." This is the break-in point, you might say, for the regional point of view of where do we go in the seaway, and it will be possibly the forerunner of other documents in this direction. A copy of this document is presented with this statement, and it is requested that it be included in the record of this hearing.

Senator Hart. It will be retained in the subcommittee files.

OVERSEAS TRADE

Mr. McWilliam. The most exciting development of the seaway has been the growth of the overseas trade. Overseas tonnage has moved up from 300,000 tons carried in ocean miniatures in the pre-seaway 1950's to almost 5 million tons which virtually engulfed the unprepared lake ports in the first year of the seaway in 1959.

Subsequent growth of around 25 percent per year in 1967 has brought seaway overseas tonnage up over 15.2 million tons in 1968.

The value of overseas trade transiting the seaway has also expanded dramatically—from around $100 million in the early 1950's to over $1,200 million at the present time.

Since overseas transshipments through eastern Canadian ports are credited as internal commerce by the seaway, and no value records are maintained for Canadian lake ports, there tends to be some understatement of the true magnitude and growth of mid-continent overseas trade. In reality, the seaway has been the fastest-growing major trade route in the United States or Canada, and this gain has been realized without adversely affecting the growth of the ocean ports and other modal carriers.

We are major participants in the foreign trade picture of the United States. Dr. Hazard writes: "Trade—despite its interior location in the United States mid-continent, originated $5,723 million in manufactured exports in 1963, up 19 percent since 1960. The region accounted for 35.2 percent of the Nation's exports in 1963—far more than any other region, including New England and the mid-Atlantic districts combined." (The Upper Great Lakes Commission, "The Great Lakes-St. Lawrence Transportation System, Problems and Potential," December 1969, p. 9.)

A recent Government estimate shows for a 12-State Great Lakes hinterland—midcontinent—there are $3 billion of agricultural products generated for export and $7.6 billion of manufactured products generated for export, or a total of $10.6 billion worth of export products. This $10.6 billion total for the region represents about 35 percent of the total U.S. exports in these categories. Of the total, only $1.2 billion or 11 percent moved through Great Lakes ports.

There is no economic reason that the lake ports should not aspire to a greater share in the region's trade. The midcontinent's exports have become larger than any other section of the United States and have grown more rapidly since the advent of the seaway.

Chicago has become the leading export city of the Nation; Detroit is second; Rochester is seventh; and Milwaukee is tenth in export standings. Only a modest portion of their trade moves via the seaway, with most moving via the longer and more costly routes to seaboard ports and thence overseas.

Despite rumors of massive diversions from other modal trade routes, the seaway handles less overseas commerce than the average annual growth in U.S. trade.

Currently, the lake-port-located exporter and importer could save more than the full overland transport cost to the seaboard ports, and this could amount to 40 to 50 percent of the through-transport cost to Western Europe.

TOLLS AND USER CHARGES

The 635-foot *Atlantic Hope* entered the Great Lakes in early November 1965 and delivered a record 19,207 net tons of steel coils from Japan to Toledo. Upbound through the seaway she paid tolls of $17,286.30 on her general cargo, plus tolls of about $400 on her gross registered tonnage—71 percent to Canada, 29 percent to the United States.

Today, if the same one-way passage were to occur, you would need to add about $480 to the cost, because of the escalating charges for passage through the locks of the Welland Canal, which eventually will reach, in 1971, $100 per lock or $800 per passage. Of the total amount of tolls collected today, Canada would receive 73 percent and the United States 27 percent.

This example of the tolls on the seaway is cited to demonstrate the added costs for doing business for those who use the seaway. Other costs would include mandatory pilot fees for ocean-going vessels using the seaway which can amount to around $150 per day. These costs are significant and sufficient to make our products unmarketable in world trade.

SEAWAY ECONOMICS

During the first decade of the seaway, the St. Lawrence Seaway Development Corporation has collected toll revenue of $49.8 million. The maintenance and operation amounted to $16.4 million. And the U.S. Treasury has been paid $33.4 million. During this same period, I might say, that the interest on the bonds has accumulated to the tune of $45.6 million and I might say, too, that the interest rates have gone from a start of 2⅝ percent up to a figure now of 4⅞ percent. Every time the Government interest rate goes up, then the interest rate on the seaway goes up as well.

This is one of the few Federal Government activities outside the Internal Revenue Service, which makes a return to the Government.

SUMMARY

Mr. Chairman, on behalf of the Great Lakes Commission and Great Lakes Task Force, we thank you for affording this opportunity to present a statement, in conjunction with your committee's consideration of S. 3137.

We heartily endorse this bill S. 3137, and recommend its enactment.

Such action would be in keeping with a historic national waterway policy even more generous than this bill would provide for the St. Lawrence Seaway facilities.

There are ample precedents for such an action by the Congress.

The St. Lawrence Seaway is unique in that it is the only waterway in the North American Continent on which tolls are exacted.

Historically, the Federal Government has developed and maintained waterways and ports throughout the United States out of Federal funds.

As late as 1941 when the agreement with Canada was reached for enlargement of the International Seaway and the deepening of the Welland Canal, both the United States and Canada envisaged a toll-free seaway.

Great Lakes-St. Lawrence Seaway system tolls and user charges are discriminatory to the region, and represent the sectional or regional discrimination anticipated by our Founding Fathers.

The Great Lakes region represents an ecosystem and national asset that must be allowed to contribute its part of the well-being of the Nation.

Our transportation requirements, nationally and regionally, are such that we, in fact, face a crisis in our capability to meet these requirements.

The economy of the Nation will benefit from a healthy and operating seaway contributing its part to the national transportation plan and program, and contributing toward the continued growth of such entities as the ocean ports, the railroads, and other model carriers.

It is my hope that this committee will hold regional hearings in the field on S. 3137. There is much more valuable information available and there are numerous groups and individuals who would welcome the opportunity to present information on this bill. Interest in the use of the seaway is high, because regional shippers are growing more acutely aware of its economic possibilities.

Lastly, I would plead for a relaxation of regional and modal discriminatory practices because we are right now faced, as Secretaries Boyd and Volpe have pointed out, with a situation where we have got to use all we have to meet our transportation service demand if we, as a Nation, are to continue to grow.

Thank you.

Senator HART. Thank you very much, Colonel. That statement, though not of great length, certainly covers the principal elements which concern this subcommittee. I know Senator Hartke would share my expression of appreciation to you and through you to both the Commission and the several other agencies that cooperated with you on its preparation.

Did Mr. Beck or Mr. McWilliam have anything they would like to add?

Mr. MCWILLIAM. No, sir; not at this time.

Mr. BECK. No, sir.

Senator HART. Colonel, on one point that was raised earlier, you gave us the toll charges on a ship, the *Atlantic Hope*. Senator Mondale in his testimony gave us toll charges on another ship. Senator Tydings, and I think properly, asked the question: What percentage of the total cost of moving through the seaway was the toll charge? I wonder if somehow or other you could help us get that kind of figure?

Mr. GOODSELL. Senator, I have been assured by the people here this morning that we can develop those figures and we would be glad to furnish them for the record.

Mr. McWILLIAM. I was going to suggest, Senator, that if we can have hearings in the field—and I have already discussed this point with Colonel Goodsell—that we could develop quite an economic study on this very question, the impact of tolls and how it relates to the total cost of ship operations. I think this is very much in point to the committee's deliberations.

Senator HART. I am sure Chairman Hartke will add that to the other representations of the desirability of field hearings to reach a decision.

Gentlemen, again, thank you. It was an excellent statement.

As the chairman indicated, this will conclude those witnesses scheduled to be heard today and the committee adjourns at the call of the Chair.

(Whereupon, the subcommittee adjourned at 1:15 p.m.).

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION INDEBTEDNESS

TUESDAY, APRIL 21, 1970

U.S. SENATE,
COMMITTEE ON COMMERCE,
SPECIAL SUBCOMMITTEE TO STUDY TRANSPORTATION
ON THE GREAT LAKES-ST. LAWRENCE SEAWAY,
Chicago, Ill.

The subcommittee met at 10 a.m., in room 204A, Federal House, 219 South Dearborn Street, Chicago, Ill., Hon. Vance Hartke (chairman of the special subcommittee) presiding.

Present: Senator Hartke.

Senator HARTKE. Good afternoon, ladies and gentlemen.

First I want to apologize for being late, but it seems that there was a little difficulty in finding a gate for the airplane at O'Hare. I am hopeful we can get that straightened out one of these days.

Today this special subcommittee continues a series of hearings which are planned on the subject of the Great Lakes and St. Lawrence Seaway. These hearings began in February, in Washington, D.C.

Now we have come to the heartland of America to listen and learn from those who are most intimately concerned with the Great Lakes.

I have with me a message from Senator Robert Griffin, in which he explains that, being a member of the Judiciary Committee, it was not possible for him to be with us on these hearings. He expressed his deep interest in the work of the subcommittee, and assures us that he will go through the testimony in depth.

We are anticipating Mayor Daley in just a moment or two, but in the meantime we will proceed. If it is all right with the witnesses, in order to make it possible for the mayor to testify when he does arrive, we will interrupt whatever testimony is in progress.

We will listen now to Mr. Ray C. Dickerson, director of the department of business and economic development, State of Illinois.

Good afternoon, sir. You may proceed. We are delighted to have you with us.

Mr. DICKERSON. Thank you, Mr. Chairman.

STATEMENT OF RAY C. DICKERSON, DIRECTOR OF THE DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT, STATE OF ILLINOIS

Mr. DICKERSON. My name is Ray C. Dickerson, and I am director of the department of business and economic development, State of Illinois.

I appear here today in behalf of Gov. Richard B. Ogilvie, who regrets that pressing legislative matters prohibit him from appearing personally before you.

The State of Illinois is first among all States in the export of manufactured and agricultural products, and Chicago has become the leading export city in the Nation.

In 1960, $1.4 billion in manufactured products were exported from Illinois. In 1966 our manufactured exports increased to $1.8 billion, and when combined with our 1966 agricultural exports of $666 million, Illinois ranked first in the Nation in the export of manufactured and agricultural products.

Prior to the opening of the new St. Lawrence Seaway in 1959, the State of Illinois recognized that the seaport of Chicago would be an important segment of this new international water transportation system in the midwest.

In 1951 the Illinois General Assembly enacted legislation creating the Chicago Regional Port District, which has jurisdiction over Lake Calumet Harbor in the seaport of Chicago.

The St. Lawrence Seaway and the Great Lakes System has realized the fastest rate of growth of any waterway in the United States. In 1958 less than 12 million tons of cargo moved through the St. Lawrence Seaway. This increased to over 20 million tons in 1959, and to 41 million tons in 1969.

The Port of Chicago, in 1959, handled 1,148,000 tons of overseas commerce, with a total value of $288 million.

In 1969 the seaport of Chicago serviced 3,700,000 tons of overseas commerce with a value in excess of $600 million. These statistics certainly point out the tremendous 10-year growth of the seaport of Chicago.

The seaport of Chicago is an important and valuable asset to our State. In a single year the State of Illinois realizes an economic benefit of $160 million from the commerce which passes over the docks in Chicago.

In fact, in Illinois, one out of every six persons can attribute a portion of his income to international trade and transportation.

Of great importance to Illinois today is the question of what is required to assure optimum utilization of the St. Lawrence transportation system in the future, and what is required to foster economic development in the Midwest. The phenomenal growth of ocean ships threatens to outrun lock dimensions and capabilities; and if the seaway system is too small, then it denies access to vessels whose services would generate regional economic development.

Generally, ships have an economic life of 20 years, and cost a few million dollars, grow faster than waterways which have a life of 50 years, and require a capital stake of several hundred million dollars.

A waterway lasting 50 years must be able to service the third generation of the ships lasting 20 years.

It is interesting to note, however, that the aged locks at Panama are 30 feet wider, 200 feet longer, and 10 feet deeper than those in the St. Lawrence Seaway. Clearly, the St. Lawrence locks will reach functional obsolescence at an early point in their 50-year lifetime.

Recently, Governor Ogilvie requested that the Maritime Administration undertake a study to determine the feasibility of operating

LASH or seabee barges on the Great Lakes. This fascinating new concept in water transportation may possibly be the answer to the limited capabilities of the seaway locks. The Maritime Administration has informed us that they intend to initiate this study in the very near future.

The original cost of the U.S. section of the St. Lawrence Seaway was $124 million, and with interest expense and lock rehabilitation, the debt today has grown to $155.9 million.

Senate bill 3137, which was cosponsored by Senators Percy and Smith of Illinois, proposes to eliminate the existing debt of the St. Lawrence Seaway Corporation. The State of Illinois strongly supports this bill, and recommends its passage.

Toll-free waterways have historically been the policy of the United States. However, upon creation of the St. Lawrence Seaway Corporation, the enabling legislation required tolls on all traffic transmiting the seaway. Tolls on the seaway discriminate against Great Lake ports and Midwest shippers.

Ports located along toll-free waterways are well aware of the economic advantage they enjoy over Great Lakes. For example, on page 3 of the January 1970 issue of the Port of Baltimore Bulletin is a picture of the Chesapeake and Delaware Canal, with the caption, "The Toll-Free Chesapeake and Delaware Canal Is Near a $100 Million Modernization Which Has Widened, Straightened, Deepened and Lighted the Seaway."

It must be recognized that tolls, like tariffs or taxes, are an impediment to commerce and economic activity. Whatever the level, they will not yield revenues equal to the gains from trade or economic utility that would be generated in their absence. Trade development should be primary, for it seems only right that the Nation's richest agricultural and manufacturing area have available an economic deep water Great Lakes transportation system which permits exporters to market their products overseas.

The St. Lawrence Seaway System is vital to the economic growth of Illinois. Millions of dollars have been invested in public and private facilities within the port as a result of the opening of the seaway, and the flow of international commerce through Chicago.

Failure to eliminate the seaway debt will undoubtedly result in an increase in tolls, and thus a decrease in traffic through our inland port facilities.

Therefore, I strongly urge this committee to favorably consider Senate bill 3137, and I urge the Congress of the United States to support this bill by voting it into law.

Senator HARTKE. Thank you, Mr. Dickerson.

Let me ask you, you have a promotional activity in regard to the port, do you not?

Mr. DICKERSON. Yes, we do.

Senator HARTKE. Could you explain that briefly?

Mr. DICKERSON. Yes. We go through quite a series of promotions—this year particularly we have moved in, we have made our Chicago office representing international trade entirely.

I might say we have a trade conference scheduled. We are running down through the State, through the various towns. We have covered most of the larger cities. We have been in Des Moines, Iowa, and we have covered New York. We have covered Rockford—we covered major cities in the State, as well as out of the State. We have a personal contact system. We are following that. We have a sales-call operation working out of our Brussels, Belgium, office; our New York office, which is a new office, for the State—and, of course, our Washington office; we have a speaking engagement program that is going on almost daily, and our port tour is an operation that we work with the port in Chicago, the Chicago Pier Port, and our other ports.

The exhibits angle we have not started yet, but there is a possibility of a world trade center developing in this town of Chicago, and we are ready and waiting to rent space and move into that trade center with our office.

We have worked with the International Federation of Forwarding Agents, and all of the foreign trade councils. We are in all of the periodicals with our advertising, the various media, and all of our domestic things, such as traffic management and all handling and shipping media that are involved in international trade, and our overseas operation is tied into the New York commerce, and the commerce in Germany, and modern transport, the whole gamut; we have press releases that are an ongoing program, appearing in the Illinois Port brochure, International Marketing brochure, and our newsletters. We have a port film operating, and we will have in our hands from the Department of Commerce their newest slide program that they just developed. We have been promised to have it in May, and we are buying the equipment in order to disseminate that equipment around the State, and we will buy additional copies of the slides that are being prepared in Washington.

Our development activity and rate information service is an ongoing function. We run research studies on the facilities themselves, and a shipper survey constantly.

As far as official appearances, we have gone before the Carrier Traffic Bureaus, International Commerce Commission, the Federal Maritime Commission, the Corps of Engineers, and our department handles the corps activity in the State of Illinois for the State and the upper Mississippi-lower Mississippi-Ohio Valley, and all the rest of it.

That pretty well, as quickly as I can give it to you, tells you what we are doing.

Senator HARTKE. In regard to this, there is no question that these activities have paid off as far as Chicago is concerned?

Mr. DICKERSON. No question whatever, and we are, in our department, quite excited about the possibility of increasing international trade.

As I said in the testimony, the LASH vessel, and the possibility of mother ships that we can feed to in the LASH, and, of course, our inland waterways are affected by that also. We are in charge of the inland ports in our department now.

Senator HARTKE. You are well aware of the fact, are you not, that the St. Lawrence Seaway really is the only toll-collecting waterway in the United States?

Mr. DICKERSON. That's right.

Senator HARTKE. And all the rest of the waterways, as you indicated, have had large expenditures of money. And yet, at the same time, they come out and lobby against us in the Midwest.

Mr. Dickerson. Quite right. You take the Arkansas River, and any number of rivers that have been dredged for inland traffic, there is no toll.

Senator Hartke. That is also true of the ports on the east coast.

Mr. Dickerson. That is correct.

Senator Hartke. It's also true as far as transportation costs are concerned, that if you eliminate the toll, it would be cheaper to ship directly from the Chicago area to Europe than it would be from an east coast port.

Mr. Dickerson. That is correct. I carried data to that effect on a trip to Brussels last year, and even some of our traffic today, even with the toll, could be proven cheaper if we could get the package sold.

Senator Hartke. Do you have any figures showing what some of the toll costs are for a single ship going through?

Mr. Dickerson. I don't in hand now, sir.

Senator Hartke. Well, I will tell you we have some cases, for example, where a single ship paid $21,000 for one trip.

Mr. Dickerson. The size of the vessel doesn't divide that tonnage very well, does it?

Senator Hartke. That's right. That is one of the problems.

You mentioned the Delaware Canal, the deepening of the channel for $100 million. The original investment for the seaway was only $124 million. Of course, it's risen now to $150 million as a result of the deferred interest charges, but the original investment was not much more than was spent for the Chesapeake and Delaware Canal venture.

Mr. Dickerson. That's correct.

Senator Hartke. Do you do anything in the field of pollution?

Mr. Dickerson. Yes, we do this to this extent; I happen to be chairman, by appointment of the Governor of the National Resources Development Board over the State, which includes seven code-departments. The seven code-departments and two other code-departments are now part of a whole new program the Governor has developed on environmental quality, which will be—he has a coordinator of that function, and there is a regular standard type meeting going on now in the Resources Board to determine what we need in the way of rules, laws, with regard to nuclear waste and nuclear thermal activity, and all the rest of the things that are in with it.

We actually have, I guess, as much activity in Illinois on that subject with our attorney general, with the Governor's program and everything, as any State in the Union.

Yes, there will be some great activity on that. I could go on and expound on some of the problems that are here, and I think you know all the problems, so it would be foolish for me to get into it. The problems have been pretty well expounded, and I think we have an emotional situation.

Senator Hartke. I would hope as you move along in that field that you would keep us advised, because I do believe that in this whole field there has been a late start in really trying to do anything to clean up the lake. It has been indicated that Lake Erie, for all intents and purposes, is already done, and Lake Michigan, if something isn't done, will be a dead lake within 8 to 10 years, and it could be reversed.

Mr. DICKERSON. The geographic composition, or the area of Lake Erie is easier to clean than possibly parts of Lake Michigan, by the fact that this end of the lake is in a valley.

Senator HARTKE. I understand Mayor Daley has arrived, and I want to thank you for your testimony.

Mr. DICKERSON. Thank you for having me.

Senator HARTKE. Thank you, and thank the Governor, too.

First, let me say we welcome Mayor Richard Daley here to these hearings. Before we begin, I would like to congratulate you on the celebration of your anniversary as longest governing mayor of the city of Chicago, and the beginning of your 16th year here. I know your administration has been one of solid achievement, and one of which not only the city of Chicago is quite proud.

Mayor DALEY. Thank you very much, Senator. Coming from a former mayor, and now a distinguished Senator, I appreciate it very much. We are grateful for this opportunity.

I think you know Captain Soballe, the——

Senator HARTKE. Yes.

Mayor DALEY (continuing). Port director, who is here to give our views on this very important and significant subject, and we are thankful for the invitation and the opportunity to appear before you.

STATEMENT OF HON. RICHARD J. DALEY, MAYOR OF THE CITY OF CHICAGO; ACCOMPANIED BY CAPTAIN SOBALLE, PORT DIRECTOR

Mayor DALEY. As mayor of the city of Chicago, and on behalf of the citizens of Chicago, we strongly support Senate bill 3137, which proposes to amend the act creating the St. Lawrence Seaway Development Corporation in order to cancel the indebtedness of the corporation to the U.S. Government.

The levying of tolls on ships using the St. Lawrence Seaway is discriminatory against Chicago and all other ports on the Great Lakes.

The St. Lawrence Seaway is the only Federal navigation route required to be self-supporting and fully amortized from tolls. The taxpayers of the city of Chicago, along with all the other taxpayers residing in those States bordering the Great Lakes, participate through their taxes in the improvements made in Federal navigation routes throughout the United States—including developments and improvements in our waterways in coastal ports, as well as in our rivers and other navigational systems.

These improvements to waterways other than the St. Lawrence Seaway have, over the years, amounted to billions of dollars. Improvements to the Delaware River Channel, waterways in the Port of Philadelphia, and in the Chesapeake-Delaware Channel, which have been made in the past 10 years, cost the taxpayers of the United States more than $200 million. A study for deepening the Delaware River Channel to 50 feet has been completed, and the estimated cost is more than the total cost of the construction of the St. Lawrence Seaway. Yet no tolls are levied on this or any other waterway in the United States except the St. Lawrence Seaway.

The tolls on the St. Lawrence Seaway discriminate against the citizens of the city of Chicago as well as against the citizens of all the Great Lakes States because these tolls decrease the tonnage of cargo shipped through the seaway, and increase the cost of these cargoes to consumers in Chicago and the Great Lakes region.

These tolls also increase the cost of shipping exports from Chicago and the Great Lakes region through the St. Lawrence Seaway. Since the St. Lawrence Seaway is the lowest cost means of transportation for the agricultural products of the Midwest, as well as for some of the region's mineral products, the cost of tolls must be added to the price of the cargo in the overseas market. These extra costs are, in fact, added import and export charges placed on Chicago's exports and imports.

These extra charges can easily serve to drive the midwest producers out of competition in the overseas market. They serve also as a multiplier in the price structure of these products to the citizens of this area. The multiplier inflates the cost of goods to consumers in Chicago and penalizes the Chicago exporter in the world market. The result is in direct conflict with other U.S. Government policies and actions in attempting to fight inflation, and in attempting to encourage the export of U.S. goods to attain a favorable dollar balance in world trade.

While Senate bill 3137 does not propose to eliminate the tolls charged on St. Lawrence Seaway, it will, if enacted into law, serve to eliminate the indebtedness of the seaway and relieve the St. Lawrence Seaway Development Corporation of the great burden of interest payments placed on it by this debt. Elimination of this burden will eliminate the need for increasing tolls and the imposition of further discrimination, greater inflation, and more penalties inflicted upon the citizens of the city of Chicago and the Great Lakes region.

The city of Chicago also strongly feels that failure to enact Senate bill 3137 into law, and failure to cancel the indebtedness of the St. Lawrence Seaway Development Corporation to the U.S. Government will serve to preclude the natural and proper development of the seaway as the world population increases, and demands for imported raw materials for our factories here and for agricultural and finished products in the overseas markets increase. Failure to fully develop the natural potentialities of the St. Lawrence Seaway as a means of low-cost transportation will almost certainly lead to overloading the other methods of transportation upon which Chicago and its surrounding areas depend.

Any action taken by the United States which deprives the St. Lawrence Seaway-Great Lakes navigational route of natural and proper growth and development in realizing its full potential is shortsighted, against the best interests of the United States and its policies, and serves to penalize the people of Chicago and the Midwest.

The State of Illinois is the largest exporting State in the Nation, and it is one of the largest importing States; yet, not more than 15 percent of its import-export products passes through the Chicago Seaport.

If the Chicago Seaport participated in one-half of the overseas trade of this area, it would at least triple the cargo handled in the seaport.

To bring about this participation, surely a fair and reasonable goal, the exporters and importers of the area must be given access to the Chicago Seaport which is equal to the access they now have to the saltwater ports of the Nation.

This requires that the ICC review railroad and trucking line rates with a view to creating some degree of order and equality from the irrational jumble of discriminatory rates that currently prevail.

The Merchant Marine Act of 1936 should be amended to clearly stipulate that the St. Lawrence-Great Lakes navigational route constitutes the fourth coast of the United States, and the favorable freight rates provided for export cargo applicable to coastal ports are also applicable to the Great Lakes ports.

Enactment of Senate bill 3137 into law will be one step in the right direction to alleviate the present unjust and discriminatory situation which has imposed upon citizens of this region by the levying of tolls and lockage charges in this navigational route.

Thank you again, Senator, for the opportunity of appearing before you, and we have the captain here, who will answer any and all questions that you might have.

Senator HARTKE. Thank you, Mayor, for an excellent statement.

I might say to you, that one thing that has always bothered us when we have had these hearings in Washington was the loud noises that have been made by those people representing the eastern seacoast ports.

Mayor DALEY. We find that is typical of them on all subjects; they make a lot of noise.

Senator HARTKE. Well, this is one of the reasons we wanted to come out here.

Mayor DALEY. With the home front.

Senator HARTKE. We thought we would go back to the home people, in the heartland of America.

Mayor DALEY. That's right.

Senator HARTKE. But it is a fact of life that this is the only toll charge that is placed on any waterway throughout the whole country, and the fact remains that we are fighting not for an advantage, but just for fair treatment. That is what we are asking for.

Mayor DALEY. That's right.

Senator HARTKE. Another question has arisen. I don't know if you care to comment on it since this is Earth Week, and that is the question of the pollution problem we have here in the lakes.

Mayor DALEY. Well, I know that we have the pollution problem. I think we are doing everything we can in the Chicago land area. We are the first city—and this was enacted last year—to compel all private boats to have their own facility in the disposal of human waste. We think this should be adopted by every city and every State on the Great Lakes. Surely, if a man can afford to have a private boat he can afford to put some kind of an instrument on there which would stop the human sewage from going into the water where people are swimming and children are swimming. This is one great pollution problem.

We know that industry and many of the various companies have abused the waterways—not only the Great Lakes, but of all our country, for too long, and now the people feel that they have a right to call upon them to accelerate programs. Not just to adopt them in 1972 or 1973, but what are they going to do in 1970? And that is what we are trying to do in Chicago with our program.

We think that the corporations that are abusing our waterways, our rivers or Great Lakes, must stop. Look at what happened in Lake Erie. Someone is responsible for that. Government has failed to act when it should have acted. Government has failed to act in the stopping of pollution of the air when it should have acted. It isn't anyone's fault; I am not saying that anyone in particular is responsible. But all of us recognize now that it has become a great emotional question, and people are saying that we have to do more—and we should.

We surely shouldn't let Lake Michigan go the way of Lake Erie.

I had an experience recently. I was in a neighboring State one day—and not far from here—and they were raising cain about Chicago taking all the water out of the lake, and claiming that is why the lake was so low. I looked across the street and there was a sewer going into a river pipe, about 18 inches, and that river going into the lake.

I said, "Chicago might be taking water out, sir, but we never have that kind of condition existing in our area."

I suppose you could multiply that. There are a lot of places where sewage is going into the lake. In the south end of our county it was discovered, both in Indiana and part of Illinois there was an open creek with human sewage going right into Lake Michigan. Well, these kinds of things, in this day and age, are just unnecessary.

Senator HARTKE. Of course.

Mayor DALEY. But I do think it's necessary, in talking about water pollution and in the talking about air pollution that it has to be regional standards by the Federal Government. The sooner the Federal Government starts to move and set regional standards, the better off we would be, and standards set must be complied with by State and local government. I think the same way on the waterways, but if we can surely put a law in like we did a year ago in Chicago, and have a Chicago ordinance, there is no reason why every State and every city on the Great Lakes that has a harbor shouldn't have a similar law.

Why should the boats that go outside the city, or to some other State not be required to have a chemical tank to dispose of waste? We even have boats that come in here, as the good port director knows, in which we seal the washrooms and we put our own facilities aboard. Those are chemical facilities which the people in the crew use while they are here, and then, in going away, we take them off the ship. There are a lot of things that we could be doing that we are not doing, a lot of things we waited too long to do.

Senator HARTKE. That is right. We have waited an awfully long time. We have just proceeded through the years with the idea that our national resources were going to be here forever, without any real concern about them.

We have passed legislation in the Congress, and Congressman Rostenkowski, who is here with me, knows this; but personally I feel we are not moving fast enough on a national level.

Mayor DALEY. I suppose this is hearsay, but the strongest fellows always came from the steel mills or stockyard areas. There is always plenty of smoke, but they seem to be the healthiest people, but I think some of the things they talk about today are a little exaggerated.

I think the water situation is serious. I think the air is also.

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Senator HARTKE. Very serious.

Mayor DALEY. But let's be realistic about it. From the time of civilization, when you produce anything, there is always a byproduct of it. You can go back and see they had pollution in the early days, with the lava coming down the hills, and even in primitive days. You will have pollution as long as you are constructing. The idea is how do you harness and marshal pollution?

We can fly men to the moon, and spend $350 million in one mission. We ought to be able to spend some money on trying to correct the air and the water.

I think the water is a serious situation, because the water is so necessary to our whole way of life, or even our existence. The air is important, but I think the first priority is water. If you don't have pure water and good water in any region, that people can drink, you will have a sick population; and this directly contributes to the health of the people of that area.

Now, I don't know—no one has been able to prove successfully, Senator, and they haven't medically or any other way, at what point air pollution is critical. There have been a lot of sensational charges, but no one has reduced it to any medical statistical data.

As a matter of fact, there are even some outstanding medical men that say that the whole situation in Pennsylvania was an exaggeration. The people were sick. The people were old, and here we found out that in Chicago, when the pollution was the highest, we had less deaths than when the pollution was low.

Now, how do you prove a thing like that?

Individually they talk about older people. They talk about respiratory cases. They talk about heart cases and all of this. There is no exact medical proof today that it has relation to this, what they call pollution. It's alleged and it's charged, and it's easy to make these charges. God knows this city knows that, about all the charges and allegations that are made. It's another thing to come up with factual medical evidence as to what the effect is on the human being.

Senator HARTKE. Well, no question about one thing on air pollution; those automobiles are doing their fair share.

Mayor DALEY. No question about it. The automobile, I think, as we say in our city, is responsible for 50 percent of the pollution.

Senator HARTKE. That's right. That is a big cause.

Mayor DALEY. Therefore, we have to get some other way of going at it. It was all right when we only had a few automobiles, but now, when there are millions that are congesting our expressways, and emitting their particulates into the air, we have to have a different kind of a motor to drive the car. They could surely get better gasoline. And with respect to sulfur dioxide, they could surely get better coal. There is low sulfur dioxide coal. There is low sulfur dioxide oil, which they can get, and which can be imported. We have asked the Secretary of Interior, because it's funny, they get it in New York, but we can't get it out here. It's incidents like that we are talking about.

Senator HARTKE. Congressman, any questions?

Congressman ROSTENKOWSKI. I don't have any questions, but I have always been one of those in the other body, Mr. Mayor, that has admired the attack that the Senate makes on pollution, and certainly in this bill that Senator Hartke is taking evidence on, Senate bill 3137, he is again proving to be a masterful politician and public servant, in that.

Mayor DALEY. That is his early training as a mayor, Dan.

Congressman ROSTENKOWSKI. I always felt that the best way to get Members of the House to move in conjunction with this effort is to invite the mayor of the city of Chicago.

Senator, this is certainly worthwhile legislation. It's something that I want to join you in your efforts, and I can promise you that many of us in the city of Chicago that represent the city, and those that represent Illinois, will certainly be very useful in trying to help you pass this legislation.

I think, too, as the mayor has stated, that in many respects, we in the Middle West, because of tolls and because the shortness of the navigation season are treated somewhat as second-class citizens.

I think, too, that this is a worthwhile effort. I can only express my desire to help you in your effort to pass this legislation to help the city of Chicago and all ports on the seaway.

Senator HARTKE. I might say in regard to that, you know that we have been trying to get some of the studies completed on the question of extending the season.

No question, the season could be extended, and probably at a cost which is not prohibitive, but, you know, it's difficult. Here again we have that competition from the east coast, and the discrimination which exists, and the rates which are being given to the——

Mayor DALEY. Shippers.

Senator HARTKE. (continuing) Railroads and the trucking industry, and we do not get any help from two agencies. The Department of Transportation was no help and the Department of Defense was no help to us. I dont' know why, why they wouldn't be interested in trying to help us to alleviate some of the cost of shipment from the midpart of the United States over in our military efforts, but they were not.

The new maritime program completely ignores the Grea Lakes. I think this is rather preposterous on its face. Here is an agency of the U.S. Government which really is saying they are going to modernize the whole American fleet, and yet the fleet on the Great Lakes has an average age of about 43 years, and they completely ignore it. As Congressman Rostenkowski said, we are treated as second-class citizens, like orphans, out here.

We don't intend to be that way any longer; right?

Congressman ROSTENKOWSKI. Right.

Senator HARTKE. Mayor, I want to thank you for your testimony, and with your cooperation and your help, we will get this job done.

Mayor DALEY. Thank you.

Senator HARTKE. The next witness we will hear will be Mr. Patrick J. Sullivan, secretary-treasurer of the Great Lakes District International Longshoremen's Association.

You may proceed.

STATEMENT OF PATRICK J. SULLIVAN, SECRETARY-TREASURER OF GREAT LAKES DISTRICT INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO

Mr. SULLIVAN. Senator, ladies and gentlemen.

My name is Patrick J. Sullivan, secretary-treasurer of the Great Lakes District of the International Longshoremen's Association, AFL-CIO.

The Great Lakes District of the ILA is an organization composed of 82 local unions and seven district councils located in the eight Great Lakes States, plus Missouri and Tennessee, and the province of Ontario.

Our membership is approximately 10,000, the vast majority of which are employees of industries engaged in or relating to the commerce on the Great Lakes.

We strongly support the objectives of S. 3137. We would like to see a bill that would abolish the St. Lawrence Seaway tolls completely, but realize at this time that is not possible.

Senator HARTKE. Mr. Sullivan, let me say that I join with you in that. I would like to see the tolls abolished in their entirety, too. We have expressed that in our hearings in Washington, but we quite agree that is not possible at this time. We do have the problems here of the U.S. Government to concern ourselves with, but, as you well know, the bigger part of the seaway itself, and of the tolls are really Canadian-owned and operated.

Mr. SULLIVAN. We are well aware of that, Senator.

Senator HARTKE. Yes.

Mr. SULLIVAN. Our position on this bill is not just that of our district, but represents the attitude of our entire international union.

At a recent meeting in Washington, ILA International President Thomas W. Gleason said:

> Tolls imposed on users of the St. Lawrence Seaway are discriminatory, and should be abolished in the long run. The St. Lawrence Seaway is the only waterway system on the North Atlantic Continent which imposes a 10% tax on users, as opposed to users of Atlantic and Gulf Ports, and those in Eastern Canada. Although our long-range objectives remain the same, as an interim measure the ILA supports the Mondale Bill, S. 3137, which will cancel U.S. indebtedness on the Seaway, and further provides that any tolls collected in excess of maintenance and administrative costs accrues to the U.S. Treasury. The Mondale Bill is a step in the right direction—but only a very short step. We must go much further and eliminate the toll, so that Great Lakes Ports are placed in a truly competitive position, and job opportunities of longshore and other maritime workers are assured. The ILA will fight for this, and we have the support of the entire AFL-CIO, which adopted a resolution to this effect during its recent convention.

I would like to interject there, Senator, I think this is an extremely significant breakthrough for us, because, as you know, the ILA is oriented to the east coast and gulf coast, but we have taken this position, as a sense of justice, that we are entitled to the same treatment on the Great Lakes in our district as the other districts enjoy.

Senator HARTKE. I think this is a very significant step. We want to thank the organization for that.

Mr. SULLIVAN. We are disappointed that cargo on the seaway has not reached its projected potential. We feel a major contributing force to this failure is the restraining effect of the tolls on seaway traffic.

Since the seaway opened in 1959 the record will show that the ILA has attempted to act responsibly in the orderly development of trade on the Great Lakes. We recognized that the seaway trade needed special consideration and help in order to develop its full potential. Since 1959 there has been only two major longshores strikes on the Great Lakes. Once in 1960, on the U.S. side of the lakes, and the other in 1961 on the Canadian side. The object of these strikes were to establish relative uniformity in wages and working conditions throughout the lakes. Since that time we have followed a deliberate pattern of low-keyed negotiations coupled with an educational program. This program has stressed to the membership the harm to the development of seaway commerce by a longshore strike or a threat of such a strike.

Over the years we have made substantial gains in wages, welfare, pensions, and working conditions which contribute to the economy of the communities along the Great Lakes.

However, these gains are not what we were capable of achieving or entitled to, if the employers were not saddled with seaway tolls.

The International Longshoremen's Associations wage and fringe benefit costs on the Great Lakes is approximately 10 percent below similar costs on the Atlantic and gulf coast, which is approximately the toll costs.

Our membership has recognized and accepted this. Although we feel it is not fair for us or the communities in which we live to, in effect, subsidize the seaway.

Again let me emphasize that we think that S. 3137 is a good start in the right direction.

Before concluding I would like to stress the fact that our organization attaches great importance to the amendments supported by the Great Lakes Task Force to the Merchant Marine Act of 1936, which will—

(1) Recognize throughout the provisions of the act and the provisions thereto the Great Lakes region as a fourth seacoast of the United States, and include the Great Lakes port range with the Atlantic, gulf, and Pacific port ranges; and

(2) Provide for the replacement and modernization of the Great Lakes fleet by including the Great Lakes shipbuilding industry on an equal basis with the rest of the U.S. shipbuilding industry.

Thank you, Senator.

Senator HARTKE. Thank you. I think this points out what we are really driving at. The fact that we have the 10-percent differential, really, in benefits here to the working people, just demonstrates again that this is treating this part of the country unfairly.

Mr. SULLIVAN. Absolutely, Senator. We couldn't agree more.

In our conferences, as I have stressed in our statement, we were fully capable of achieving a contract identical to the labor contract negotiated on the coast, but had we done this, it simply would have meant that many of our people would have lost employment, and that the traffic on the seaway, which hasn't reached its potential, would have been further retarded.

Senator HARTKE. Yes.

Let me ask you, in your opinion, should tax-deferred funds be extended to the Great Lakes, as they are to the other areas?

Mr. Sullivan. On the—well, I believe on the shipbuilding end of it, that the Great Lakes shipbuilders are asking for specific legislation to modernize their vessels. I am not real familiar with it.

I am aware that they are not asking for direct subsidies, operating subsidies or direct shipbuilding subsidies.

Senator Hartke. Which they do have, by the way, for other vessels?

Mr. Sullivan. Right.

Senator Hartke. Right.

Mr. Sullivan. But I think that we recognize the great contribution that the inland domestic fleet has made to our economy, and it's just impossible for many of the small, independent steamship lines, for example, to replace their fleets, and this has been evidenced by the fact that most of the independent steamship lines have just disappeared from the Great Lakes scene in recent years.

Senator Hartke. Well, thank you, sir. I want to thank you for your testimony, and I think you make your point very well.

Mr. Sullivan. Thank you.

Senator Hartke. The next witness will be Mr. Harry C. Brockel, from the Center for Great Lakes Studies, University of Wisconsin, Milwaukee, Wis., and Dr. Eric Schenker of the School of Social Sciences, from the University of Wisconsin, Milwaukee, Wis.

STATEMENT OF HARRY C. BROCKEL, CENTER FOR GREAT LAKES STUDIES, UNIVERSITY OF WISCONSIN, MILWAUKEE, WIS.

Mr. Brockel. Senator, thank you for the courtesy of the invitation. In the interest of conserving your busy schedule, Senator, may I summarize the thrust of the statement?

Senator Hartke. Both of the statements will appear in the entirety after your oral summation.

Mr. Brockel. Thank you. The theme of this statement——

Senator Hartke. Is Dr. Schenker here?

Dr. Schenker. Right here.

Senator Hartke. Do you want to come up together, both of you?

Mr. Brockel. Our observations are independent. We are not necessarily—our studies and observations are independent. We are not necessarily a——

Senator Hartke. You are not a team?

Mr. Brockel. No, not a team; no, sir.

Senator Hartke. Well, all right. We will take you separately.

Mr. Brockel. We came down together, so we will stay together.

Senator Hartke. Fine. We will take you separately, if you prefer.

Mr. Brockel. Thank you, sir.

Senator Hartke. Fine.

Mr. Brockel. Senator Hartke and gentlemen, our university, and this witness, thank you for the opportunity to testify on a topic which has motivated much of my life's work—the St. Lawrence Seaway, and the related transportation economy of the Great Lakes and mid-continent. We offer our comment on several points, hopefully pertinent to your inquiry.

THE WORLD SHIPPING REVOLUTION

Although a relatively new waterway, the Seaway locks and canals were built to dimensions which decisively limit the size and draft of ships which can negotiate this trade route. The new Seaway locks built by the United States and Canada are 800-feet long, 90-feet wide, and 30-feet over the sills. To assure of necessary clearances and safety of navigation, ships transitting the system may not exceed 735 feet in length, 75 feet in beam, and about 26 feet in draft. These are also the controlling dimensions of the eight locks of the Welland Canal, completed in 1933, which lift and lower ships over the 327-foot escarpment of Niagara Falls, between Lakes Erie and Ontario. When the Seaway was designed, following congressional authorization in 1954, it was argued quite logically that there was no point in building locks at Montreal or in American waters, to pass ships larger than those which could get through Welland to the commercial centers of Lakes Erie, Huron, Superior and Michigan. Since resources were not available to build a new Welland Canal, at the same time when building the colossal billion-dollar Seaway and power project, it seemed necessary, logical and inevitable, to build the new Seaway locks to the controlling dimensions of the Welland locks.

Thus, in 1959 we opened a striking new waterway capable of handling cargoes of approximately 30,000 tons in large lake bulk carriers, or about 20,000 tons in salt water vessels.

When the Seaway was under study and debate, particularly during the 1930's and 1940's, such cargo capacities seemed impressive. In fact, testimony before Congressional committees even in the late 1940's predicted that the Seaway could successfully serve about 85 percent of world shipping then afloat.

The world shipping revolution of the last 15 to 20 years severely limits the Seaway route. Instead of the 15,000 petroleum tankers of World War II, we have a vast fleet of oil carrying ships in the range from 100,000 to 400,000 tons, all far beyond Seaway capacity. In World War II, a 15,000- to 20,000-ton cargo of dry bulk was reasonably impressive, and even on the high side. The economics of the huge petroleum tanker have been brought to the ocean carriage of dry bulk cargos. The world movement of coal, iron ore, fertilizers, grain, and similar commodities has moved up rapidly from the 25,000-ton cargo bracket, to new ships running beyond 100,000 tons.

New container ships approach 40,000 tons, some with lengths approaching a thousand feet, and, of course, with beams far exceeding seaway confinement. The first new LASH ship to go into service, the "Acadia Forest," is similarly far beyond Seaway capacity, with a length of 860 feet, beam of 106, loaded draft 37 feet, and deadweight tonnage of 43,500 dwt.

In a word, the new shipping technologies sweeping the globe leaves our new Seaway far behind, unable to serve the new concepts in bulk carriers, tanker vessels, container ships, LASH vessels, and other special types.

Our hopes to play a major role in naval shipbuilding are similarly circumscribed with lake shipyards limited to construction of mine sweepers and escort vessels primarily.

THE CONTAINER SHIP

General cargo through the Seaway has been hovering around 5 million tons per year, and has been a major stimulus to the principle ports on the Seaway system, notably to Montreal, Toronto, Buffalo, Cleveland, Toledo, Detroit, Duluth, Chicago, and Milwaukee. This is the most competitive and most-sought cargo; its economic impact at portside generally estimated to be $20 to $25 per ton for port and inland services.

The general consensus is that this highly desirable traffic may tremble in the balance for the Seaway route, because of the tremendous impact and efficiency of the new container ships, offering express service across the Atlantic and Pacific, and between many major ocean ports. The whole thrust of the container vessel concept is rapid port turnaround and high-speed ocean express crossings. It is not likely that ships built to express route ideas will make a 5- to 10-day voyage through a restricted waterway, nor commit themselves to calls at five, six, or eight inland lake ports. The combination of restricted navigation and multiple port calls directly contradicts the whole concept of the container ships, with fast port turnaround and high-speed ocean crossings. With the LASH ship concept, handling high cubic barges as containers, it is predicted that 10,000 long tons of general cargo could be handled on and off these ships in as little as 6 hours. In lake ports, conventional general cargo ships and conventional terminals, even double shifted, would require 6 to 9 days, instead of 6 to 9 hours, to handle 10,000 tons. The conclusion is obvious, even startling.

In this kind of a fast new league, the lake ports and conventional dry cargo vessels face a tremendous challenge. The lake ports have been well served by many progressive steamship lines, and the new combination vessel has been right for the Seaway route, with its four-way capacity for general cargo, some containers, deep tanks and reefer space.

However, with thousands of shippers charmed by containerization. and with many of them desiring a systematic year-round shipping pattern, the seaway general cargo trade may soon be under severe strain. A logical defensive measure might be "gathering ships" to gather containers at the principal lake ports, probably on weekly schedule, to connect with the trans-oceanic container lines based at Montreal. It is not likely that container ships will enter the lakes, and it is equally unlikely that each lake port could justify a modern container terminal, or support it with adequate cargo. The gathering ship would be an acceptable alternative, and it should be of equal economic value to lake ports, whether 20 tons of cargo in a container moves on to a gathering ship or on to a through vessel.

SEAWAY EXPANSION

Small noises have been made in both countries suggesting that now is the time to plan for a new deep draft parallel seaway, to at least 35-foot navigation standards. Several problems arise. Regional competitive attitudes toward the seaway have hardened.

The cost of paralleling the seaway with new facilities, of building a new Welland Canal, and deepening Great Lakes channels and harbors would probably entail a price tag somewhere between $2 billion and $5 billion. Since regional competitors successfully fought off a $140 million seaway from 1919 to 1959, it is unquestionable that they would even more enthusiastically try to fight off a multi-billion dollar undertaking which they would regard as competitive.

Secondly, while a 35-foot system would vastly increase Seaway capacity, it is clear that the world shipping revolution would still leave such a system technically far behind, and still unable to serve the leviathan ocean vessels of the present and of the future.

Under these conditions, it is possible that the Seaway may fall short of its Utopian dreams, and may ultimately become a secondary special purpose kind of waterway, perhaps integrated with new deep sea concepts not yet clear. It may bruise the ego of the Midwest but may be realistic, to visualize the Seaway as a mid-continent feeder system for distribution of the vast volume of commerce that will flow on the ocean in giant vessels, and at new kinds of ports—probably regional, special purpose port centers. The next generation may see totally new concepts in port planning and development, forced by new shipping and cargo technology.

PORT CAPACITY AND EXPANSION

In preparing for Seaway trade, Great Lakes ports have spent about $65 million in local improvements, new port facilities and new cargo gear, such as heavy lift cranes. In addition to the basic costs of the Seaway, the U.S. Government spent upward of $200 million to deepen the Great Lakes connecting channels, and to deepen primary and secondary harbor channels. Another $13 million was expended for the giant new Poe Lock between Lakes Superior and Huron, completed in 1969.

The first wave of modernization at lake ports at the opening of the Seaway created many new general cargo terminals, dock structures, open wharves, rail and highway access, heavy lift cranes, cargo gear and similar port improvements.

In the atmosphere of celebration at the opening of the Seaway, there was no great problem in persuading port cities and port districts to lay out millions for port expansion. Ten years later, cities are faced with critical social and financial problems, and are struggling with costly programs of urban renewal, redevelopment, and public relief. In this environment, further expansion of public ports may have a low priority, and resources will flow to areas of political sensitivity rather than toward a proprietary venture. Again, many cities are approaching the limit of their bonded indebtedness. If they turn to revenue bonds, current high interest rates put a heeavy burden on capital expansion. If the Seaway were to continue to grow, and new traffic were to hit the Great Lakes, there will be the question as to whether lake ports cities have the will and the capacity to do what is necessary. In contrast, sale water ports are pouring hundreds of millions into new container terminals, giant cranes, assembly areas, rail and highway systems, and capitalizing briskly on the new kinds of ships and cargos moving on the high seas.

CRITICAL QUESTIONS

Along the Seaway, lake ports face some unique regional problems:

Hard core competitive attitudes along the Gulf and Atlantic coasts.

Dramatic development and expansion of salt water port capabilities.

Dredging problems in relation to silt disposal and protection of water quality in the Great Lakes.

Rail rate structures favorable to salt water gateways.

The flight of American flag shipping from the Seaway.

Defense Department resistance to use of lake ports.

Uncertainty of the Seaway toll structures.

Trend to new ships too big for Seaway locks and channels.

Container ship competition to Seaway general cargo.

Shippers who resist change, prefer stable year-around shipping methods, or who have a hundred other reasons not to use Seaway routings.

Shrinkage of liner service and sailings into new consortia.

Increasing steamship line tendency to centralize port calls at fewer ports and to concentrate cargo liftings.

Uncertainty as to future attitudes of steamship carriers to raise capital and build ships for a seasonal trade route with special problems.

The changing role of the great connecting canals—Panama, Suez. and the Seaway particularly.

Finally, we have the paradox of a Federal Government which by law demands the Seaway to be self-liquidating, but which by policy refuses budget resources to promote the waterway. In effect it is saying, "You have got to pay out, but let's not sell the project to the shipping world."

Even as ports along the Seaway begin to enjoy the fruits of geographic location on a great new trade route, problems begin to proliferate. But the midcontinent is still the heartland of America. The Seaway is still a great transportation route, and an outlet to world markets. Population growth and rising standards of living create vast new business opportunity. Raw material resources are being developed everywhere, creating vast new commerce. The Seaway and the Great Lakes will play a vital, but perhaps a changing role in this great drama of shipping and resource development.

Senator, even as we celebrate the first 10 years of the Seaway, the point I endeavor to make in these observations is that the Seaway, a relatively new channel, is already facing technological obsolesence—and we point out the reasons which dictated the size of the Seaway locks. Historically they were built to the same dimension as the Welland Canal, because there seemed little point in building larger locks at Montreal or in the American section of the Seaway—larger than the dimensions of the Welland, which the ships had to pass through.

We point out that when the Seaway dimensions were determined by Congress, it was then conceived that 85 percent of world shipping could successfully transit that waterway. With the world shipping revolution, a fantastic increase in size of petroleum tankers, bulk cargo carriers, the advent of the giant container ships, the fact is that the predominant portion of the new product of the shipyards is far beyond Seaway capacity, so that, reluctant as we are to say it, we face a condition where the Seaway increasingly will be able to serve a decreasing portion of the world shipping fleet, and is being made obsolescent by the standards of the new world fleet.

We point out that new container ships are in the 40,000-ton range; the first LASH ship, which has gone into service is 43,500 tons.

Senator HARTKE. I think maybe for the record what you ought to do is explain how the LASH vessel works.

Mr. BROCKEL. The concept of the LASH ship, Senator, is that of the container vessel carried to a new concept of a floating container, a mother ship carrying a large number of barges, possibly up to 200 barges. Each of these barges will have a bale cargo cubic of around 20,000 feet. The concept is that a LASH ship arriving, let us say typically at a port like New Orleans, will be able to put these containers or barges in the water, and then by either propulsion or under tow, they can move upstream to Mississippi River ports, or along the Gulf through the intercoastal waterway over to Mobile, over to Lake Charles, over to the Texas ports, up to Baton Rouge, Memphis, St. Louis, if you please. The Lykes Lines are predicting that their LASH barges will serve Chicago and Milwaukee.

And another interesting aspect here, Senator, that these ships will quote through export rates on a barge, which will traverse perhaps 2,000 miles of domestic waterway, and, of course, coming up the Mississippi, they would be toll free, so that here we have a new competitive threat, if you please, to the Seaway. But I suggest that we may also have here the germ of some of our own salvation, if we can establish the same concept of mother ships, let us say, coming to Montreal and gathering ships on the Great Lakes, and that is set forth here.

We describe briefly, Senator, the impact of container ships, which is increasingly popular in shipper acceptance.

We point out it is not likely that container ships will enter the Great Lakes—I am speaking of full container ships. We have many combination ships carrying limited numbers of containers.

And it's equally unlikely that each lake port could justify a modern container terminal, or support it. With adequate cargo, the gathering ship would be an acceptable alternative, and it should be of equal economic value to lake ports, whether 20 tons of cargo in a container moves onto a gathering ship, or onto a through vessel.

Under the heading of Seaway expansion, Senator, I briefly commented on the fact several years ago many of us might have urged you to sponsor a 35-foot seaway as the successor to our 27-foot waterway. We would be talking here about $2 billion to $5 billion. We mention the opposition which can undoubtedly be anticipated. You have effectively touched on this point, Senator.

Now I ask the question whether a 35-foot channel built at such tremendous cost would really move us into the mainstream of world trade. I rather question whether it would, because just as the dimensions of the new world fleet are beyond the capacity of the present Seaway, they would be beyond the capacity of a 35-foot channel.

I think here we are facing some very hard facts of transportation life.

A brief reference, Senator, to the wave of expansion at salt-water ports and the limited resources of the Great Lakes ports. The fact is that salt-water ports are pouring hundreds of millions into new container terminals, giant cranes, assembly areas, rail and highway systems, and capitalizing briskly on the new kinds of ships and cargoes moving on the high seas.

Our situation on the Great Lakes is relatively static in this respect. Our cities are hard pressed, and regrettably port development is apt to have a rather low priority in the contest for social causes, with which you are familiar.

Along the Seaway, Senator, lake ports face some unique regional problems: Hard core competitive attitudes along the gulf and Atlantic coasts; dramatic development and expansion of salt water port capabilities; dredging problems in relation to silt disposal and protection of water quality in the Great Lakes; rail rate structures favorable to salt water gateways; the flight of American-flag shipping from the Seaway; Defense Department resistance to use of lake ports; uncertainty as to Seaway toll structures; trend to new ships too big for Seaway locks and channels; container ship competition to the Seaway general cargo; shippers who resist change, prefer stable year-around shipping methods, or who have a hundred other reasons not to use Seaway routings; shrinkage of liner service sailings into new consortia; the increasing steamship line tendency to centralize port calls at fewer ports and to concentrate cargo liftings; uncertainty as to future attitudes of steamship carriers to raise capital and build ships for a seasonal trade route with special problems; the changing role of the great connecting canals, Panama, Suez, and the Seaway particularly—each of them faces change in the context of world change.

Finally, we have the paradox of a Federal Government which by law demands the Seaway to be self-liquidating, but which by policy refuses budget resources to promote the waterway. In effect it is saying, "You have got to pay out, but let's not sell the project to the shipping world."

Finally, Senator, I make the point that the Seaway and the Great Lakes will still play a vital, but perhaps a changing role in the great drama of world shipping and resource development.

Senator HARTKE. What do you think really ought to be done to encourage U.S.-flag service to the Great Lakes area? What could be done?

Mr. BROCKEL. I would think, Senator, as a condition of essential trade route establishment, and the granting of building and operating subsidies, those companies which have applied for a variety of trade routes might very well be required, as a condition of congressional approval, to serve this basin.

Many of them have agreed to do so, but the fact is that in the midseason of 1969, practically every American flag disappeared from the Seaway, without public announcement, and there is still, not to this day, a general appreciation that the American flag has abandoned the route. I think the reason they might have given last summer was the MSTS experiment on the lifting of military cargo, so now we have the loss of the American-flag service. We now have the announcement by Defense that it will terminate the experiment. We are left in a vacuum. I think you will hear proposals, Senator, that the American-flag preference requirement be modified to permit foreign flags to lift cargo, and I think substantial savings could be realized in the movement of hardware around the world if foreign-flag carriers serving the Seaway are permitted to handle some portion of this cargo. But the American-flag lines have long been associated with the Atlantic maritime community, Senator.

Senator HARTKE. I know that.

Mr. BROCKEL. I think you are highly aware of this, and I think this reflects old attitudes, old prejudices.

Senator HARTKE. And old myths?

Mr. BROCKEL. Old myths.

Senator HARTKE. Right.

Mr. BROCKEL. I agree with that, Senator; I think even when we saw American-Export and McCormack coming down out of the ports of Milwaukee and Chicago loaded to the maximum, you still sensed a lack of enthusiasm even for full cargos.

I was astonished to learn in Japan—I think this might please you—one of the major Japanese lines, with 23 world trade shipping routes told me in their Tokyo headquarters office, that the Great Lakes route was the most profitable of all of their 23 services.

Senator HARTKE. That is something.

Mr. BROCKEL. This gave me great confidence that we had not wasted our lifetime fighting for this trade route.

Senator HARTKE. All right, sir.

I want to thank you for your statement.

Dr. Schenker, you can proceed independent of that. I didn't mean to jumble you up like that.

STATEMENT OF ERIC SCHENKER, PROFESSOR OF ECONOMICS AND ASSOCIATE DIRECTOR, CENTER FOR GREAT LAKES STUDIES, THE UNIVERSITY OF WISCONSIN, MILWAUKEE, WIS.

Dr. SCHENKER. My name is Eric Schenker. I am professor of economics and associate director of the Center for Great Lakes Studies, at the University of Wisconsin—Milwaukee.

The Center for Great Lakes Studies is a multidisciplinary research center. We are very interested in our natural resources, and obviously the Great Lakes is one.

Recently I published a report, Special Report No. 10 of the Center, "Overseas Shipping at Great Lakes Ports: Projections for the Future."

Senator HARTKE. We will include that by reference.

Dr. SCHENKER. Thank you, Senator.

The Center for Great Lakes Studies is one of the means by which this university conveys to the public its keen interest in the great natural resource which is the Great Lakes, the multiple uses of the Great Lakes, and the growing public and academic concern with the preservation and continued best uses of these great bodies of fresh water.

Our activities are multidisciplinary, and our academic resources range through the entire spectrum relating to the Great Lakes, including limnology, zoology, geology, botany, water chemistry, pollution control, and the economics of the region.

In this latter context, we have a special interest in the Great Lakes and St. Lawrence River system as regional and international arteries of commerce.

My latest research report is the previously mentioned, "Overseas Shipping at Great Lakes Ports: Projections for the Future," Special Report No. 10, Center for Great Lakes Studies, is a far-ranging discussion of St. Lawrence Seaway commerce, potentials and impediments. Basically, it is a review analysis of a report which attracted much public attention and created some public concern.

We refer to the 1969 report, "An Economic Analysis of Improvement Alternatives to the St. Lawrence Seaway System," an exhaustive tariff study done in 1969 by E. B. S. Management Consultants, Inc., Washington, D.C., prepared for the U.S. Department of Transportation.

The E.B.S. study was highly technical, and the published conclusions were of much concern to proponents and users of the Seaway trade route.

Our Special Report No. 10 endeavors to interpret the E.B.S. report, generally, to analyze the present situation of lake ports and the Seaway, and to forecast the future of the system in terms of economic analysis.

Because of your known interest in these topics, we are submitting a summary of chapters II through VI, and the conclusion for consideration by your special subcommittee.

CHAPTER II—SEAWAY TRAFFIC ANALYSIS

Total cargo tonnage moving on the Seaway system has shown an upward trend since its opening in 1959. A record 49.2 million tons was reached in 1966.

The Seaway is the low cost route for the transportation of such bulk cargos as grain, coal and iron ore. These account for approximately 80 percent of its traffic; the total bulk tonnage has more than doubled since 1959.

The Seaway system is the least cost shipping channel for the midcontinent region. Yet, U.S. shippers do not take full advantage of the economies the Seaway system offers. While 65 percent of the free world's wheat exports are grown in the midcontinent region, only 6.3 percent of total U.S. fleet exports moved via the Seaway.

On the other hand, 60 percent of Canadian wheat was shipped over this Seaway. The Seaway success in capturing Canadian wheat traffic is due to (1) different marketing arrangements in Canada; and (2) greater comparative success from alternative means of transport in the United States.

This also applies to other agricultural exports grown within its hinterland. The U.S. corn belt is situated within the Seaway's hinterland, yet only 20 percent of corn exports are shipped via the Seaway. Gulf ports handle most of this traffic. While 50 percent of the soybean crop is grown in the Midwest, the Seaway's share of these exports range only from 20 to 24 percent. The Seaway handles less of these agricultural exports grown within its hinterland than the Gulf ports, although it is the least cost overseas shipping route.

Iron ore is the highest volume commodity handled at the lake ports and over the Seaway. Most of the ore is mined in the Lake Superior ore region, and is captive to the Seaway. Coal and limestone are two other raw materials handled in large volumes; they are mostly lakewide traffic.

General cargo tonnage has trebled since 1959. This high value cargo generates four times as much income per ton for port communities as does bulk cargo. The growth of general cargo, with its attending income, employment and social benefits, is one of the most important contributions the Seaway has made to the economic growth of its hinterland.

Iron and steel products accounted for 31 percent of the Seaway's total general cargo traffic in 1966, and more than 50 percent of its imports. These products originate in Europe and Japan, and are destined for the Midwest steel producing complexes—especially Detroit. The direct, low cost route the Seaway provides has been an important factor in the expansion of steel imports.

Although the lake ports handle significant amounts of general cargo in addition to iron and steel imports, these totally represent only a fraction of the overseas general cargo traffic generated within the Great Lakes region.

CHAPTER III—COMPETITIVE ISSUES

The Seaway has been a significant stimulus to the economic growth of mid-America through the expansion of foreign trade. However, a number of long range constraints hinder Seaway shipping and development.

The Seaway is the only Federal navigation route required to be self-supporting and fully amortized from tolls collected. Revenues during the first 10 years of operation have fallen short of the level required to repay its bonded debt within the 50-year period, due to relatively low traffic volume during the startup years. While revenues are adequate to cover operating expenses, they have been insufficient to also meet the annual interest payments.

Proposed toll increases are designed to eliminate annual deficits and gradually reduce the corporation's cumulative deficit. Higher transportation price would increase total revenues, assuming the demand for Seaway services is inelastic. It has been shown that only iron ore and Canadian wheat traffic are captive to the Seaway; corn, soybeans, and general cargo are not. For noncaptive cargoes, there are many alternatives to shipping via Seaways; hence, the demand for the Seaway's services is not relatively unresponsive to price change.

Lowering or eliminating tolls would induce allocative efficiency and stimulate economic growth. Efficiency norms are violated as long as traffic on the Seaway pays tolls while traffic on competitive routes moves at below marginal social cost as a result of indirect subsidization. Eliminating tolls would attract more traffic to the Seaway, thus increasing the value of its overseas trade. This would mean, of course that the Federal Government would have to take over the responsibility of the Seaway's bonded debt.

Further, the Department of Defense military cargoes and Department of Agriculture relief cargoes constitute a significant portion of U.S. overseas export. While shipments of foodstuffs have been increasingly favorable to the Seaway relative to other coastal ports, the Department of Defense until recently has bypassed the Great Lakes ports. This has meant failure to utilize the economies of the Seaway, and has effectively deprived lake ports of their hinterlands exports.

Cargo preference laws prohibit defense cargo from moving in foreign vessels when an American flag ship is available within the same administrative district. The Seaway is under the same administrative jurisdiction as the Port of New York, and no American ship will enter the lakes if it can pick up the same cargo at an Atlantic port. This, in turn, contributes to a lack of sailings from lake ports.

In addition, although the Seaway is the least cost route for grain and general cargo traffic originating in Illinois, Indiana, Iowa, Michigan, Ohio, and Wisconsin, lake ports handle less than one-half of the coarse grain and less than one-fifth of general cargo exports generated within its hinterland. The Seaway is prevented from handling more of the wheat exported from its hinterland because of its limited shipping season. By extending the shipping season the Seaway would capture more of this traffic.

The ability of the Atlantic and Gulf ports to retain their share of grain exports is due to favorable rate reductions by the eastern railroads. Where the Seaway has an insurmountable cost advantage in transporting grain, railroad rates are at the pre-Seaway levels. Selective rate cuts have kept the Seaway participation in wheat exports of Ohio very low, although the system can support the grain at the lowest social cost. Similarly, in Indiana, where the Seaway's cost advantage is not decisive in hauling corn and soybean traffic, the rail rate differential shrinks by more than four times. Recent reductions on rail shipments of soybeans to the Gulf ports make the rates from central Illinois higher to Chicago than to New Orleans. The lake ports have petitioned the ICC for equal access to inland traffic and extension of new improved rail services to the lake ports.

The lake ports also face the same problems of discriminatory rates and unequal rail services for the transportation of general cargo. In some cases it costs more to rail-ship general cargo to a closer Seaway port than to a more distant coastal port. While absolute costs are lower, costs per mile are greater. The line-haul rate best exemplifies such price discrimination. These rates cover handling charges at coastal ports while excluding similar services for lake ports.

Containerization creates other problems for the Seaway ports. Presently there are not adequate, specialized terminal facilities to efficiently handle containers and allow the ship to make a quick turnabout. Therefore, a great deal of the container traffic is shipped to the coast. Continued diversion of this high value traffic would mean, according to E.B.S. estimates, a loss of 3.4 million tons of cargo by 1980. Since general cargo traffic is vital to the financial health of the lake ports and the Seaway, it is recommended. (1) to establish two modern load centers—one (on Lake Michigan) to serve Milwaukee and Chicago, the other on Lake Erie to serve eastern lake ports; and (2) to construct berths capable of servicing the new combination break-bulk container vessels.

CHAPTER IV.—THE ST. LAWRENCE SEAWAY SYSTEM

Expansion and development of the Seaway system must be undertaken to improve the existing port facilities and provide better transportation services. Seaway traffic may be approaching the capacity of its existing facilities; the maximum capacity may be reached in the 1970's. Current interest in expansion is focused on the Welland Canal and St. Lawrence River sections.

Improvement of these lock systems by either pairing or twinning would allow new larger and automated lake and ocean vessels to traverse the Seaway and to load and unload at the principal lake ports. Efficient vessels able to make a quick turnabout at port would mean considerable rate reductions. The E.B.S. report, however, advises against expansion. The report concludes that reduced transportation costs plus other benefits would be less than the cost of improvement. The basis for this conclusion is questionable, since the report overestimates the amount of grain and general cargo to be diverted from the Seaway, and misconstrues the nature of the benefits to the United States from iron ore shipments over an expanded system.

Currently the Seaway is closed from approximately mid-December to the beginning of April. Ice control techniques will allow a 6-week extension of the shipping season. The extension would mean reduced transportation and inventory costs, increased tonnage at the lake ports and lower social costs in terms of idle men and equipment. Moreover, much overseas traffic which moves via other modes during the winter months could be captured by the Seaway. Increased wheat and coarse grain traffic would generate over $10 million.

Similarly, increased general cargo traffic would save between $10 million and $12 million in transportation costs, while adding $12.5 million to $17.5 million to port income. Extension of the season would mean a capital outlay of $49.7 million and annual outlays of $11.7 million. Using a 10 percent discount rate, the capital outlay would be paid off in the ninth year, while increased revenues would be more than adequate to cover the extra annual expenses.

The success of Seaway development depends on Government investment. Proposed port development expenditures for the Great Lakes region by all levels of Government for the 1966–70 period are the lowest in the postwar years. These figures are much smaller than those for the development of coastal ports. Moreover, they do not include any plans for building fully integrated container facilities.

CHAPTER V—FUTURE TRAFFIC

There have been three major studies in the United States of future traffic estimates for the St. Lawrence Seaway: One by the Army Corps of Engineers, another by the Stanford Research Institute, the most recent and exhaustive by E.B.S.

All studies show an upward trend in tonnage moving via the Seaway system.

E.B.S. prepared two sets of projections: (1) estimated traffic if the Seaway maintains its present competitive position; and (2) estimated traffic assuming cargo diversion, especially corn, soybeans, and general cargo.

E.B.S. estimates total traffic in 1980 at 58 million short tons, and after expected diversion, at 54 million. These figures are near the lower and middle SRI range of 52.4 to 65.9 millions of short tons. The general cargo estimates of E.B.S. exceed the estimates of the other two studies.

The E.B.S. study does not consider an increase in the Seaway's participation in its hinterland's general cargo overseas traffic will take place. Assuming no improvements or an extension of the season, there are significant differences in the two sets of general cargo entries prepared for major lake ports. Milwaukee and Chicago best illustrate the magnitude of the problem. If predicted diversion occurs, Chicago will lose nearly 40 percent of its general cargo traffic, while Milwaukee will lose over 60 percent. The total Great Lakes diversion is estimated to be 1,650,000 tons, over 35 percent of the projected general cargo traffic, assuming the current competitive position.

E.B.S. admits the possibility of the Seaway's increasing its share of the midcontinent's overseas traffic if the season is extended. They predict an additional 1,615,000 tons of bulk cargo, and 367,000 tons of general cargo will be captured by the Seaway. Most of the wheat traffic would be U.S. traffic, all corn and soybeans would be U.S. exports, as would all of the general cargo.

CHAPTER VI—PRESENT AND FUTURE INCOME AND EMPLOYMENT GENERATED BY THE ST. LAWRENCE SEAWAY

The St. Lawrence Seaway produces two types of economic benefits: (1) It reduces transportation costs; and (2) it generates increased economic activity at the Great Lake ports.

Direct income generated by Seaway traffic includes wharfage and terminal charges, payment for supplies, labor, and auxiliary services, and so on. It is possible through the application of regional multipliers to estimate the total income and employment effects. Using \$5 and \$24 as the average direct income per ton produced from servicing bulk and general cargo at lake ports, it is estimated that, in 1968, Seaway shipping produced approximately \$283 million of primary income and nearly \$643 million of total income. The Seaway accounts for aproximately 1 percent of the total income of the six Great Lakes States. Moreover, using \$7,500 as an approximate 1968 median income, Seaway cargo provides direct employment for 37,770 families; adding secondary income produces total employment for 85,710 families.

The opening of this low-cost transportation route, plus the rail-rate reductions it has caused, as a consequence, have opened new export markets for midwestern agricultural and manufactured goods.

It is possible to make a rough approximation of the income Seaway traffic will generate at major lake ports in 1980 by using the E.B.S. traffic projection and the techniques employed in the previous sections. Still using \$5 and \$24 as the average income produced by servicing a ton of bulk and general cargo, respectively, it is estimated that direct income, assuming the present competitive position, will total \$388,419,000, while with expected diversions the total will be \$345,884,000. Total income will contribute nearly \$0.9 billion to the six States' economies, assuming that no diversions take place.

Direct income lost due to traffic diversion will equal \$42.4 million, while total income lost will equal \$103.8 million. These estimates are substantial for the region as a whole, and devastating for such ports as Chicago, Milwaukee, and Toledo.

Milwaukee, for example, will lose over one-third of its potential port income in 1980.

Ports must be ready to provide the services and facilities for general cargo traffic to retain this cargo and its related income. Construction of container facilities would aid the Seaway in capturing a substantial portion of the 3.4 million tons of container traffic expected by E.B.S. to be diverted. This would mean more than \$160 million addition to annual total income. Also, a 6-week extension of the shipping season would add more than $70 million in total income to the regional economies. If we add the income generated by projected Canadian traffic, which will total approximately 11 million tons of bulk cargo and 1.68 million tons of general cargo by 1980, the Seaway traffic would add a total of $1.2 billion to the income of the midcontinent region, and these income effects are only part of the total impact which the Seaway has upon the economy of its hinterland. As the study indicates, perhaps the Seaway generates even greater benefits by providing a low-cost route for transporting the overseas commerce of the midcontinent.

CONCLUSION

In this study we have estimated that St. Lawrence Seaway traffic adds nearly $643 million to the income of the residents of the six Great Lakes States. If the lake ports can simply maintain their present competitive position, this figure may reach $900 million by 1980. If, somehow, the lake ports could increase their participation in the overeas trade of their hinterland to anywhere close to the level achieved by the Atlantic and Gulf coast ports, the economic benefits accruing to the Great Lakes region would be at least doubled.

The problems that must be overcome before the Seaway can increase its participation in its hinterland's traffic fall into two general areas, both of which involve government agencies. These are the problems of (1) unequal inland access to the Seaway ports; and (2) lagging expenditures for Seaway and lake port development.

It is imperative that midwestern leaders prevail upon the ICC to review the rate schedules and the quality of service offered by the railroads and truckling lines serving the lake ports, with a view to creating some degree of order and equality from the irrational jumble of discriminatory rates and services that currently prevail. If these discriminatory practices are not eliminated soon, the wholesale diversion of midwestern general cargo and grain traffic that has been predicted will be a reality by 1980.

Governments, at the Federal, State and municipal level, are responsible for the maintenance and expansion of Seaway and lake port facilities. State and municipal governments, faced with unprecedented demands for increased services, have shown increased reluctance to invest in modern port facilities. They must realize, however, that the lake ports are currently at a crucial phase in their development, and that failure to continue to improve facilities may mean the irretrievable loss of much of their most valuable traffic to the coastal ports. As our income data indicate, such losses would have serious negative effects upon the economic growth of the port communities.

The Federal Government is also reluctant to invest in the expansion and improvement of the Seaway system. Atlantic and Gulf coast interests insisted that the Seaway be self-supporting from tolls, even though every other federally financed navigation route is toll free. As a result of abnormally low traffic volumes during the start up years, the Seaway has been unable to meet the interest charges on its bonded indebtedness. These same coastal interests now charge that since the Seaway has not been self-supporting, no new government funds should be spent on its improvement. Rather, they suggest an increase in Seaway tolls so that the debt could be retired.

Efficient transportation policy, however, would dictate the opposite strategy. The Seaway's debt should be restructured; tolls should be reduced, if not eliminated; and, at the minimum, the Seaway season should be extended for 6 weeks, with the eventual goal being a 12-month Seaway season. Ultimately, the system of locks and connecting channels that makeup the Seaway will have to be expanded. Failure to engage in these improvements will mean the forfeiture of the substantial economies inherent in a deep-water navigation route.

Finally, the lake ports must realize that they can no longer engage in port expansion and improvement projects while disregarding developments at neighboring ports. Port improvement has become too expensive, and the alternative uses for Government funds too pressing to permit each lake port the luxury of completely independent development. Improvements at the ports along the Great Lakes must be coordinated so that the full complement of modern port services can be provided without wasteful duplication of facilities. The lake ports must realize that their true competitors are the coastal ports, and only through a determined, coordinated, and immediate effort will they be able to meet this competition and expand their penetration of the midwestern transportation market.

As this study has shown, the economic rewards of such an effort would be substantial.

Let me just briefly emphasize some of the conclusions, and add some side remarks.

Senator HARTKE. Yes.

Dr. SCHENKER. The study found that the St. Lawrence Seaway added approximately $643 million to the income of the residents of the six Great Lakes States. If lake ports can simply maintain their present competitive position, this figure may reach $900 million by 1980.

Let me add that Chicago's share, Illinois' share, the area's share, is approximately one-third of this figure.

Senator HARTKE. A very substantial amount.

Dr. SCHENKER. The Chicago area has a particularly high interest in this figure.

Senator HARTKE. Right.

Dr. SCHENKER. If somehow the lake ports could increase their participation in the overseas trade of the hinterland to anywhere close to the level achieved by the Atlantic and Gulf ports, the economic benefits accruing to the Great Lakes region would at least double.

Let me just point out to you, Senator, as found in chapter II, while 65 percent of the free world's wheat exports are grown in the mid-continent region, only 6.3 percent of the total U.S. wheat exports moves via the Seaway.

Senator HARTKE. I think that is a good, concrete example. Only a small percentage is shipped out of the ports from which it would really be most economically shipped if you took the direct methods, and that also would reduce the cost.

Dr. SCHENKER. Yes, Senator. On the other hand, 60 percent of the Canadian wheat was shipped over the Seaway. The Canadians ship a larger percentage than the United States because they have different marketing arrangements. As you can see, Senator, I am using commodities that are grown predominantly in the Midwest. On the manufacturing side—I have conducted several studies—in the Great Lakes region, the results show that only 11 to 15 percent of the items manufactured for export in the Great Lakes region are shipped through the Great Lakes ports. If you use value, it's a little higher, 18 percent, again showing that if Great Lakes ports can get a larger share of this traffic, the economic benefits obviously accruing to the Great Lakes region would at least double, and here we are just measuring direct and secondary benefits. We are not measuring the benefits, which I am sure equal this, of the reduced railroad rates that have occured because of the Seaway.

Obviously the railroads and truckers have reduced rates on numerous major commodities, and this is why these cargoes are moving to the Gulf and Atlantic ports.

The problems that must be overcome before the Seaway can increase its participation in its hinterlands fall into two general areas, both of which involve Government policies.

These are the problems of the unequal inland access to the Seaway ports and the lagging expenditures for Seaway and lake port development.

It is imperative that midwestern leaders prevail upon the ICC, and other regulatory bodies, to review the rate schedule and the quality of service offered by the railroads and trucking lines serving the lake ports, with the view of creating some degree of order and equality from the irrational jumble of rates and services that currently prevail; if these discriminatory practices are not eliminated soon, the whole diversion of midwest grain traffic that has been predicted by E.B.S. reports and other reports certainly will become a reality by 1980.

Governments at the Federal, State, and municipal level, are responsible for the maintenance and expanson of Seaway and lake port facilities, and municipal governments faced with unprecedented demands for increased services have shown increased reluctance to invest in modern port facilities. They must realize the lake ports are currently at a crucial phase in their development, and that failure to continue to improve facilities may mean the loss of much of the most available traffic. As my income data indicated, such losses would have serious negative effect upon economic growth and the port communities.

Let me add here, Senator, that the recent proposal by President Nixon to have the Federal Government pay for 50 percent of retaining walls, and for the dredging problem certainly is a step in the right direction.

The other problem will be where are the States and local governments going to get the other 50 percent. This is an area that certainly local and State governments have to look at very carefully.

Senator HARTKE. That is the difficulty with so many of the matching plans. Today there is just nothing to match with; right?

Dr. SCHENKER. Yes.

Senator HARTKE. Either the matching funds are not available, or there is not that dedication and determination on the State and local communities to make them available.

Dr. SCHENKER. Or not only the dedication—Senator as a former mayor, you know that mayors are faced with the problems of placing the money in the inner core, or building a retaining wall. They may have to place the money in the inner core.

Senator HARTKE. This is a question of priorities and utilization of our natural and human resources, really, that we have been discussing here. I have been discussing this at length in the Senate. I think we must make the determination as to whether we are, in an orderly process, going to try to develop some of our futures, or whether we are just going to proceed haphazardly and ultimately end up in chaos, as we are at the present time.

Dr. SCHENKER. I would also add that certainly I am familiar with all the Great Lakes ports, and, using Milwaukee as an example, that it's a great economic stimulus, and also a major source of employment for the minority groups. By investing funds in this type of activity, we are also creating employment for many people, including a high proportion of minority groups.

Senator HARTKE. There may be the possibility that we can do away with people; did you ever think of that? Then you won't have that need for jobs.

Dr. SCHENKER. That is——

Senator HARTKE. You know, there is a new bomb that they are trying to develop that doesn't destroy buildings. It only kills people. Maybe that would be the end of the problem. I am being facetious, of course——

Dr. SCHENKER. Yes, Senator.

Senator HARTKE (continuing). But what I am saying is that somebody has to start thinking about what you are going to do about providing for employment——

Dr. SCHENKER. Yes, Senator.

Senator HARTKE (continuing). And broad-scale employment in a time when we have increasing unemployment, which naturally hits back again on those people who are the first to be fired, and the last to be hired. I quite agree with you.

Dr. SCHENKER. The Federal Government has also been reluctant to invest in the expansion and improvement of the seaway system. Atlantic and gulf interests insist that the seaway be self-supporting from tolls——

Senator HARTKE. That is the discrimination against us midwesterners again.

Dr. SCHENKER. Yes, Senator.

As I mentioned earlier, because of the abnormally low traffic volumes during the startup years, the seaway has been unable to meet the interest charges on its bonded indebtedness. These same interests now charge that since the seaway has not been self-supportnig, no new Government funds should be spent on its improvement, but rather, they suggest an increase in seaway tolls so that the debt could be retired.

I would like to emphasize that efficient transportation policy, however, would dictate the opposite strategy. The seaway's debt should be restructured; tolls should be reduced, if not eliminated; and, at the minimum, the seaway season should be extended for 6 weeks, with the eventual goal being a 12-month seaway season. Ultimately, the system of locks and connecting channels that make up the seaway will have to be expanded. Failure to engage in these improvements will mean the forfeiture of the substantial economies inherent in a deep water navigation route.

Finally, the lake ports must realize that they can no longer engage in port expansion and improvement projects while disregarding developments at neighboring ports.

Port improvement has become too expensive, and the alternative uses for Government funds too pressing to permit each lake port the luxury of completely independent development. Improvements at the ports along the Great Lakes must be coordinated so that the full complement of modern port services may be provided without wasteful duplication of facilities. The lake ports must realize that their true competitors are the coastal ports, and only through a determined and coordinated effort will they be able to meet this competition and expand their penetration of the midwestern transportation market.

As this study has shown, the economic rewards to such an effort would be substantial.

Thank you, Senator.

Senator HARTKE. Your study suggested that the lakes can support two container facilities; isn't that correct?

Dr. SCHENKER. A previous study of mine, entitled "The Effects of Containerization on the Great Lakes Ports," indicated there is a possibility of two major container terminals, fully integrated—possibly one in Lake Erie and one in Lake Michigan.

The other type of facility would have to be a combination type of facilities.

Senator HARTKE. That is LASH and break-bulk?

Dr. SCHENKER. Yes, to have a break-bulk in combination with general cargo.

Senator HARTKE. Thank you for a very detailed and thoughtful presentation.

Dr. SCHENKER. Thank you, sir.

Senator HARTKE. Now, the next witness will be Mr. Louis C. Purdey, executive director, Toledo-Lucas County Port Authority, and chairman of the Great Lakes Task Force.

Good afternoon, sir. We are delighted to have you here with us.

STATEMENT OF LOUIS C. PURDEY, EXECUTIVE DIRECTOR, TOLEDO-LUCAS COUNTY PORT AUTHORITY, AND CHAIRMAN OF THE GREAT LAKES TASK FORCE

Mr. PURDEY. Thank you. I am very much interested in getting a prehearing on some of my own testimony. I will try not to repeat too many of the things that you have heard.

Senator HARTKE. Thank you.

Mr. PURDEY. Before I get into the statement, I think that a word in regard to this pollution situation might be of interest to you.

As a part of the master plan in the Port of Toledo, we included a diked area for the disposal of dredgings. Now, this is a port development situation, and in that particular area of approximately 1 square mile, the dredgings for the last 8 years from the channel have been impounded almost totally. This area is now almost finished. I think it will last for 2 more years, and then we have secured 3,100 acres in the open bay outside of the mouth of the river, which will be available for further diking and further containment of dredging.

We have been extremely fortunate that the physical contour of the area lent itself to this in order to be able to provide this kind of an area. We could sort of feel some of these things coming.

As you know, the Maumee puts out about a million yards of that every year, so we had to do something.

Senator HARTKE. A lot of it is not treated too well, either.

Mr. PURDEY. No. I am very much afraid that some of the areas through which it comes provides a little bit of deleterious material in there. It's unfortunate that some of it is a runoff of very fine Indiana topsoil and fertilizer from farms.

Senator HARTKE. This is something that is going to have to be taken into account. There is no question that so-called fertilizers and some of the items we are using—especially some of the hard type fertilizers—are going to have to be changed. That's all there is to it.

Mr. PURDEY. I don't think there is much question about that, Senator.

Senator HARTKE. That's right.

Mr. PURDEY. I think also there is going to have to be an acceleration in the watershed protection planning. This has been done on our—on a fairly small scale in a lot of instances, but I don't think that it has proceeded anywhere near as rapidly as it would have to.

Senator HARTKE. This is the heart of the problem, the problem of pollution from the farms, is the fact that the watershed program could provide for substantial relief. Here we have the Federal Government going in two different directions. On the one hand, saying we want to do something about pollution, and the other saying no new starts in the field of watersheds. I think that is saying we don't really mean it; that what we are going to do is a lot of talking but not much in the field of action.

I am an action man myself.

Mr. PURDEY. I kind of like that.

Senator HARTKE. All right.

Mr. PURDEY. My name is Louis C. Purdey. I submit this statement as executive director of the Toledo-Lucas County Port Authority, and as the chairman of an organization known as the Great Lakes Task Force.

Permit me to add parenthetically that I am personally grateful for the action that resulted in this special subcommittee to study transportation on the Great Lakes and the St. Lawrence Seaway.

The Great Lakes Task Force organization, for whom I speak, was formed in response to a request from the conference of Great Lakes Senators. The task force brings together the various elements of the transportation system of the Great Lakes-St. Lawrence Seaway. It distills their needs and views into sharp focus so that combined effort toward common goals can be more coherently delineated.

Presently the purposes of the task force are (1) to encourage the orderly development of the Great Lakes region, midcontinent North America, and the entire Nation; and (2) to foster and promote a quality environment for the region.

Membership in the Great Lakes Task Force includes these organizations: (1) The Council of Lake Erie Ports, (2) Great Lakes Commission, (3) Great Lakes Terminals Association, (4) International Association of Great Lakes Ports, U.S. Section, (5) International Longshoremen's Association, Great Lakes District, and, (6) U.S. Great Lakes Shipping Association.

We believe this task force to be a pioneer effort in pulling together most of the prime interests in water use and economic development.

To my knowledge, the Great Lakes Task Force seeks, as its ultimate goal, that which parallels the ambitions of the Toledo-Lucas County Port Authority. Neither the task force nor my home port intend to introduce before this committee or any other, unreasonable arguments seductively wrapped in the American flag for preferential treatment over other areas of the country. We are only begging for equal recognition and corrective legiselation which will finally permit the Great Lakes region to take its rightful place as a seacoast in the United States of America.

The time is long past due for modification of original legislation which literally placed the seaway into the hands of the loan sharks.

Amendments to the U.S. Constitution of America give undisputed credence to the fact that no written document can effectively outlive the elements of changing times. That is why we are delighted to note that your special subcommittee will consider S. 3137 and other problems of the Great Lakes-St. Lawrence Seaway transportation system—including pollution, extension of the season, discriminatory rail rates, the operation of cargo preference laws, and the shortage of American-flag vessels on the Great Lakes.

This bill S. 3137, would amend the act creating the St. Lawrence Seaway Development Corporation; would convert present indebtedness of the St. Lawrence Seaway Development Corporation to an interest-free loan; would have the Corporation defray operating maintenance and administrative costs from toll revenues; and, at the end of each fiscal year, would provide for paying the remaining moneys to the Treasury of the United States to reduce the face value of the loan.

The Great Lakes Task Force strongly supports and recommends enactment of S. 3137 as a means of relief from the ever escalating charges being made against the seaway. There is really no cogent reason why the people of the Great Lakes region and midcontinent North America were saddled with seaway tolls—and now Welland Canal user charges—in the first instance, since this is the only watereway in North America on which tolls are charged. There is certainly no cogent reason why these discriminatory charges should be allowed to continue, and even more outlandish, that they might be allowed to be increased.

The eight Great Lakes States have 37 percent of the Nation's population, and pay 40 percent of the Nation's Federal taxes. The leading export centers of the Nation are in the Great Lakes area. All are contributing fundamentally in the foreign trade of the United States. When the Great Lakes region began a public improvement—an international effort of the United States and Canada—the St. Lawrence Seaway, the Federal Government also presented a bill in full, plus everescalating interest charges for the cost of the improvement—initial amount about $124 million, present capital debt including accrued interest of about $155 million.

During the first 10 years of the seaway, almost $50 million in tolls have been collected, about $16 million of this has been paid fully for operating and maintaining the seaway, $34 million has been paid the U.S. Treasury.

I might note right at that point, I believe this is the only major public works project of the Federal Government that has ever paid this kind of money to the Government.

Senator HARTKE. I might just note in passing that we spend about $90 million a day in Vietnam. In other words, the entire original cost of this project was less than 2 days of the cost of the war in Vietnam. It gives you a little idea of what should come first in cost-cutting. I think it's high time we start looking out for the American people and their benefits.

Mr. PURDEY. It certainly gives you a yardstick.

Senator HARTKE. That's right.

Mr. PURDEY. Despite that fine performance, the heavy interest charges on the debt, 2⅝ percent initially, and presently 4⅞ percent—I would like to interject here sort of an inquiring remark, Senator.

I never heard of a bond issue where you issued the bonds with an interest coupon of 2⅝ percent, and then all of a sudden, through some feat of financial legerdemain, the interest coupon on those bonds transmitted itself into a figure of 4⅞. I don't understand this kind of—this seems to be a supplementary discrimination against the Seaway, to make the picture even look worse.

Senator HARTKE. That's right.

Mr. PURDEY. I don't—I don't understand this kind of thing. I am familiar with all kinds of bond operations—God knows we issue enough of them, and I think that this is certainly a very peculiar situation to some of us.

Senator HARTKE. Deferring the interest causes the interest rates to go up to the current market rate. This is a new concept, and we are going to have increasing interest rates in everything else. You will see more of this, by the way, in practically every type of loan which is made. It will be a variable interest rate. This is caused by the fact that the interest on the seaway debt is deferred.

Mr. PURDEY. This was the initiation of the variable interest rate, then.

Senator HARTKE. That's right.

Mr. PURDEY. I never heard of it before this, I will tell you, that is a fact. Well, if you got into a straight-line projection on that you would wind up with about $800 to $900 million, and then you will have to call for bankruptcy. I guess it's that continuous escalation.

I won't go into a lot of the rest of this here, I will try to skip a little bit of it.

Senator HARTKE. The entire statement will appear in the record; yes, sir.

Mr. PURDEY. The heavy interest charges on the debt have caused us to go into further debt another $31 million—$155–$124 million. A straight-line projection, which actually approaches an exponential curve on the seaway debt, shows that the debt will, before long, approach $800 million—a figure I am sure, when reached, will call for bankruptcy proceedings.

I won't insult the intelligence of the members of this committee by resorting to historical events which lead up to this strange and thoroughly unjustifiable situation. Political expediency need not be explored further. I think we are in tune to the irregularities and pressures prior to the "packaged" legislation.

I must say at this point, however, that one of the cries that echoed in the legislative halls prior to 1954 came from the east coast and gulf port interests. In the morning the seaway was labeled totally unnecessary. But, in the afternoon, the cry would change to a position charging undue loss of cargo by coastal ports because of the seaway. I have one answer to the hydra-headed position which was taken at the outset. Based on Corps of Engineers' statistics for a 10-year period, between 1958 and including 1967, foreign imports and exports have risen at the Port of New York by 35.6 percent. For the same 10-year period, foreign imports and exports have escalated at New Orleans by 114 percent. The Port of New York figures show an overall gain in commodities of 15.1 percent, and New Orleans, 115.06 percent. These figures should eloquently wipe away further reasons for vigorous coastal competition against seaway port cities which this year face a most critical period in their existence.

Mr. Chairman, in the interest of time, I won't dwell longer on S. 3137. For the Great Lakes Task Force and the Great Lakes Commission, Colonel Goodsell presented a detailed statement on February 17, 1970, before your subcommittee on this bill, and I wish to reaffirm and support that statement.

MERCHANT MARINE ACT OF 1936

It is regrettable that the President failed to refer or even allude to the Great Lakes region and the Great Lakes-St. Lawrence Seaway system as a prime international hub of commerce when he announced his merchant marine program.

Therefore, it is you gentlemen in Congress who must pull out the essentials of our overseas trade capabilities and press for assurance that U.S. merchant marine and maritime policies are given equal recognition along with the other three seacoasts.

In updating the Merchant Marine Act of 1936, it is recommended that two major legislative objectives be met for the Great Lakes:

1. Recognize and provide for, throughout the act and amendments thereto, the Great Lakes region as the fourth seacoast of the United States and include the Great Lakes port range with the Atlantic, gulf, and Pacific port ranges.
2. Provide for the replacement and modernization of the Great Lakes fleet.

DISPOSAL OF WASTES FROM VESSELS

H.R. 4148 (S. 7)—passed by Senate and House, to President for signature as of April 3, 1970, authorizes the Federal Government, through the Secretary of the Interior, to set standards of performance for devices for sewage disposal onboard vessels on the navigable waters of the United States. The Secretary is charged with promulgating such standards of performance within 2 years of enactment of the law, and then allowing newly constructed vessels 2 years to meet the standards, and existing vessels 5 years to meet these standards.

We are all very much interested in controlling and abating pollution, but first there must be uniform requirements for vessels navigating the Great Lakes.

The item of primary concern to the ship operators in the Great Lakes is that there be no delay in setting these standards so that the shipbuilder and operator can incorporate required features in the design of new vessels and modification of existing vessels.

I think this disposal of waste from vessels requires a little bit of an extra statement.

We know this bill has been passed, we know that the Secretary has been charged with promulgating standards of performance within a specific period of time; but contrary to what a lot of people think about this, the shipping interests are anxious to secure a set of standards which will be acceptable to both Canada and the United States in order that they may incorporate it in their plans for the maintenance of their existing vessels, and in their plans for vessels which are currently being constructed, and they should like to have these agreed upon standards as soon as possible, because they want to get into compliance immediately.

This is not something that they want to put off as long as possible, but it is something they want to comply with, and we would like to urge that every effort be made to coordinate the Canadian and United States sets of standards so that the same piece of equipment would naturally be acceptable coming through the seaway.

Senator HARTKE. Yes.

EXTENSION OF THE GREAT LAKES NAVIGATION SEASON

Mr. PURDEY. There has been quite a bit said about that. I would merely like to reiterate and fortify the statements that have been made before, and request that an effort be made to secure the final appropriation necessary for the Corps of Engineers to complete their study.

The chief economic obstacle to the full and efficient use of any facility used in the lakes trade—domestic, Canadian, and overseas—has been the closing of the navigation season during the winter months. Modern technology has established virtually all-year navigation in the lower St. Lawrence, and in the Great Lakes a combination of realistic weather forecasting, and various ice removal and ice deflective methods have shown the practicality of a substantial extension of the season. The operation of the facilities on the Seaway and Great Lakes on the Canadian and U.S. sides should permit guaranteed navigation conditions at least through January 15, and to such later dates as feasible, identifying technological needs and costs to extend the season eventually to 12 months.

On December 31, 1969, the U.S. Army Corps of Engineers issued a Feasibility Report on Great Lakes and St. Lawrence Navigation Season Extension.

The report states:

> Extending the navigation season is considered to be of navigable, manageable proportions, and possibly within economic limits.

The Great Lakes Task Force supports authorization and funding for a full survey-scope study to define the costs, economic justification and degree of Federal interest in a project or program which will, in fact extend the navigation season in the Seaway.

Senator HARTKE. Do you think that if you had a full season, it would result in more than proportional increases in the utilization of the Seaway?

Mr. PURDEY. Senator, 1 year ago I made a trip and contacted the ownership of every steamship line that comes into the Great Lakes, and this was one of the questions I asked them, and they said that unquestionably it would be advantageous because it would give a very—even a 10- to 11-month season would give them a complete utilization of the capital in their business; that it would not be necessary for them to pull ships out on a temporary basis, put them on charter for fill-in operations in between the opening and closing of the Seaway; that this full capital utilization would be extremely valuable in making a stable rate structure in the Great Lakes.

They said there were some disadvantages, naturally, in the operation in bad weather, but that a much fuller capital utilization would be immeasurably beneficial to them and the stabilization of their rate structures, and that is—well, that is the result of quite a few interviews that boiled down that way.

Senator HARTKE. Fine.

Mr. PURDEY. Now, I get to a point where I would like to expand just a little bit, and that is this discriminatory rate structure.

I do not have it listed in here, but in a former record of this subcommittee a few years ago, there is a list of these studies which have been made by our port authority specifically on this subject. We have a study of about 22,000 rates. In that study of 22,000 rates, from the middle of the United States to our own port, versus the east coast, we found that there was an absolute pattern using a commodity rate structure as the basis for the pattern.

From the point of origin to a Great Lakes port the commodity rate averaged in the neighborhood of 40 percent of the first-class rate. From that same point of origin to an east coast port that commodity rate only averaged 20 percent of the first-class rate, which, on the face of it, is out and out discriminatory practice.

We have a number of other things, but I have a very concrete instance here of a somewhat peculiar direction that justice took in a rate structure, and I would like to go into it at this point.

Recent rate publications by the eastern railroads demonstrate the force of their determination to divert traffic now moving via the Great Lakes and the St. Lawrence Seaway to east coast ports. Lake Erie ports are the primary target of this drive to confiscate existing lakes and Seaway port traffic and to establish transportation pricing conditions aimed at foreclosing future growth.

The railroads involved serve both ranges of ports. In industry generally this type of price discrimination would be impossible, or would be undertaken only at great peril and with the clear risk of criminal antitrust proceedings and/or triple damage suits.

When the railroads, as common carriers, were entrusted with immunity from the antitrust laws under the Bullwinkle Act of June 17, 1948, it was clearly contemplated by Congress that they would be strictly restrained by existing statutory safeguards of the Interstate Commerce Act from engaging in monopolistic actions unduly prejudicial or preferential to any public party, including port communities. The plain language of the act, section 3(1), positively forbids undue prejudice and preference to any port, ports or localities.

The ICC is required by statute to use its powers to prevent even the initial establishment of gross freight rate preference and prejudice to or among ports. The Commission has failed to exercise this authority in at least two important recent instances involving significant Lake Erie Port tonnages.

A case in point is the recent failure of the Commission to step in and use its power to prevent the absolute loss to the Port of Toledo, Ohio, of an overseas movement of 150,000 tons of soybean meal originating in Ohio and Indiana. The Port of Baltimore, Md., already enjoyed 300,000 tons, or double the Toledo soybean meal tonnage originating at the same inland processing plants in Ohio and in Indiana.

By means of drastic reductions in rail transportation prices to Baltimore—and a contemporaneous refusal by the railroads to make proportionate price adjustments to Toledo—this movement has, according to the sworn affidavit of a Toledo terminal grain elevator operator, been totally lost after more than 2 years use of the Toledo facility. This particular movement, which comprised 27 percent of Toledo's annual general and miscellaneous overseas cargo tonnage, has been lost to Baltimore, which will now have all the tonnage. Plainly, the railroads' pricing action has destroyed legitimate competition, and has created a new transportation-port monopoly.

All the facts were timely placed before the ICC. The railroads, and their shipper supporters who are eager for the monetary benefits of an outright price cut of major dimensions, presented the Commission with reply statements. None of these replies dealt with the question of proportional rates to competing ports.

The ultimate result was that the Commission permitted the railroads literally to cancel the geographic location of Toledo as a port by denying its right to compete at rail freight rates free of undue preference and prejudice.

Senator HARTKE. I might say that in our hearings in Washington on February 17, Under Secretary of Transportation Beggs promised that he would go into this matter of discriminatory freight rates immediately, and promptly give us a report.

I would like to add, however, that most of our prompt reports from the Department of Transportation have not been very prompt.

Mr. PURDEY. Senator, I will refrain from making the remark that I had in mind.

Senator HARTKE. All right.

Mr. PURDEY. These facts were presented concisely to the ICC. Yet by inaction the Commission permitted the Toledo portion of an existing viable competitive movement at a balanced set of freight rates to be destroyed. The Port of Toledo and the seaway have lost the traffic.

Similarly, in 1966, the ICC declined to block, at least temporarily, reduced railroad rates on bituminous coal moving from Ohio to a port area in northern Michigan. In the latter instance, the coal traffic from the same origin areas to the same Lake Huron port had for years moved by rail to Toledo, thence via lake vessel. Again the railroads refused to accord proportionate rail rates to Toledo for lake movement beyond. The rail-water route faces extinction, even though it has historically been, and remains, the low cost route.

The ICC speaks publicly and often of its efforts to encourage intermodal, coordinated transportation. However, to date when presented with an opportunity to use its powers, judgment, and obligations to this end, it responds to the contrary when the Great Lakes are concerned.

The crux of the matter goes directly to the survival of America's fourth seacoast. An equitable schedule of inland transportation charges is essential to the Great Lakes Seaway complex. At stake is an important economic factor in developing the Midwest as well as the protection of the U.S. Government's investment in the seaway, plus untold millions of investment in Seaway port facilities by State, municipal and private interests.

CARGO PREFERENCE LAW

On the status of the Great Lakes fleet, the importance of that Great Lakes Fleet I believe has been very much understated, and I don't have anything in this statement for it.

But I would like to interject at this particular point that during World War II, the Great Lakes fleet in the same period of time encompassed by that war carried over four times as much tonnage as all the ocean American merchant marine put together—namely, over 800 million tons versus 200 million tons.

Now, that 800 million tons was the sinews of industry, which, in my opinion, if industry had not had that ability, there would have been a tremendous lengthening of the processes of the war. Now, here is something of real importance that has never gotten any attention.

Now, under cargo preference law, I think that this has been covered by other people. I don't want to duplicate a lot of statements that have been or will be made.

However, the Government, which is the largest shipper in the world, is charged with the responsibility for maintaining fair and impartial movements of military commodities. Under the cargo preference law, however, such a responsibility cannot be maintained. The prevailing cargo preference law precludes the use of lake ports in securing their fair share of military cargoes; or for that matter, any appreciable share at all. In spite of a favorable climate in the Department of Defense, recent military tests into the lakes clearly indicate the need for American-flag line ships in the system.

Best information now available indicates that the Great Lakes region produces 40 percent of the Nation's manufactured products. Our Government handles 20 million measurement tons of cargo through the Department of Defense annually. Under the law all military cargo must move on ships of U.S. registry. However, our heavily subsidized Merchant Marine has not seen fit to call in the lakes. American flaglines contend that there is insufficient cargo in the lakes to warrant entry. It is axiomatic that American flaglines service will increase in direct proportion to the availability of defense cargo on Great Lakes docks. With railroads moving midwestern goods on what we contend are contrived rates, U.S. lines are content to simply wait and pick up the cargo at their convenience. Meanwhile, midwestern taxpayers are asked to continue to subsidize a fleet that has totally neglected the region's transportation necessities. Unless the compendium of fouled-up military procedures is satisfactorily untangled, some method must be employed to guarantee our Government's responsibility of apportionment impartially to four, not three, coastal locations in this country. Obviously, the use of chartered ships by our Government to move military cargo from lake ports cannot take full advantage of the inherent savings. Unlike the commercial vessels which are avoiding us, Government control ships can only make return voyages with retrograde.

On the other hand, commercial American-owned ships enjoy the enviable opportunity of carrying military cargo one way and commercial cargo coming home. We do not wish to destroy or impede U.S.-flag line operation which contributes so much to American economics, industry, and defense. We do plead, however, for an equitable arrangement so that the economic benefits of military movements will be spread over a spectrum which compensates the tax base which supports the subsidies.

Every attempt has been made to keep this statement brief and consequently it is an oversimplification of the mounting problems of the Great Lakes-St. Lawrence Seaway system.

In conclusion, I would merely like to ask this subcommittee to investigate this as far as they can in order to prove to themselves that most of these problems of the seaway are artifically induced, and are subject to correction.

Now, as a matter of placing items into the record, I have here a condensed copy of Dr. John Hazard's report, which I would like to incorporate by reference here.

Senator HARTKE. We'll certainly do that.

Mr. PURDEY. And also I would like to correct one fallacy that has been passed around quite a bit.

For many, many years I have been continuously hearing people make the statement that Canada was the one who wanted this toll structure, and I want to assure you, sir, that I think it's exactly the opposite, because I have not only a copy of this magazine to give you as an exhibit, but I also—this magazine, incidentally, has the statements of 24 of the top business leaders of Canada, individually making their statement in opposition to toll structures, and telling why they always have been opposed to any toll structure on the St. Lawrence Seaway at all. It's a very interesting and very valuable statement.

Senator HARTKE. We will include that by reference, too.

Mr. PURDEY. The statement has also been made by the Ontario Economic Council, and insofar as other people in the United States beginning to understand that there is a difference between a user charge and a toll on a waterway, the Ohio Valley Improvement Association, the Missouri Valley Improvement Association, and the Missippi Valley Improvement Association, in their most recent meetings that all have occurred within the last 60 days, have each passed a very clearcut resolution in opposition to any escalation of any toll structure on the St. Lawrence Seaway specifically, so I think that you are getting a widespread recognition of the fact that this toll structure on the seaway is a definite detriment to the entire international trade picture.

Now, a transportation crisis is upon us in the United States. It will be criminal to waste the full potential of the St. Lawrence Seaway and its lake ports because of apathy or outside pressure. The seaway must be integrated into the national transportation system, and used to its maximum extent.

All we ask is equitable consideration, and in return our country will receive benefits which are tenfold.

Thank you, sir.

Senator HARTKE. I might say to you that we are conducting hearings at the present time in Washington on the question of developing a national transportation system, and we are meeting some opposition from the administration. I don't know if they really don't want one, or whether they just don't want the one we have proposed.

Thank you, sir.

The next witness will be Mr. George E. Miller, United States Great Lakes Shipping Association, Great Lakes Overseas, Inc.

STATEMENT OF GEORGE E. MILLER, REPRESENTING THE UNITED STATES GREAT LAKES SHIPPING ASSOCIATION

Mr. MILLER. Mr. Hartke, members of the special subcommittee, gentleman.

My name is George E. Miller, and I am representing the United States Great Lakes Shipping Association, an organization consisting of 23 steamship lines serving trades between the Great Lakes and many ports of the world.

We wish to thank this honorable body for the opportunity to speak on a subject which is vital not only to our organization, but to the entire Midwest area in which we make our living. We further wish to praise this subcommittee for recognizing the importance of the problem and taking the time to study ways and means to reach a solution. We sincerely trust that our efforts on this occasion will not be in vain, and that a salutory action will be taken as a result of these hearings.

As a background for our presentation, we wish to submit some facts of interest——

Senator HARTKE. I might tell you that in my activity in the Senate since I have become chairman of another subcommittee, the Surface Transportation Committee, we have been able to put a rather remarkable number of bits of legislation, not alone through the subcommittee and through the full committee, but through the Senate. I am looking forward with a great deal of anticipation to success in this venture, too.

Mr. MILLER. Fine. Thank you.

It is a fact that the seaway, which was built to open a lifeline into the Midwest and an export channel from the Midwest with 60 percent of U.S. industry, was greeted with open arms by foreign and U.S.-flag carriers alike. A great number of lines and a multitude of tramp carriers started operating in the seaway with high expectations, only to find that inadequacies and high costs, the kind of which they had not met in other trades, were to become obstacles that faded their hopes.

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It is a fact that, whereas at the opening and shortly after the opening of the seaway, a number of U.S.-flag lines entered this new trade, today mere token service is offered by one or two American-flag lines utilizing foreign tonnage. It is a fact that these lines are still operating from other U.S. coasts, proving the fact that their leaving the seaway is due only to the higher costs and inadequacies of this trade route.

It is a fact also that foreign-flag lines have taken the same position and, as matters stand now, we are fearful that if no drastic move is made to improve the situation, we shall also lose other established carriers who today make up the backbone of the Great Lakes to the world trade routes.

In the latter part of our report we will, in detail, put forth the various points which we feel need special attention. However, for the sake of brevity we will, in this introductory verbal testimony, merely enumerate these various points:

1. Repairs and maintenance of the seaway itself should not be the burden of the Seaway Development Corporation.
2. The debt structure should be refinanced.
3. The Seaway navigation season should be extended, eventually to be an all-year seaway. It is pitiful to note that the seaway, in its capacity of the lifeline to 60 percent of U.S. industry, has to take a backseat to a portion of one industry down the river.
4. Welland Canal lockage charges should be abolished, and the United States should do all in its power to influence the Canadian seaway authorities to cooperate in this matter.

U.S. GOVERNMENT CARGO

The U.S. Department of Agriculture, having experienced that the use of Great Lakes ports provides them with a saving in ocean freight, have, to a certain extent, used the lakes ports. We urge the bodies in authority to maintain this trend of USDA cargos and to extend it to military cargos.

FEDERAL MARITIME COMMISSION

At least one man from the Great Lakes area should be a member on the five-man commission appointed by the President for 5-year terms, and approved by the Senate.

WATER POLLUTION

We need uniform regulations and reasonable compliance requirements.

At this particular point, Mr. Chairman, I would like to submit as an exhibit—I only have four copies, which I will be pleased to leave with you—it's rather lengthy, it's a joint submission by the American Institute of Merchant Shipping, the Lake Carriers Association, the United States Great Lakes Shipping Association, the Canadian Chamber of Shipping, the Dominion-American Association, the Shipping Federation of Canada. This statement represents very good collective views of a lot of important Canadian and American gentlemen that have put an awful lot of work into this.

Senator HARTKE. We will include them by reference.

DISCRIMINATORY TRANSPORTATION RATES

Mr. MILLER. We need restriction of section 22, and the inland transportation import-export rates structure should be extended to the Great Lakes area, the only U.S. coast which does not enjoy this import-export rate structure.

This brings us to the conclusion of our oral testimony which we wish to summarize in this one petition.

Mr. Chairman, we must put the St. Lawrence Seaway on equal footing with the west coast, the gulf, and the east coast by having Congress recognize the seaway as the fourth seacoast of the United States.

Mr. Chairman, members of the subcommittee, gentlemen, we thank you for your attention and respectfully submit our written testimony.

As a matter of background information, the statistics posted on a sign near the airport in Cleveland, Ohio, are of great interest. According to that sign, within a 500-mile radius of Cleveland there is 53 percent of the U.S. population; 54 percent of U.S. retail sales; 59 percent of U.S. industries; and 67 percent of U.S. billion dollar market.

According to 1964 Government statistics, the States of Minnesota, Illinois, Indiana, Wisconsin, Michigan, and Ohio contribute 27 percent of the total revenue of the U.S. Government. If we add the States of New York and Pennsylvania, which also have Great Lakes port facilities, the eight States account for 45 percent of all Federal Government revenues.

Foreign commerce of the United States through the St. Lawrence Seaway system has shown consistent growth since the seaway opened in 1959, and could increase even more dramatically if the seaway were given a fair chance to compete. The size restriction on ships transiting the seaway, 750 feet length, 75 feet width, and 25 feet 9 inches draft cannot be ignored, but other factors are the real cause of the failure to utilize the Seaway and the facilities and services dependent upon it.

REFINANCING THE DEBT STRUCTURE

The Seaway is the only federally supported waterway that is required to be self-sustaining and fully amortized from commercial earnings. In the 89th Congress, and again in the 90th Congress, legislation was introduced to reorganize the financial burdens of the Seaway. We strongly urge that these efforts be continued and legislation enacted not only to prevent future toll increases, but to place the Seaway Development Corporation in a position to eliminate all tolls as soon as possible.

EXTENSION OF SEAWAY NAVIGATION SEASON

The present seaway navigation season extends from a variable date in April each year to a variable date in December. Theoretically, the closing date is dependent upon weather and ice conditions and accordingly is not a firm date. Variable closing dates do not permit maximum use of the seaway, and do not permit proper advance scheduling by ship lines. It is therefore meaningless to have variable dates except for ships already in the Great Lakes at the uncertain end of the season.

We also understand that under present circumstances the Seaway physically can be kept open substantially beyond the historic closing date of early December. A later date, if announced in advance, will permit ship operators to definitely plan additional sailings resulting in increased shore side labor employment and increased revenue to the Seaway developing authorities. Obviously it will also permit shippers and receivers of goods to plan for increased traffic via the Seaway to the economic benefit of all concerned.

SEAWAY DEVELOPMENT CORPORATION

The corporation should be directed to promote, develop and encourage traffic via the seaway as provided in the organic act of the corportation, 33 U.S. Code, paragraph 982, and its officers located in such places to most effectively accomplish this mission.

WELLAND CANAL LOCKAGE CHARGES

The Welland Canal, which connects Lakes Ontario and Erie, lies wholly within Canada, and at present the United States has no voice in its operation. The Canadian Seaway Authority announced lockage charges assessed against ships transiting the Welland which, effective April 1, 1967, imposed $10 per lock per ship regardless of size. By 1971 the charge will be $100 per lock, or $800 per ship per voyage—or $1,600 per round voyage. The charge is imposed on every ship regardless of its size or earning capacity as a 20,000-ton ship pays the same as 2,000-ton ship.

Three years ago a seaway toll increase was narrowly averted through action by the Great Lakes Conference of Senators, but any relief thereby provided has been overtaken by the Welland charge. We are now faced with an additional transportation cost that not only is prejudicial against the Great Lakes, but is also unfairly prejudicial against the smaller sized ships upon which all of us depend. This increased cost into and out of the Great Lakes, coupled with reduced container costs out of the U.S. east and gulf coast ports, could well spell disaster to all Great Lakes commerce other than bulk shipments on large ships.

This problem, in our opinion, requires meaningful negotiations by the United States Departments of State and Transportation, with the Government of Canada. We urge the conference of Senators to request those executive agencies to support our individual efforts to persuade the Government of Canada to reconsider the subject of the Welland Canal lockage charges.

At the same time, we urge the executive agencies to discuss with Canada the entire subject of the St. Lawrence Seaway system and its future development. Ship operators, port interests, and the States involved must know what future the Seaway holds in order to plan capital investment and trade practices. If the Seaway is to be taxed out of existence, Great Lakes interests should know now. If the two governments plan to help the Seaway reach its rightful place in world commerce, we must know now and be prepared to render the services world commerce requires. The uncertainty of the future is a depressant to economic growth, and no one, be he a private citizen or State legislature, can honestly commit time, energy, and capital to a facility which might be useless in a very short time.

We also suggest that in order to fully explore the future of the Seaway and the Great Lakes region, that the study of an All American Canal to connect Lakes Ontario and Erie be continued to completion. The economic feasibility of the All American Canal has never been fully understood, and if commerce via the seaway continues to expand, such a canal may be necessary to accommodate it. We believe that the subject should be fully explored, and urge that funds sufficient to complete the study within the next 2 years be appropriated.

U.S. GOVERNMENT CARGOES

The largest shipper of goods in the world is the U.S. Government. Excluding oil, the region that produces the most commodities, agricultural and hardware, is the States bordering the several Great Lakes. Simply on a mileage basis from point of origin to port, and excluding rate manipulation it should cost less to move goods a shorter distance than a longer one. Thus, for most commodities produced in the Midwest inland transportation costs to Great Lakes ports should be lower than to other coastal ranges.

U.S. Department of Agriculture and Aid Cargoes; for the most part, USDA controlled cargos move to a great extent—about 25 percent—through the United States Great Lakes ports, because it costs the Government less money.

Many coastal areas complain of the amount of such cargo the Great Lakes enjoys, and constantly urge USDA to route these cargos to their ports. We strongly urge the subcommittee to use its efforts to see that USDA continues to use Great Lakes ports to their full extent, and to take full advantage of the cost savings by using the ports nearest to the source of the commodity.

Military Cargo; in 1962, a Defense Department study reported that at least 1 million tons of DOD cargo should move via the Great Lakes and DOD would save thousands of dollars in shipping costs. Despite that study military cargo via the Great Lakes dropped to a minimal figure by 1965. Due to the efforts of the Conference of Senators, military cargos in 1966 were increased to 68,000 measurement tons, almost twice as much as 1965. Since 1966 the DOD carryings have dwindled further to a point where, for governmental economy purposes, we again appeal to this subcommittee for their assistance in diverting cargos originating in the Great Lakes ports area to move via these ports.

The Military Transportation Act of 1904, 10 U.S.C., paragraph 2631, required that all military supplies be carried by U.S.-flag ships, but if the freight charged in excessive or unreasonable other ships may be used. In no event may the military rate exceed the commercial rate. Before August 1966, the military simply routed all cargo to seacoasts having U.S.-flag service, thereby excluding the Great Lakes, which had no U.S.-flag service at reasonable rates. Where there was U.S.-flag service, the military rate was so high that the lakes were not competitive.

Due to the efforts of the Conference of Senators, the military has shipped lakes cost-favorable cargos on foreign ships in the absence of U.S. ships. However, this policy has not been consistent, and the majority of military cargo produced adjacent to Great Lakes ports still finds its way to east coast ports.

We strongly urge that DOD continue to recognize that when there is no U.S.-flag service offered at a port, it should employ the first ship available at a reasonable rate, regardless of flag, and that cost-favorability be calculated on the basis of the then existing foreign flag service and rate. We also urge that the DOD be required to place and keep military cargo at a Great Lakes port when it is cost-favorable to do so, and not divert the cargo at extra expense to a port range where U.S.-flag service is conveniently available.

To be denied U.S.-flag service, and also be subject to cargo preference laws will continue to retard the economic development of the region. The absence of U.S.-flag shipping reduces the amount of Government cargo to Great Lakes ports. The further denial of Government cargoes to the foreign-flag ship lines that do serve our ports greatly impedes our chances of development. We do not believe that cargo should be reserved for ships which do not call at the ports where the cargo would otherwise most economically move.

For many reasons, including U.S. high costs, lack of subsidy, lack of interest, and so forth, U.S.-flag ships have not provided service to Great Lakes ports. At the same time the domestic lake carrier fleet had dwindled from 373 ships in 1955 to 245 in 1965.

Mindful of the historic fact that the Great Lakes foreign waterborne commerce has depended almost exclusively upon the services of foreign-flag steamship lines, we believe that some U.S.-flag service to and from our Great Lakes ports is essential. We also believe that the domestic U.S. owned Great Lakes fleet requires immediate assistance before it, too, becomes nonexistent. At the same time, however, we do not want any U.S.-flag service in the Great Lakes against its will, where with no firm intention of providing necessary and realistic service. We do not believe that it would benefit the Great Lakes or the country as a whole to spend tax money in the form of subsidy on noncompetitive or disinterested steamship service.

We strongly urge, however, at the very least that Congress enact legislation which would permit all U.S.-flag shipowners to allocate a portion of earnings to a tax deferred account which moneys shall be used to construct new ships, or to update existing ships.

On the other hand, if the Great Lakes area is to be continually denied U.S.-flag shipping service of meaningful significance, either by intent or by denial of Government assistance, then we urgently request that all U.S.-cargo preference laws be removed from the Great Lakes trade routes. If necessary, we can compete and develop without U.S.-flag service, but we cannot compete or develop if, because of cargo preference laws, Government cargo is taken away from us and routed to ports where U.S.-flag service is available. No one can long endure with both hands tied behind his back.

FEDERAL MARITIME COMMISSION

The Commission, established under Reorganization Plan No. 7 of 1961, comprises five members who are appointed by the President for 5 year terms, and approved by the Senate. The terms of the Commissioners expire on June 30, with one expiring each year. There never has been a Great Lakes oriented member on this Commission, nor on any of its several predecessor agencies.

At least one member of the Federal Maritime Commission should be from the Great Lakes area, and be knowledgeable in the shipping problems involved. We recommend such an appointment.

WATER POLLUTION

All of us are concerned with water pollution control generally, and specifically in the many harbor areas of the Great Lakes. In the maritime field any water pollution control efforts immediately affect the operators of ships, be they foreign owned, U.S. owned, bulkers, ore boats, or any other type of watercraft. No one seriously opposes reasonable efforts to control and, hopefully, do away with water pollution—but we do urge a reasonable approach.

UNIFORM REGULATIONS

There are eight States bordering the Great Lakes, each of which has more than one municipality providing some type of port facility. If each municipality were to impose different water pollution regulations, a ship operator would have to be prepared to meet 16 different standards. If each State imposed different regulations statewide there would be a minimum of eight standards, if the State superseded local regulations. Such a situation would be intolerable, and would cause ships to leave the Great Lakes, or limit calls to those ports having the least strict regulations.

Therefore we strongly urge that there be a single set of water pollution standards of Great Lakes-wide implication, published and enforced by a single Federal agency, such as the Federal Water Pollution Control Administration. We also urge that insofar as possible, any Ggeat Lakes regulations be no more strict than those applicable to other seaports, lest this type of regulation become a competitive device among competing seaports.

REASONABLE COMPLIANCE

Since it could cost a shipowner anywhere from $50,000 to $150,000 to install water pollution control devices and equipment on each ship, reasonable time within which to do so is essential. Regulations which are too stringent could very well force a ship to leave the Great Lakes permanently, and immediate compliance would require a curtailment in service until the shipowner could place his ship in compliance. We strongly urge your careful study of any water pollution control legislation with an eye to preventing such legislation from unduly prejudicing St. Lawrence Seaway and domestic Great Lakes waterborne commerce.

DISCRIMINATORY TRANSPORTATION RATES

Section 22 rates: Section 22 of the Interstate Commerce Act, 49 USCA 22 authorizes rail and motor carriers to carry Government cargo free or at reduced rates. The rates, called section 22 "Quotations or Agreements," need to be filed with the Interstate Commerce Commission, and are not subject to protest by anyone. In 1957 attempts were made to restrict section 22 authority to times of national emergency. These were defeated, and the informational filing requirements were established. Until 1957, the rates were not even made public.

Section 22 quotations have been and are being used to divert traffic from the Great Lakes area to coastal ports. Very few section 22 rates or quotations have been authored or negotiated on traffic to Great Lakes ports.

ICC sponsored legislation to amend section 22 has been before Congress, and we urge that it become law as soon as possible.

INLAND TRANSPORTATION IMPORT-EXPORT RATE STRUCTURE

All coastal areas, except the Great Lakes, benefit from shipside import-export freight rates established by inland common carriers, and in some cases in connection with ocean carriers. In these situations import and export cargo is entitled to a single inland rate from the point of origin in the case of exports, or the point of destination in the case of imports, to shipside. All terminal or accessorial charges at the port covering transfer between inland and water carrier are absorbed in the inland or ocean freight rate. In some instances the inland and water carrier absorbs these charges equally. There is usually the mileage factor involved, so that traffic received or delivered beyond the mileage limitation enjoys the special rate.

Direct corrective authority over this discrimination resides with the Interstate Commerce Commission, and peripherally where the ocean carriers participate, the Federal Maritime Commission also has jurisdiction. Private parties and organizations in the Great Lakes are continuosly seeking redress of this situation from the inland carriers, but ther efforts are strongly resisted. This is but one example of inland rail and motor carrier rate structures which unduly prejudice Great Lakes commerce. We strongly urge that the conference of Senators bring this entire matter to the attention of the Interstate Commerce Commission and request the Commission to institute a formal investigation on its own motion with an eye to correcting this situation.

Senator HARTKE. Let me ask you, Mr. Miller, why is the seaway trade uneconomical to the U.S.-flag ships?

Mr. MILLER. First of all, their high cost of operation. For instance, the 10,000 ton ship with the, I imagine with the labor laws today, they must require a crew of perhaps 50 men. Probably the lowest able-bodied seaman—I am just making a ball park guess here—might get $500 to $600 a month. Compare that with a similar sized foreign ship; it would be at least maybe half the crew, or slightly better than half, with again comparing the lowest seaman on board, maybe his wages would be about $90 a month.

In addition to that, is the high charter market for American-flag ships generally brought upon by this high labor cost as opposed to the foreign ships.

At the same time I might add, Mr. Chairman, that they are usually, or they have been trading in the same conferences with us, so their ocean rates on commercial cargo would be comparable.

Senator HARTKE. They do have operating subsidies, though, on the Atlantic coast?

Mr. MILLER. They do. The majority of them do. I think there is at least one or two American flags in every specific agreed trade route that does receive a subsidy.

Senator HARTKE. So that is a part of this big picture again.
All right. Thank you.

Mr. MILLER. Thank you.

Senator HARTKE. Mr. F. Clifton Lind, Chairman, U.S. Section, International Association of Great Lakes Ports.

STATEMENT OF F. CLIFTON LIND, CHAIRMAN, U.S. SECTION, INTERNATIONAL ASSOCIATION OF GREAT LAKES PORTS

Mr. LIND. My name is F. Clifton Lind. I am chairman of the U.S. Section of the International Association of Great Lakes Ports, and port director of the Detroit-Wayne County Port Commission.

The U.S. Section of the International Association of Great Lakes Ports is indeed grateful for this opportunity to appear before the subcommittee to present information on transportation on the Great Lakes-St. Lawrence Seaway.

The International Association of Great Lakes Ports consists of 17 major United States and five Canadian Great Lakes ports, and was organized to consult and take appropriate joint action on matters of common interest to the Great Lakes-St. Lawrence Seaway region. Its constitution and bylaws provide that in matters of a uninational nature, the national section affected may act through its sectional chairman separately from the other section. My statement is made on behalf of the 17 Great Lakes ports comprising the association's U.S. section.

The association is also a member of the Great Lakes Task Force which presented testimony to this subcommittee on February 17, 1970, in Washington, D.C., through its secretary, Leonard J. Goodsell, and we of the U.S. section of the international association, endorse and strongly support the statement of the Great Lakes Task Force, and are here to reinforce this as much as possible.

The written testimony which I have offered has been covered in a good many instances by previous testimony——

Senator HARTKE. Your entire statement will appear or you may read it all.

SEAWAY TOLLS

Mr. LIND. No other Federal navigational project bears the burden of being required to be self-supporting and self-liquidating through the imposition of tolls to be collected from its use.

In view of the fact that the Seaway's primary purpose is the development and encouragement of commerce in the Nation's mid-continent, the requirement of having this transportation system pay for itself is, in fact, self-defeating.

The toll increases unofficially proposed by those favoring the toll system are said to be for the purpose of eliminating annual deficits and to gradually reduce the cumulative deficit. This effect will only be accomplished if the demand for Seaway services is sufficiently inelastic.

Higher value cargo which generates the bulk of the income for the Great Lakes-St. Lawrence Seaway area, such as general cargo, soybeans and corn face active and successful competition for its carriage. A mere fraction of these goods produced in its hinterland move via

Seaway ports now. Higher tolls cannot possibly help these ports compete for this traffic which is presently diverted to seaboard ports.

An increase in tolls can only fail to accomplish the objectives sought since the demand for the seaway's services, in connection with carriage of its best income-producing cargo, is not greatly inelastic and ample alternatives to the seaway for such carriage exists.

S. 3137, if passed, would put the Great Lakes, seaway system on a more equal basis with other transportation systems and enable it to make the vital contribution to the national transportation needs which it is capable of contributing.

DISCRIMINATORY RAIL RATES

In many cases it costs a midcontinent manufacturer more to move his product to a closer seaway port than to a more distant seaboard port by rail. In other instances, rail charges to the lake port may be lower in absolute dollars, but cost more dollars per mile than to a seaboard port.

This is further aggravated by the railroad's desire to attract long haul traffic and to ignore the possibility of increased business through stepped up frequency of short hauls. To perpetuate this practice, railroads offer line haul rates to all coastal ports in which certain port charges are absorbed by the railroads on export-import cargo, but do not offer similar rates to shippers throughout the lake ports.

In addition to discriminating against Great Lakes shippers and thus depriving them of alternatives of access, denial of export-import rates also discriminates against shippers close to coastal ports who have no alternative routing choice.

CARGO PREFERENCE LAWS

U.S.-cargo preference laws prohibit DOD cargo movements to sail in foreign-flag vessels when an American-flag ship is available at any port within the same administrative district. Since the Great Lakes area, although the Nation's fourth seacoast in reality, is considered as a mere adjunct of the North Atlantic ports, it is under the same administrative jurisdiction as the Port of New York, Baltimore, and other North Atlantic ports. If no U.S.-flag vessel is at a lake port but one is available at Baltimore, Defense Department cargo produced in the backyard of a seaway port must be shipped overland to Baltimore to be loaded on the U.S. vessel. Thus evolves the vicious circle of U.S.-flag vessels refusing to come into the seaway when they can pick up the same cargo at Baltimore, which contributes to a lack of sailings out of the lakes, which causes shippers to use the coastal ports due to lack of sailings in the lakes, which cuts down the volume of cargo available to move out of the lakes, providing the U.S.-flag vessels with the argument that they will not come into the lakes because the volume or cargo available there is insufficient to warrant such sailings.

In conclusion, the U.S. section of the International Association of Great Lakes Ports is strongly in favor of passage of S. 3137, and fully endorses the efforts of the administration to bring about a new national maritime policy.

The contribution of the seaway to the total national transportation program can be a substantial one, as a result of which the economy of the entire Nation can benefit.

If corrective legislation such as the bills considered by this subcommittee can be obtained, the seaway can realize its true potential and be of great help in meeting rapidly expanding transportation service demands of our country.

The introduction of this low-cost transportation route, which induced substantial rate reductions by eastern and southern railroads as a result of the new competition, has opened new export markets for midcontinent agricultural and manufactured goods. The resulting growth in exports from the midcontinent has meant increased export income, which has an expanding beneficial effect in the balance-of-payments problem of the Nation as a whole.

American manufacturers, far from the sea, have begun to get into the export trade for the first time. Proper legislation to put the lakes on an equal footing with the other coasts can insure important growth in this important facet of the Nation's economy.

Just summarizing, under the matter of seaway tolls, the international association is of the opinion that inasmuch as the primary purpose of the seaway was the development and encouragement of the Nation's midcontinent, the requirement of having this system pay for itself is, in fact, self-defeating.

The unofficially talked about toll increases are said to be for the purpose of eliminating the annual deficit, and to gradually reduce the cumulative deficits which are burdening the Seaway Corporation. This will only be accomplished if the services which are offered by the seaway are inelastic, but as a matter of fact, the higher value cargo carried by the seaway from which the bulk of the income is derived, such as general cargo, soybeans, and corn, all face active and successful competition for its carriage, and a mere fraction of these goods that are produced in the hinterland of the seaway move through the seaway's ports. Therefore, higher tolls cannot possibly help these ports compete for this traffic which is presently diverted to other seaboard ports, and with an increase, it can fail completely because there is complete lack of this elasticity that is claimed by the people who are saying that by raising the tolls you can pay off the debt.

If this bill, Senate bill 3137, is passed, the system would then be on an equal basis with other systems, and it would be in a position to make the vital contribution to the national transportation picture which is needed, and which is capable of being afforded.

On the matter of discriminatory railroad rates, we are all familiar that people who have testified, and the written testimony that has been filed outlined these in great detail.

The only other detail that I might add to this is that not only are the shippers in the Great Lakes shortchanged by being denied a choice of alternatives of access, but this type of discriminatory rate structure also denies shippers close to the coastal ports who have no alternative. They must use that routing.

Now, on the cargo preference laws, I think that what is happening can be summed up in something that sounds sort of complicated, but really isn't.

What is really happening is a vicious circle. The U.S.-flag vessels refuse to come into the seaway when they can pick up the cargo at Baltimore or New York. By doing so this contributes to a lack of sailings in and out of the lakes, and this causes shippers to use the coastal ports because there is a lack of sailings, and the lack of sailings and the lack of use, because of this, then cuts down the volume of cargo available to move out of the lakes, and this provides the U.S.-flag lines with the argument that they will not come into the lakes because there isn't sufficient cargo in there for which they will come.

In conclusion, I simply wish to say that the U.S. section of the International Association of Great Lakes Ports is strongly in favor of Senate bill 3137, and fully endorses the efforts of the administration to bring about a new national maritime policy.

The seaway can contribute very substantially to the national transportation program, and this will benefit the economy of the entire Nation.

If corrective legislation such as the bills that are being considered by this subcommittee can be obtained, the seaway can realize its full potential, and be of great help in meeting rapidly expanding transportation service needs.

We have already interested manufacturers far from the sea, in what has always been considered the prairies, in world trade, for the first time in the history of this country, and all of the Great Lakes ports are working very assiduously on this very thing.

We are not primarily, nor even too actively, engaged in attempting to divert cargo from the other coasts. We will fight for what is in our hinterland, but we are working the hardest for new exports. We work with people who have never entered the field before, because they were afraid of the morass of redtape. They did not know how to find the markets and a good deal of our time in the lakes is taken up with trying to educate the middle sized and smaller producer so he will no longer be frightened by the wide world, and the international trade picture.

And more and more of them are coming into the picture, and more and more will be enabled to come in if we are given equal status with the other coasts.

Senator Hartke. All right. Thank you, Mr. Lind.

The next witness will be Mr. R. Wilson Neff, president, Council of Lake Erie Ports, and executive secretary, Lorain Port Authority.

Good afternoon, sir.

STATEMENT OF R. WILSON NEFF, PRESIDENT, COUNCIL OF LAKE ERIE PORTS, AND EXECUTIVE SECRETARY, LORAIN PORT AUTHORITY

Mr. Neff. Good afternoon, Mr. Chairman.

I am the president, as has been indicated, of the Council of Lake Erie Ports, and also represent the Lorain Port Authority, and will make a statement on behalf of these organizations.

The Council of Lake Erie Ports represents some 12 deepwater ports on Lake Erie.

I have a prepared statement, Mr. Chairman, which I ask to read into the record.

The Council of Lake Erie Ports is pleased to have the opportunity to appear before this distinguished committee and play a small part in attempting to correct some of the problems which affect the lives of some 60 million people in the Great Lakes-Mid-continent area of our Nation. My statement is made on behalf of the Council of Lake Erie Ports and the Lorain Port Authority, a member organization of the council.

The Council of Lake Erie Ports, a nonprofit organization formed under the laws of the State of Ohio in July 1956, was formed for several purposes, including "to promote the joint and common interests of all the ports of Lake Erie and the development and encouragement of all forms of transportation and commerce to and from such ports," and has among its members the 12 U.S. deepwater ports on Lake Erie.

The council is a member of the Great Lakes Task Force which presented testimony to this committee on February 17, 1970, in Washington by Leonard J. Goodsell. We endorse and support the statement made by the task force, and would add briefly to that statement.

ST. LAWRENCE SEAWAY TOLLS

We believe that the passage of S. 3137 is a first priority task toward correcting the unequal treatment inherent in the seaway authorizing legislation.

The tolls have hung ominously over the seaway since it opened. It is impossible to measure the psychological impact, but I can say categorically that it has deterred capital investment in facilities, and made it impossible for many undeveloped ports, to paraphrase from our popular sport, "to even play catch up football."

Although the tolls are not large from the point of view of percentage of total cost to a shipper, they erode the savings of shipping via the seaway as opposed to going overland to a coastal port. An investor, public or private, is reluctant to put several million dollars into a dock facility in the face of the threat hanging over him that the tolls will ever increase and eventually eliminate him as a competitor. He is faced with the additional problems of earning less than 12 months per year because of the winter interruption, competing with discriminatory rail rates, and having to demonstrate significant saving to attract the cargo to go via this seaway.

The argument is used by opponents that the seaway is an international waterway, like the Panama Canal, and that tolls are therefore justified. The vessels calling at the U.S. Great Lakes ports are carrying the same kind of items they carry to and from New York, Philadelphia, Baltimore, New Orleans, San Francisco, and all the other U.S. ports which are improved with Federal funds without tolls being imposed.

Some of the vessels are calling at Canadian ports, but the Canadians paid almost three-fourths of the cost of the locks and channels on the St. Lawrence Seaway, and they paid for all of the Welland Canal, so we cannot complain of having to pay more than our share. The vessels transitting the Panama Canal are going to and from ports all over the world, and the majority of them are neither leaving nor arriving in U.S. ports. The analogy which is used by the opponents of the Great Lakes-St. Lawrence system is ridiculous.

If we examine, in further detail, the 1968 annual report of the St. Lawrence Seaway Development Corporation as presented by the task force, we see that of the accumulated earnings of some $49.8 million for the first 10 years, $33.4 million was returned to the U.S. Treasury, or an average of $3.34 million per year. The average annual return to the Treasury for 1965 through 1968 was $4.6 million. If the provisions of S. 3137 had been in effect from the beginning, the plant costs would have been reduced to $97.6 million at the end of 1968, and the principal could be retired in 21 more years using the average earnings for the past 4 years. The number of years required to retire the debt cannot be predicted with certainty, but it seems safe to predict that a toll reduction or elimination is not beyond reality if the interest charge is eliminated.

If the tolls are increased, as has been proposed by some of our Government agencies, it will likely cause a collapse of port organizations, operators, agents, that part of the system which has struggled to enter international commerce. I must point out that the port facilities which have been gradually developed for overseas trade are, for the most part, completely unrelated to the facilities which existed on the Great Lakes for ore, coal, limestone, and so forth, prior to the construction of the seaway.

S. 3137 can create a new economic climate on the Great Lakes. We believe that the 60 million people in the Great Lakes-midcontinent area who are served by this great waterway were treated unfairly by the original authorizing legislation, and urge the speedy passage of S. 3137 which endeavors to correct a mistake that should not be perpetuated any longer.

POLLUTION

At the present time Great Lakes ports are not being permitted to perform maintenance dredging unless sediments are removed from the water. The recent study performed by the Corps of Engineers with the Federal Water Pollution Control Administration as a participant did not determine that placing dredged materials in open-lake disposal areas makes a significant contribution to pollution. For the most part the contaminants which are in sediments are introduced from shore-based facilities, and not those engaged in commerce. Yet, it appears that drastic measures are evolving with regard to dredging and the disposal of dredging material outside the water will impose costs on commercial interests to clean up a condition created by other parties. We believe that the parties responsible for pollution should pay the additional costs. How else can those responsible be induced to discontinue releasing pollutants?

A second problem relates to the vessels traveling on the Great Lakes. The vessel builders and operators are willing to participate in solving the problems of pollution by treating vessel wastes. However, they have not been given uniform standards which will insure they are in compliance in all States and waters. The treatment equipment is expensive, and the owners and operators have a right to know that the measures instituted by them will be acceptable in all locations.

EXTENSIONS OF NAVIGATION SEASON

On January 14, 1970, two vessels of the United States Steel Corp. fleet, the *Philip R. Clarke* and *Irving S. Olds*, entered the Lorain, Ohio, Harbor to close the 1969 season. On March 24, 1970, the *John G. Munson* departed from the Lorain Harbor. This short period of 68 days of winter closedown was achieved in spite of a colder than average winter.

A longer season would have been possible, and will be when the recommendations of the Corps of Engineers Seaway Report on Great Lakes and St. Lawrence Seaway Navigation Season Extension are implemented and pursued to reality. We need new icebreakers now. We need improved winter navigation aids now. The Corps of Engineers have identified significant benefits in their survey report, and we urge the adoption of the report and its recommendations.

The council has recently contacted both the St. Lawrence Seaway Development Corporation and the St. Lawrence Seaway Authority to request establishment of a firm December 20 closing date for 1970. Copies of the correspondence are attached to this statement, and we ask that it be placed in the record. We urge this committee to press for an extension in the season. The dates must be established well in advance so that shippers can make firm plans.

DISCRIMINATORY RAIL RATES

The Great Lakes ports have long complained of discriminatory rail rates, but there is little to indicate any progress toward correction of practices and, in fact, the entire intervention procedure seems to promote the perpetuation of endless legal confrontation without results.

Let us take a specific case to make our point. Recently in investigating the savings in bringing cargo through the Port of Lorain as opposed to a coastal port, the following details were developed:

> Shipment of the commodity by rail, a distance of approximately 560 miles to Dover, Ohio, was quoted at 50 cents per hundredweight, or $10 per short ton. The quoted rate from Lorain to Dover, a distance of 84 miles by rail, was 27 cents per hundredweight, or $5.40 per short ton.

We find it difficult to believe that a trip of only 15 percent of the longer distance justifies a charge of 54 percent of the longer rate.

I could add many examples of other practices. Most of you are probably aware of rail movements in unit trains at special rates which are not available to the water carriers. The Council of Lake Erie Ports is a participant in the intervention proceedings of one of those cases. We do not believe that this situation will ever change until a study in depth is performed by an independent, competent, unbiased agency or commission and appropriate corrective measures are instituted.

We would urge your committee to cause such an examination to be made.

It seems redundant that after 10 years of operation as an international waterway that those of us who represent the Great Lakes ports must stand up and discuss having all ports covered by the same laws. One would think that the seaway enabling legislation would have been a complete package.

That in itself is difficult enough to understand. We have read recently in the news media of a report by the Department of Defense on the tests last year to move military cargo via the Great Lakes to Europe. We understand that these vessels returned to the Great Lakes area with little or no retrograde cargo. There must be household goods, automobiles, and such items moving to the Midwest. The comparison of a charter vessel moving cargo one way with a commercial operation where items are moved in both directions will always prove that one-way hauls are expensive. If the cargo preference laws were uniform for all port ranges, these spurious comparisons would become a thing of the past.

We urge the amendment of the Merchant Marine Act of 1936 to include the Great Lakes as a port range. The amendment should include revisions to sections of the act which omit the Great Lakes from construction subsidies and operating differential subsidies. The U.S. Great Lakes fleet now averages 43.8 years of age. Need one say more?

We of the Council of Lake Erie Ports wish to commend those responsible for the resurrection of this subcommittee.

We thank you for the opportunity of presenting this statement and support the position of the administration in working for a new national maritime program.

We believe that the 60 million Americans of the Great Lakes-midcontinent region deserve some attention to their water connection to the oceans, and hope that you can successfully remove some of the longstanding difficulties which cause us great concern.

Senator HARTKE. All right.

Mr. NEFF. Thank you.

Senator HARTKE. We will sure try to do that for you.

(The attachments to the statement follow:)

DEPARTMENT OF TRANSPORTATION,
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION,
Massena, N.Y., March 23, 1970.

Col. R. WILSON NEFF, U.S. Army, Retired,
President, the Council of Lake Erie Ports,
Broadway Building, Lorain, Ohio.

DEAR COLONEL NEFF: This will acknowledge receipt of your letter of March 13 wherein you request that the closing date of the present navigation season be extended to December 20th.

While we join with you in your desire for an extended season, such action can only be taken after a thorough study and after joint agreement with Canada. We will discuss this matter with the Canadian Seaway Authority and will keep you advised.

Sincerely,

D. W. OBERLIN, *Administrator.*

THE ST. LAWRENCE SEAWAY AUTHORITY,
ADMINISTRATION DE LA VOIE MARITIME DU SAINT-LAURENT,
Ottawa, Ontario, March 24, 1970.

Col. R. WILSON NEFF, U.S. Army Retired,
President, the Council of Lake Erie Ports,
Broadway Building, Lorain, Ohio.

DEAR COLONEL NEFF: I have your letter of March 13th concerning the request of the Council of Lake Erie Ports for a revised closing date for the Seaway for the 1970 season.

As you are well aware, over the past several years we have made considerable improvements at St. Lambert and Cote Ste. Catherine Locks which have allowed us to publish a closing date in advance with some degree of certainty that it can be met despite weather conditions. To date this has enabled us to extend the navigation season by approximately a month from what it was in the first years of Seaway operation. We have also stated publicly that it was our intention to proceed with any further extensions on a progressive basis as the traffic demand grew and as we gathered more experience in combatting ice formation.

There are two major problems that stand in the way of an extension beyond the present published date of December 10th. One of these is the conflict of interest between navigation and power entities, since to avoid major interruptions to the Hydro generating plants it is necessary to obtain an ice cover as early in the winter as possible and this, of course, entails placing ice booms across the navigation channel. We are presently engaged in a study of this problem in the hope of arriving at a solution which will be mutually acceptable to both parties.

The other major problem which prevents us from considering the December 20th date which you suggest in your letter is a major modification required to the by-pass channel at Cote Ste. Catherine Lock. This work must be done to enable us to pass the high water flows necessary to retard ice formation in the South Shore Canal without creating serious cross currents below the lock, with the resultant effect on manoeuverability of vessels.

It is our intention to start this work this year and complete the works in the winter of 1970–71. To do so, however, the South Shore Canal must be drained during the winter period and this can only be done before the level of Montreal Harbour rises to a point higher than the bottom grade elevation of the South Shore Canal. Since the rise in water level of Montreal Harbour normally occurs in the latter part of December, it was felt that we could not undertake a later closing date this year with any assurance that such a later date could be met.

Nevertheless, it was stated in our Seaway Notice No. 1 that navigation in this section may be extended beyond December 10th on a day to day basis providing favourable weather conditions permit, and this we will certainly attempt to do dependent upon ice conditions, Montreal Harbour level and traffic demand at that time.

The scheduled closing date of December 10th for the Montreal to Lake Ontario Section therefore is related primarily to the construction work which will be undertaken in the winter, and it is not possible at this time for us to predict what the actual date will be.

Yours very truly,

PIERRE CAMU, *President.*

Senator HARTKE. The last witness is Donald J. McCarty, president, Great Lakes Terminals Association, Detroit Marine Terminals.

STATEMENT OF DONALD J. McCARTY, PRESIDENT, GREAT LAKES TERMINALS ASSOCIATION

Mr. MCCARTY. The Great Lakes Terminals Association is pleased to have this opportunity to appear before the special subcommittee hearing concerning Senate bill 3137 and other problems facing the Great Lakes-St. Lawrence Seaway. The Great Lakes Terminals Association was organized 5 years ago, and encompasses 27 stevedoring and terminal operators in 15 port cities in the States of New York, Pennsylvania, Ohio, Michigan, Indiana, Illinois, Wisconsin, and Minnesota. Our interest and goals lie in:

1. Extension of the seaway navigation season.
2. Longshoremen safety programs.
3. Pollution control.
4. Increasing American flag service into the Great Lakes.
5. Changing the cargo preference laws.
6. Getting the Department of Defense to use the seaway to greater advantage.
7. Abolition of tolls and user charges on the Great Lakes.
8. A revised lake pilotage program.
9. A thorough study of the inland rail rates.
10. Revision of Merchant Marine Act of 1936.

Our organization has great concern and vital interest in making this waterway a profitable venture for importers, exporters, steamship lines, labor, individual port cities, and the entire Great Lakes region.

The economic value of a port to a city is tremendous. For example, in Detroit the overseas commerce amounted to 4,700,000 tons in the last 2 years. The economic benefits were $97 million, according to the Detroit-Wayne County Port Commission. This represents direct dollar income contributed to the Detroit economy.

When you take into consideration the other port cities on the Great Lakes, we are looking at a direct economic benefit of over $375 million a year to the cities and States based on the 15 million tons of overseas cargo that went through the seaway in 1968. But let us not fool ourselves, for this represents a very small fraction of the total import-export cargo that is generated in the Midwestern States.

The above 15 million tons of overseas cargo could very easily be increased to 25 million tons a year once the Federal Government gives the green light. Now, the question is "What can the Federal Government do to turn on the green light?"

We believe the following areas should be looked into immediately:

1. The passage and adoption of the Senate bill 3137, known as the Mondale bill, would certainly be the first step toward a sane Great Lakes-St. Lawrence Seaway maritime policy.

Without going into great detail, the St. Lawrence Seaway Development Corporation will never pay off the debt under the setup as it is now. It is only a matter of time until the seaway debt would have to be restructured and refinanced.

Over the past 10 years it has ebcome evident the cost and revenue projections were in error as the operating costs had soared way beyond what was originally planned.

The Mondale bill is the first piece of commonsense legislation concerning the seaway to come forward since the Wiley-Dondero Act was passed. Our organization urges you to release Senate bill 3137 from committee and support its passage in the Senate.

2. The whole area of tolls and user charges should be looked into most carefully. The commercial water carrier should no

more be expected to pay for the entire construction costs and maintenance of a waterway any more than the trucking companies should be responsible to pay for all highways, for the airlines to pay for all the airports.

The St. Lawrence Seaway is the only waterway in the United States and Canada that is expected to be paid for and maintained from tolls. This is an unfair burden for the industries that now use the Seaway and those industries that are potential users. If the seaway debt could be eliminated and the tolls reduced to a point where they would cover only the operating expenses, this would be one way to help stimulate more traffic on the Seaway.

3. The extension of the navigation season to 10 months starting at April through January should be a goal to pursue. There have been preliminary studies by the Corps of Engineers which have proven the 10-month season a definite economic possibility with the proper icebreaking equipment.

4. One area where the tonnage on the seaway could definitely be increased is the area of military cargo. Through the efforts of the Great Lakes Senators, the Department of Defense consented to running tests in 1969 to see if there was a savings by shipping through designated Great Lakes ports versus the east coast. We have found out that there was a savings to our Government; however, the MSTS vessels chose to return empty and consequently showed the overall operation was unprofitable. We feel that this was just another example of complete waste of money by the Department of Defense. No one can convince us that of all the military cargo moving from Europe to the United States, such as household effects, not 1 ton was destined for the Midwest. This was no test, it was a farce, and it should not go unchallenged. If the conclusion is left to stand as is, the Department of Defense will wave it in your face as well as ours for years to come.

5. The fact that the U.S.-flag carriers have divorced the Great Lakes trade, it is our contention that the cargo preference laws should be amended as not to apply to the Great Lakes area. AID cargo, military cargo, and other export cargo that falls under the cargo preference laws should be routed to the closest inland rate-favorable port, and offered to the American lines first. If there are no takers in a specified period of time, then the cargo should be offered to foreign-flag carriers where an additional savings could be realized in a lower ocean freight rate. Do not take this to mean that we want the cargo taken away from American-flag lines. Our point is that with our Government looking for ways to cut costs and curb inflationary shipping practices, then there definitely should be alternatives to the cargo preference laws.

6. Probably our No. 1 adversary in the Great Lakes is the eastern railroads. Their ratemaking practices leave one in utter confusion. The railroads file discriminatory rates at such a pace that in order to fight these rates it would take financial resources well beyond the limitations of our organization or any other organization in the Great Lakes. On the surface it seems that the railroads have had the full blessing of the Interstate Commerce Commission and their ratemaking policies.

Just last week, for example, we received from our freight traffic consultant a list of 27 different rate changes that could reroute still more cargo away from the Great Lakes ports. In the last month we have actually received over 60 proposed rate changes applicable to commodities from the Midwestern States to the coastal ports. One very simple case which I am directly involved with is the Penn Central switching rate on steel slabs from the Ford Motor Co., River Rouge plant, to our dock which is approximately 3 miles away. The domestic rate is $67.50 per car, and the export rate is $81.69 per car, a difference of $14.19 per car, or approximately $0.20 per ton penalty for export cargo. While our country is trying to increase exports, this just doesn't make sense to me, or to the Ford Motor Co. traffic department.

We have enclosed a copy of a letter that was received last week from our traffic consultant covering the problem he has had in trying to find out from the railroad as to how the rate was established. It will give you an example of our frustration.

Our recommendation is that the Department of Transportation should make a thorough study of the rates established by the railroads. I am sure that the various port authorities in the Great Lakes could give the Department of Transportation a list of discriminatory rates that would stagger the imagination. Two cases they could start with would be the soybean case and the rail to water coal rate.

7. The problem of water pollution in the Great Lakes has begun to affect the shipping industry directly. As an example, all permit dredging has been stopped in the State of Michigan.

Our terminal is on the Rouge River—which I don't know if you have ever seen it, Senator, but its filthy——

Senator HARTKE. I have seen it.

Mr. McCARTY. It's terrible—the city of Detroit and industry has been dumping waste into it for years, and now we are prevented from maintenance dredging unless we can find on-land disposal sites where the dredge spoil. This will increase our dredging costs over 300 percent. As a result of other companies being allowed to pollute the Rouge River, our company is now being penalized with higher operating costs. This same problem holds true for other ports in the Great Lakes. The Federal and city governments must clamp down on industries that use the Great Lakes as a dumping grounds for their waste material. Our organization is 100 percent behind the Federal and State government agencies involved in antipollution programs.

We, being terminal operators, we are directly involved with the employment on these piers, and I think this has been of benefit to the people that we refer to as unemployables. We hire many of them, say, in the Port of Detroit, thousands of men that can neither read nor write, working on these piers, and getting 8 months work, and making very good money, very good wages in a seasonal business, and it would certainly help these men, too, to get more employment through, say, a 10-month season.

In closing, we would like to make clear that this statement is but an outline of the feelings of the Great Lakes Terminals Association members, and though we could go on to other points, we feel that they are being covered by others here today, and we concur with their statements.

Our membership has faith in the St. Lawrence Seaway, and has backed up that faith by investing millions of dollars in new port facilities, new material handling equipment, heavy lift cranes, and warehouses. We have increased employment for many of those unfortunate people who come from the ranks of the unemployables. We will continue to have faith in the seaway as it has been the world's busiest waterway. It is also the world's largest body of fresh water which in the years to come will be the United States' most important natural resource.

That is it for me. Thank you for having me.

Senator HARTKE. Thank you.

(The attachment to the statement follows:)

ST. LOUIS, MO., *April 10, 1970.*

MR. D. J. MCCARTY,
President, Detroit Marine Terminals, Inc.
Detroit, Mich.

DEAR DON: Following up my letter of March 31st, in connection with the problem of the switching rates from Ford Motor Company, River Rouge Plant, to your Terminal on the Penn Central.

I have finally gotten the information from the party in Detroit who quoted the rates mentioned in your letter; namely, domestic $67.50 per car and export $81.60 per car.

This memorandum does not clear up anything and there are some real questions involved in what has been sent to me; in fact, there are five items that must be cleared up.

The tariff naming these rates is Penn Central Tariff No. 20–C, and it first became effective September 17, 1957, and there has been at least 16 changes one way or another and that is where the problem lies. I am sorry to have to take so long to clear this up but before we can undertake to do anything about this discrepancy between export and domestic we must determine precisely how these rates became so far apart.

Back in September 1957 there was a difference between the Penn Central's switching covering intra-terminal charges and inter-terminal charges, and these differences have been thrown awry by reason of the percentage increases going all the way back to Tariff of Increased Rates and Charges X–206–A which actually became effective about a month before Tariff 20–C was first published.

In any case, you may rest assured that I will continue my efforts to unwind this disparity and while it will take a little longer I will resolve it as soon as I possibly can.

Yours very truly,

B. A. SPRINGROSE,
Freight Traffic Consultant.

Senator HARTKE. That concludes the list of our witnesses here today. I want to thank each gentleman for coming, and we will take the hearings back to Washington.

(Whereupon, at 4 p.m. the subcommittee was adjourned, subject to the call of the Chair.)

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION INDEBTEDNESS

FRIDAY, MAY 22, 1970

U.S. Senate,
Committee on Commerce,
Special Subcommittee to Study Transportation
on the Great Lakes-St. Lawrence Seaway.
Duluth, Minn.

The special subcommittee met at 10:30 a.m., Hon. Vance Hartke (chairman of the special subcommittee) presiding.

Present: Senator Hartke.

Senator Hartke. Good morning, everyone. The committee will come to order.

This morning we continue a series of hearings on the Great Lakes and St. Lawrence Seaway.

The subcommittee has under consideration S. 3137. This bill was initiated by your own distinguished Senator Mondale, and would cancel the indebtedness of the Seaway Development Corporation.

Along with myself, there are 14 other U.S. Senators who are cosponsors of that bill.

The subcommittee is also considering a number of other issues relating to the Great Lakes in the hope that we can develop meaningful legislation on these subjects as well.

These hearings began in Washington, D.C., and have been continued in Chicago, and, of course, today we are here in Duluth, building a fine legislative record, and receiving strong public support in this effort.

We are especially pleased to be here in Duluth, and I am delighted to be here in this beautiful city, for the first time in my life. I want you to know that I came in last night just after the hail, and that is sort of a good opening.

I am also honored to be here with the distinguished U.S. Senator, Walter Mondale. I can say without hesitation that his reputation in the Senate is one of the highest order, and he is considered to be one of the most outstanding Senators that the United States has ever had.

I might say parenthetically I know some of you have seen his name mentioned in certain areas for even higher office, and I can tell you that he is certainly worthy of that consideration.

I am also delighted to be here in the home State of the former Vice President of the United States, an old personal friend of mine, even back to the time, I might say to the mayor of Duluth, when I was mayor of Evansville, Ind. I consider former Vice President Hubert Humphrey an outstanding individual and an outstanding legislator and statesman, too. And, of course, also serving on the Finance Committee is another distinguished U.S. Senator and friend of mine, Senator Eugene McCarthy, who has an outstanding record in the U.S. Senate, but who is no longer going to seek office in that capacity.

I cannot go on without mentioning Congressman John Blatnik. I was with him yesterday, and he asked me to excuse his absence today. He had hoped that I would postpone these hearings until next week. I explained to him that my legislative duties were not necessarily going to be the inhibiting factor, but we have, at Indianapolis next week, a certain sporting event which you might have heard about called the 500 mile race.

The first witness we will hear from will be your own Senator Walter Mondale.

STATEMENT OF HON. WALTER F. MONDALE, U.S. SENATOR FROM MINNESOTA

Senator Mondale. Thank you very much, Senator Hartke—and may I express not only on my own behalf, but on behalf of the citizens of Minnesota, the officials of the Duluth Port Authority, the Citizens of Duluth and of this greater Duluth area, our appreciation for your presence here.

Not only that, but for your leadership in the creation of this Special Subcommittee on Great Lakes-St. Lawrence Transportation.

I might say, for the information of my friends in the room here, that this is the first time we have had such a subcommittee. Some years ago we had a similar one, but it was not an active committee. Under Senator Hartke's leadership, we now have a new Special Subcommittee which is concentrating, for the first time, specifically on the problems of the Great Lakes and the St. Lawrence Seaway. As some of you know and there are a number of State senators and representatives and we even have an elective sheriff here. There are a whole host of problems affecting the Great Lakes that need to be solved if we are going to realize the vast potential of this area. Because of the leadership of Senator Hartke in creating this committee, and the hard work he has put in it, for the first time since I have been in the Senate, these are all coming into focus, and there is new pressure.

Yesterday, in the House of Representatives, the Maritime Act included the Great Lakes specifically as the fourth seacoast, and included within the tax exempt status of reserves for construction purposes, the Great Lakes as well as salt water shipping, and these, I think, are examples of things that are developing out of the leadership of Senator Hartke.

Shortly after I came to the Senate in 1964, it became apparent to me that there was gross and unjust discrimination against our region of the country with respect to Federal transportation programs and policies. Accordingly, I introduced a bill in the 89th Congress to refinance the St. Lawrence Seaway Development Corporation. I reintroduced that bill in the 90th Congress. Although hearings were held on that legislation, no action was taken.

The legislation this year has 15 cosponsors of both political parties. We have, for example, the minority whip of the United States Senate. The sponsorship includes leading members from both sides of the aisle, and I think every Senator whose State depends upon the Great

Lakes and the St. Lawrence Seaway is a cosponsor. The minority leader, Senator Scott, has also forecast some legislative action along the lines of the bill.

The bill is a very simple one. It cancels the existing debt of the St. Lawrence Seaway Development Corporation to the Treasury of about $156 million. This debt represents the initial construction cost of $124 million plus deferred interest and expenses for reconstruction of the Eisenhower and Snell locks. The bill would, however, still require the corporation to pay all operating and maintenance costs out of toll revenues. In this respect, the seaway would still be treated unfavorably with respect to all other waterways in the United States which have been developed and operated entirely out of general tax revenues.

Even with the adoption of our measure, ours would be the only federally maintained waterway in the country paying any tolls. Am I correct?

Senator HARTKE. That's right.

Senator MONDALE. Even with the adoption of this modest measure, we are still being discriminated against.

I think, however, that this approach is one which will permit the Seaway to grow and remain economically viable.

If such legislation is not enacted, substantial toll increases will be required under terms of the Seaway legislation, and our agreements with Canada.

On the other hand, if such legislation is enacted, I foresee the possibility of significant toll reductions—perhaps as much as two-thirds below present levels, and that is very significant. There was, I think, one ship, for example, last year that came through the St. Lawrence system that paid $21,000 in tolls, so that these are fantastic levels—an invisible barrier which is holding back the enormous potential of the St. Lawrence Seaway and the Great Lakes shipping system.

The American midcontinent is the keystone of the Nation's production. In both agriculture and industry, the Midwest is a leading world producer. It outproduces the six Common Market Nations together. It also outproduces the Soviet Union.

The midcontinent has become the largest exporting region in the United States. However, we find that the overwhelming majority of exports from this region are being shipped by expensive overland routes to coastal cities where they must be reloaded on oceangoing vessels.

Since the opening of the St. Lawrence Seaway, this American heartland has been opened to low-cost shipping through a transportation artery extending 2,342 miles from the ocean to this port. We have cost data which show that shipping from Great Lakes ports through the Seaway is extremely economical, compared to alternative routes.

It is one of the purposes of these hearings to develop some of the reasons for the failure of the Seaway and Great Lakes system to carry its fair and logical share of American exports. It is clear that enactment of a bill along the lines of S. 3137 is essential. But it is also clear that a number of other measures are required that we have to concentrate on.

For example, we find that the Interstate Commerce Commission, notwithstanding a statutory mandate to prevent discriminatory rates, sanctions such grossly discriminatory rates by rail carriers. These carriers often charge lower rates for shipment to more distant coastal ports than they charge to nearby lake ports. We find that virually no U.S. Government cargo is carried abroad out of Great Lakes ports.

We did a study on this, and we found that 35 percent of the Defense Department overseas cargo is produced and originates in the Great Lakes area. Virtually all of it is shipped by some oceangoing vessel. Less than one one-hundredth of 1 percent of such exports goes through the lake ports, which shows the nature of the discrimination against which we are fighting.

The cargo preference laws operate to prevent shipment of Government cargo through lake ports because there are usually no American-flag carriers available in which to ship such cargo. At the same time, we find that Maritime Administration programs have not materially assisted in the development of American-flag service to the lakes.

The President recently proposed a new 10-year maritime program which made no mention, whatsoever, of the Great Lakes. The efforts of Senators from Great Lakes States have already achieved some success in this Congress. We hope to go on and make some more progress. But there is even then a great deal more to be done. We must vigorously pursue the initial study of the Corps of Engineers with respect to extending the navigation season of the lakes.

May I say that United States Steeel and some other companies this past winter experimented and had some very hopeful experience with virtually year-around shipping on the Great Lakes. If we could extend the Great Lakes shipping season just by 2 or 3 months, the economics of the lake would shift dramatically, and I would hope that we could encourage that development.

We must put a stop to discriminatory overland transportation rates. We must assure that the U.S. Government cargo is shipped, when it is economical, via the Great Lakes-St. Lawrence system, and we must enact the toll-reducing legislation which we are discussing today.

Mr. Chairman, before I conclude, permit me to request that there be included at this point in the record a statement by the Honorable John Blatnik, who, perhaps more than anyone else, is responsible for the St. Lawrence Seaway, who very strongly favors an effort to restructure the toll base of the St. Lawrence Seaway, who is a consponsor of a similar measure—the Reuss bill in the House.

I would ask that his statement in support of this effort be included at this point in the proceedings.

(The statement follows:)

Statement of Hon. John A. Blatnik, U.S. Representative from Minnesota

Mr. Chairman, these hearings on the Saint Lawrence Seaway are significant because this Tenth Anniversary year of the opening of the Seaway is an appropriate time to assess what the Seaway has accomplished, what we hope it will accomplish over the next ten years, and how to assure the continued life and health of the Seaway.

Ten years ago, the expressed purpose of the Seaway was to increase commerce and to develop the Great Lakes as a "Fourth Seacoast." These goals have been realized. Total bulk tonnage on the Great Lakes has doubled since 1959. General cargo has trebled. Tonnages continue to rise, and projections show that by 1980 the Seaway will be carrying 54 million tons of cargo.

Income to the Great Lakes States from the Seaway totalled over $643 million in 1968, and total employment generated by Seaway traffic was estimated at 85,710.

Impressive as these figures are, however, the fact that the Seaway is in trouble is no secret. At the end of 1969, the Seaway had paid $33.4 million in interest payments into the U.S. Treasury. But the total bond and interest debt in 1969 was $155.9 million—$32.1 million *more* than in 1959 when the Seaway was opened. Somehow, according to present law, it must pay this off, plus interest, at rates that have risen every year since the Seaway was built, by the year 2009. By that time, the total debt plus inerest should reach $800 million. All the while, it should be noted, the Seaway will also be expected to pay maintenance and operating charges out of toll revenues. In short, the language of the Saint Lawrence Seaway Development Act is geared to make payment of the debt impossible.

This is patently unfair to the Saint Lawrence Seaway. Other inland waterways have received substantial federal help. The Houston Ship Canal received $70 million for development and operation and maintenance; the Mississippi River-Gulf Outlet received $73 million for development and O&M; the Gulf Intercoastal Waterway, $106 million for development, operation and maintenance. Yet, pressures from the Eastern seaport States and Midwestern rail interests dictated legislation that made the financial condition of the Saint Lawrence Seaway unbearable from the beginning.

The question now is: what can be done to make the Seaway more competitive. There are a number of proposals before us today.

Interests inimical to the Seaway have obviously proposed that tolls be raised. An increase of between 25% and 50% would be needed to meet the debt—a disastrous move, where overland carriers are already competing successfully for grain and manufacturing cargoes to lower lake ports. This move, of course, would seriously hurt the Seaway, reducing traffic and diverting it to the eastern ports.

Another option, proposed by the Administration, would be to establish user charges for all inland waterways. Thereby, it is claimed, equalizing *all* ports, and eliminating discriminatory charges on the Saint Lawrence Seaway. This is hardly an answer to the problem. It is totally unrealistic to expect Congress to reverse an historic policy of toll-free waterways built at public expense. Moreover, this does not solve the Seaway's problem of a burdensome and unfair debt.

I would offer a combination of positive steps to eliminate the debt and to set up the Seaway as a financially healthy concern, in a competitive position with other modes of transportation.

One of these plans is that under consideration today, proposed by Sen. Mondale, to cancel the Seaway debt outright. This could have the effect of lessening or eliminating the need for tolls, and could provide a stimulus to Seaway traffic. I would hope this would call forth a commensurate reduction in freight rates. This we should emphasize, lest we merely provide a bonanza for shippers without any direct benefits to the Great Lakes States.

Another proposal, which I have co-sponsored along with Congressman Henry S. Reuss of Wisconsin and a number of other Great Lakes States Congressmen, would allow the Saint Lawrence Seaway to issue new bonds and sell them to the Treasury for the present amount of the debt. The Saint Lawrence Seaway would pay to the Treasury 3.85% yearly. The tolls would continue at present or lower rates to pay maintenance and operating costs. Since the interest rate would not change, and since operating costs have not so far increased at meteoric rates, the Seaway could thus become a financially sound operation. The effect of both proposals is the same, but the latter approach establishes a sort of "Depreciation Reserve Fund" to build new facilities and to improve old ones, thus strengthening our competitive position.

We can also work to improve the economy of the Seaway through another channel. As we work to decrease tolls and improve services, we should also call for increased cooperation of the midwestern manufacturers and shippers of goods to *use* the Seaway to get their goods East and to foreign markets. With this cooperation, we can promise increased profits as rates go down, and improved service as facilities are built and improved.

Finally, U.S. tolls account for only 27% of the tolls charged vessels using the Seaway. Some understanding must be reached with the Canadian Government on the reduction of tolls since if toll reduction is to be meaningful, it must be done with Canadian cooperation.

Mr. Chairman, the Saint Lawrence Seaway has great potential, if we will only free it from the financial shackles that bind it. We made a huge investment ten years ago. We must realize now that the return on that investment will have to come indirectly—in employment, in increased taxes, in the economic health of the Great Lakes Region. To expect the Seaway to pay for itself under present financing plans is an impossible dream. To expect it to survive financially under a *fair* financing plan is not impossible at all. It is realistic and achievable. We made the investment. Now let us give that investment a chance to make a return.

Senator HARTKE. Thank you, Senator Mondale. It's characteristic of of the type of leadership that Senator Mondale has given us in the Senate to introduce a bill which would provide for this encouragement of greater utilization of the Great Lakes.

I might say that one of the discouraging items to me in Washington is the fact of the continued neglect of the Middle West by the so-called experts in Washington.

I had hoped that at least when Secretary Laird, coming from this section of the country, became Defense Secretary, he would remove this discrimination which exists toward the great utilization of the Great Lakes in defense shipments. Perhaps if some of you people know him personally, you can encourage him to remember he did represent this area, and it's high time we at least be given fair treatment in relation to shipments of military materiel.

Now, the next witness will be Mayor Ben Boo, the mayor of Duluth. As I have indicated previously, having been a mayor myself in former times, I express my great sympathy for the mayor.

Good morning, sir. You might take the seat.

Senator MONDALE. May I say how pleased I am to have as our first witness the distinguished mayor of Duluth. He has shown a great interest in this community, and in the area, and we are delighted to have him here today.

STATEMENT OF BEN BOO, MAYOR, CITY OF DULUTH, MINN.

Mayor Boo. Thank you very much, Senator, and I thank both of you for this interest and for this hearing.

I feel it's time, and I have prepared a statement which I will not read, because it's just going to take some time, and in essence it supports the Mondale bill to restructure the seaway debt. Obviously I am very much enthused about it.

Senator HARTKE. The entire statement will be a part of the record.

Mayor Boo. As mayor of Duluth, Minnesota's world port, and the third largest city in the State, I am pleased to appear before this subcommittee today to discuss some of the transportation problems facing the Great Lakes.

This city administration is unequivocally opposed to any increases in seaway tolls, and supports the Mondale bill to restructure the seaway debt.

For sometime we have been attempting to bring new industry to Duluth, and in that connection, one of our strong selling points is the availability of a world port. So many companies today are involved in international commerce and, before discussing new plant locations, they inquire into the transportation net work serving a community. It is a vital plus in our favor to be able to say, "yes, we have steamship service to all parts of the world and we can offer all the services necessary to assist your international marketing department."

This not only means jobs and security for the ILA, the tugmen, line handlers, pilots, truckmen and railroad crews, but it also means salaries for the white collar worker as well—the steamship agents, the customhouse brokers, freight forwarders, international banking departments, et cetetra.

It also means these people have a piece of the action, a part of the community. They pay their taxes, they purchase their needs, and live good, productive lives, credit to the city of Duluth, to their State and Nation.

Should seaway tolls be increased, there would be an immediate rollback in employment, for the ships would cease to call at Duluth. You will hear Mr. Burke, the director of our port, quote from a letter received recently stating that if costs continue to mount in the lakes, the steamship owners would forsake the trade. Can you imagine what economically disastrous results this would have on our community? schools business establishments, tourist trade, to name just a few, would all suffer irreparable damage. Welfare and unemployment figures would soar. Our young people would be forced to leave their homes and try to find new careers in other cities. The spinoff would affect us all.

And as mayor of this city I will do all within my power to oppose these discriminatory practices which have been perpetuated over the years upon our city, and will continue to do so in the future.

If I may, I have a few maybe parenthetical comments I made as I had breakfast this morning, as I became more mad, or more irritated, and I thought my statement was too trite.

I suggest the problem is a lot bigger in the seaway than just tolls, and I suggest that this fourth coastline designation is absolutely essential to the preservation of our seaway, and I would insist that we, on the seaway—this new seaway—get the same consideration and benefits that the other three seaways get.

Right now we are in an impossible situation. If I were out to destroy the St. Lawrence Seaway, I couldn't think of a better way to do it than the way we are right now, because you are going to tie it in knots and strangle the St. Lawrence Seaway, and it will be the end of the seaway. I think the problem is more than the tolls.

I suggest a study should include the study of the entire rail situation; the rail rates in this country. I think the ICC, whether it be motivated politically or motivated in some other fashion, can, by the control of the railroads, make or break the Port of Duluth, and at this point it can break the Port of Duluth. I cannot find a good reason why more grain is shipped from the Midwest to east coast ports and to southern ports, and yet we are half the distance. None of this makes sense.

With that statement—and I restate—if I were out to destroy the St. Lawrence Seaway, I couldn't think of a better way than the way we are going.

With that, thank you very much.

Senator HARTKE. Let me say to you, Mayor, that the Department of Transportation, which is a new Cabinet-level agency of the Federal Government, has promised to make a complete study of the question of discrimination between different methods of transportation and have it to the Congress by 1971.

I might say that Senator Pearson, from Kansas, who is one of the members of the committee—he is a Republican, so I don't think you could say he is politically motivated—sometimes questions the value of these cutoff dates, because he says some of the bureaucracies don't comply with them.

But I assure you we will insist that the Department of Transportation have that study completed and ready. You will be on the list of those to obtain a copy of that report as soon as it is available to the Subcommittee on Surface Transportation.

Mayor Boo. Thank you very much.

Senator MONDALE. Mayor, we did a study on this whole issue to which you make reference—rail discrimination. I don't think there is any question but that there is a strategy on the part of the railroads to discourage the development, and to restrict the growth potential, of our Great Lakes system. We have had data on the savings that can be made by shipping out of Duluth, or shipping out of the other Great Lakes harbors, compared to transit shipment to New Orleans, or one of the coastal ports, and there are large savings to be made here. But so long as flagships don't stop here, so long as under present rate structures they will bring the cargo to the Atlantic coast, there is no incentive to deal fairly with the Great Lakes ports. As I pointed out, the Government cargo is only one one-hundredth of 1 percent. It's not a very impressive share of the market.

For example, it costs $1.39 per case to ship Scotch whisky from Glasgow to Minneapolis via Duluth. It costs $1.99 per case via New York.

Rough-quarried marble costs $2.43 per hundred pounds from Italy to Minneapolis via Duluth; $3.45 per hundred pounds via Boston. We have all kinds of evidence here that shipping costs can be saved. It costs nine times as much per mile to ship steel silos by train from Kankakee, Ill. to Chicago, than from Kankakee, Ill. to New York. Why is that?

Under section 22, of the Interstate Commerce Act, free or reduced rates are often given for Government cargo moving to coastal ports, but such rates are seldom offered the Great Lakes ports. I think it is a scandal.

I think the case has been made and by many outside sources. The figures I use here are from the Wall Street Journal, which concludes that the Great Lakes are being discriminated against.

A few years ago the Journal, publication in Cleveland, which covers a good deal of the steel industry, wrote a story about the industry's own rate calculations, so I don't think there is any question but that we are being very seriously discriminated against. A few years ago we wanted the Department of Defense to do some actual shipping of military cargo to see whether savings could be made by using the Great Lakes ports. What they did, I thought, was absolutely incredible. They took a military ship, loaded it with military cargo on the Great Lakes, went to Europe, backhauled empty, charged the cost both ways and said it wasn't economically feasible.

Am I correct in that?

Senator HARTKE. Yes; that is right.

I might say, though, that is why some of us are quite concerned about the wasteful attitudes of some of the Defense Department people.

Senator MONDALE. Thank you very much.

Mayor Boo. Thank you very much.

Senator HARTKE. The next witness will be Mr. C. Thomas Burke, the executive director of the Seaway Port Authority of Duluth, who was kind enough to meet us at about midnight last night. I appreciate that ride into town.

Mr. BURKE. It is my pleasure, Senator.

STATEMENT OF C. THOMAS BURKE, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH

Mr. BURKE. Senator Hartke and Senator Mondale, in behalf of the Seaway Port Authority of Duluth, we certainly want to thank you for holding this hearing in Duluth. It is strong evidence of your concern for our problems and we are very grateful.

As the director of the Port of Duluth, and as the youngest port director in the country, I have many things to say about the discrimination that exists here in the seaway but, first of all, I would like to thank you, Senator Mondale, for introducing your bill, and I want to reassure you that we are strongly behind it.

In our capacity as the sales agent for the port, we have been talking to shippers and importers throughout the entire Midwest, and we have found amazinig support for your bill—and with that thought in mind it occurred to us that as we do make these travels throughout the Midwest, we should have a simple petition with us on these calls which we have made up, and we have had the signatures of probably 500 or 700 people who are in support, and this, I think, is rather interesting. All we had to do was mention the fact that your bill is being discussed, and they said, "Oh yes, let us sign it. We are in favor of any bill that would give the seaway a better opportunity to compete in the international cargo."

Senator MONDALE. Mr. Chairman, I would ask that the petition be included in the record.

Senator HARTKE. Yes; it will be included in the record, at the request of the Senator from Minnesota.

(The petition referred to follows:)

We, the undersigned, herewith register our support for passage of Senate Bill 3137, a Bill which would cancel the indebtedness of the St. Lawrence Seaway Development Corporation to the United States Treasury. We believe the future of the Great Lakes Region and the St. Lawrence Seaway is dependent on passage of this most important Bill.

Mr. BURKE. Senators, I think there will be other issues mentioned here today, such as lengthening the seaway season, which is very important to us, and as you have mentioned, Senator Mondale, could mean a great deal economically to our community, and to the entire seaway, and there will be other issues such as the cargo preference laws and all of the other issues that we have discussed before. But I think the most interesting thing, from our point of view, is the fact that if the tolls should be increased at all, we would find ourselves in such a bad position to solicit cargo and to compete with east coast ports and the gulf and the west coast, that, as Mayor Ben Boo said, they could put us out of business overnight. We cannot have any kind of an increase in tolls.

Now, I know there are voices in Washington that are clamoring for increases in tolls, but I suspect the reason is that if there is an increase in tolls, they feel they can force these international caroges from the Midwest to the other coastal port ranges. This would be devastating.

With this thought in mind I wrote a letter to a friend of mine with one of the large liner services that serves our port in England, and I would like to quote from his letter that he just sent me the early part of this month. My question to him was, "How do you feel about the future of the lakes, and what do you think would happen if the tolls were to be increased?"

And this is his quote:

The problem with the Great Lakes area as a whole is one where we cannot achieve such freedom in increasing our freight rates to keep pace with the increase in operating expenses, and therefore, there must come a time, if costs do go on escalating, where operators have to admit that the trade no longer is worth having.

This is devasting. This is an indication that one of the few liner services that continue to serve our port would pull out and no longer come here. It would be disservice to the people who rely on that line, especially to London, where they wouldn't be able to find a carrier to take their cargo out of the Port of Duluth any longer. We would put people out of work here on the pier—the longshoremen would lose out; the tugmen would lose out; the pilots would lose out; the spinoff on the entire community would be disastrous. We cannot have any type of increase in seaway tolls.

I can't think of any other issue facing the seaway that is more devastating than the possible increase in tolls.

Senator Mondale, can I ask you a question? You mentioned a few minutes ago that the bill was reported out of committee to nominate the seaway as the fourth seacoast?

Senator MONDALE. Yes.

Senator HARTKE. That is right. It is in the House.

Senator MONDALE. It may have passed late last night. We are not sure yet.

Mr. BURKE. Does this mean that we will be able to handle Department of Defense transportation cargoes, and does this mean also that the Great Lakes fleet will be renewed?

Mr. ROUVELAS. The bill extends tax-deferred construction funds to the lakes for the first time. It does not change the cargo preference laws or the military cargo laws at all; so that to the extent that there are not American-flag vessels on the lakes, you still cannot get that cargo.

Mr. BURKE. I see. Well, if something could be done along these lines, I am in accord with your statement on the Defense Department cargoes that moved last year. I, at that time, was working for an east coast port, and I am aware of some of the statistics that were used that were grossly unjust, and it was more of a political maneuver on the part of east coast Senators and Congressmen than it was, really, a move on the part of the port authorities themselves. I am sure you are aware of that.

Lengthening the seaway season is very important, as I mentioned before, because the spinoff could mean millions of dollars to our community, and with increased seaway time, we would have a better shot at getting more ships in here from foreign countries. We find that each year it becomes a little more difficult to get the ship lines to come all the way to Duluth. They feel that they can put in at the lower lakes ports and force our cargoes down there, and the railroads help it by not giving us the proper rates that we have to compete in the free market.

Senators, that is about all I have to say. I know there are going to be other voices behind that are going to speak on the specific items, but I did want to voice my deep concern over the future of the Port of Duluth if the tolls are to be increased, and I want to thank you again for bringing your subcommittee hearing here to Duluth.

Senator MONDALE. We appreciate your statement, and appreciate the fine work that you are doing in the port. This is where we train our great port managers. Dave Oberlin, who came from Duluth is now the head of the seaway organization—what is the name of his office?

Mr. BURKE. He is the administrator of the Seaway Corporation.

Senator MONDALE. Yes; doing a very fine job there.

What is the estimated dollar value of current commerce through the Duluth port to the city of Duluth, or to this area, do you know?

Mr. BURKE. Yes; I do, Senator.

Last year we estimated that the international cargoes had an impact of some $20 million during the season.

Senator MONDALE. Some $20 million?

Mr. BURKE. Yes.

Senator MONDALE. Is that up from the year before, or down?

Mr. BURKE. Yes. Our cargo handling have been increasing. The Port of Duluth I believe has turned the corner only because of a tremendously hard effort that has been put into it over the past years by people like Dave Oberlin. We are on our way, but we have to have some help, and everytime we reach a stumbling block that is placed in our way by discriminatory rail rates, or possible increase in tolls, it just makes our job that much more difficult, and we cannot continue to compete. There is no competition at the present time. We can't compete with New York or Montreal for the container cargoes that move from the Twin Cities. Our trade market is the Twin Cities, St. Paul-Minneapolis; the rail rates from Minneapolis to New York on containerization are so depressed that we can't compete with that.

Senator MONDALE. Is it your judgment that there is discrimination in rail rates against the Great Lakes ports?

Mr. BURKE. Oh, there is no question about it, Senators. It's so obvious, schoolchildren can realize it.

There is a situation that now exists—the Manchester liners people, one of the few liner services that serves the port of Duluth for general cargo, they have built a brandnew container port at Montreal. It's beautiful, and it's very effective, and very efficient. They have established a rail rate with some of the Canadian carriers, and in conjunction with some of the U.S. carriers from St. Paul to Montreal, 84 cents a hundred on a container. Now, naturally they are not going to bring one of their ships all the way to Duluth to pick up these containers when they can force them from the Twin Cities to Montreal, and only pay 84 cents a hundredweight. The rail rate is so discriminatory to our port——

Senator MONDALE. This is general cargo that would otherwise, very likely, have come to Duluth, but because of these subsidized reductions in rates, they go to Montreal?

Mr. BURKE. Exactly, and I am not talking about one or two containers. I am talking about 10 or 15 a week from the Twin Cities area, cargo that we could be handling here, that we have no opportunity to even solicit.

Senator MONDALE. Now, Mayor Boo made reference to grain which he thinks should come through the Duluth-Superior port, but which goes to the east coast, or is transshipped to New Orleans.

Would you comment on that problem? We have some representatives of the grain industry, and we will ask them the same question, but I would like to hear your comments.

Mr. BURKE. All right. I am sure they will be able to enlighten you more on it than I can, but just let me say this; there are what they call unit train concepts in the country now, and the grain people have been very fortunate in working out agreements with the railroads whereby the railroads will take a unit train, and they will run it from, say, Chicago to the gulf.

The rail rate is so ridiculously low that the grain people have to make use of it, and when they get to the gulf, they have a U.S.-flag vessel there who is quoting a ridiculously low ocean rate.

Now, if those U.S.-flag vessels were made to come into the lakes to pick up this cargo, then it wouldn't—we wouldn't be in such a bad bind, but they don't come into the lakes, the U.S.-flag vessels don't come in.

Senator MONDALE. Can you give examples of grain which originated from points close to Duluth that went to the east coast?

Mr. BURKE. Recently—I can give you an example of 10,000 tons of cargo that was diverted from the Port of Milwaukee, that moved out of Minneapolis to Milwaukee, and it was scheduled for Korea. This was AID cargo, and at the last minute, the cargo was diverted from Milwaukee because a U.S.-flag vessel was quoting a rate, an ocean rate from the gulf which was something like $20 per ton cheaper than the rate that was being quoted in the lakes. Naturally, the cargo was diverted from Milwaukee and sent down to the gulf, but I have since found out that the diversion did not take into account the rail rate that had to be assessed to this movement, but it's just another case of discrimination against the Great Lakes. But the U.S. vessels don't have to come into the lakes, and nobody seems to be able to force them to do it. It's terribly discriminatory. I am speaking of another port, and we compete heavily with the Port of Milwaukee for cargoes, but I hate to see something like that happen.

Senator HARTKE. Mr. Burke, I think your testimony has been very helpful, and we appreciate your coming today.

Mr. BURKE. Thank you very much.

(The statement follows:)

STATEMENT OF C. THOMAS BURKE, EXECUTIVE DIRECTOR, SEAWAY PORT AUTHORITY OF DULUTH

In my capacity as the executive director of the Seaway Port Authority of Duluth, Minnesota, I appreciate this subcommittee's invitation to testify before the Special Subcommittee To Study Transportation on the Great Lakes-St. Lawrence Seaway.

The St. Lawrence Seaway (and the all-Canadian Welland Canal) constitute the only waterway on the North American Continent on which tolls (and users' charges) are exacted.

The imposition of tolls and users' charges for use of the waterways of the Great Lakes-St. Lawrence Seaway system discriminates against Mid-Continent North America, its development and economic health, and as a matter of equity, the seaway should be operated and maintained as are all the coastal and inland waterways, open to all users without charge.

I strongly support and recommend enactment of Senator Walter Mondale's bill S. 3137 which would refinance and make interest-free the present seaway debt, and provide for the application of tolls collected to operate and maintain the waterways and to eliminate the seaway capital debt.

Sen. Mondale's bill seeks the amendment of Public Law 358 of the 83rd Congress to permit financial re-organization of the U.S.-St. Lawrence Seaway Development Corporation which maintains and operates that portion of the international St. Lawrence Seaway lying wholly within New York State.

It is interesting to note that a Minnesota Senator has taken such a strong and positive approach to what I consider to be the one issue that will determine the very future of Duluth as a world port. For fundamental to our development in international trade is the financial restructuring of the seaway and the complete elimination of tolls! As the United States' most inland world port, we in Duluth are well aware of the difficulty in securing cargoes from shippers and importers when regularly scheduled liner service is non-existent. Each year the tolls become a more difficult problem for us to deal with. Recently I received a letter from an executive with one of the few liner services in our port:

"The problem with the Great Lakes area as a whole is one where we cannot achieve such freedom in increasing our freight rates to keep pace with the increases in operating expenses and therefore, there must come a time, if costs do go on escalating, where operators have to admit that the trade no longer is worth having."

It appears that the present administration, which does not even mention the Great Lakes in its maritime program, is now embarked on a course of endorsing increases in the seaway tolls.

This would be sheer folly, for it would place millions of people in the Midwest as well as in Canada in unbelievably dire straits.

The eight Great Lakes States had some 20 million people living in their 83 counties bordering the lakes in mid-1968. Total population of these eight States was 74 million. Today the resident U.S. population is some 200 million, and the Great Lakes States account for nearly 40% of this total.

Should the tolls be increased, here in Duluth one out of every four persons in our working force would be adversely affected. Ships from foreign countries would cease to come into the seaway. Longshoremen would lose work hours on the piers because caroges would be diverted from the seaway wherever possible. Pilots, linesmen, tugmen, agents, shipchandlers, stevedores, would find fewer vessels to work; and truck drivers, as well as railroad workmen, would find fewer cargoes moving into and out of the port. The merchants in our area, as well as the restaurants, would also feel the effect of loss of business. The economy of the State would suffer a serious decline, and Duluth could be affected by the loss of some $20 million during the shipping season.

Any increase in tolls would be a disservice to the users of our port who are dependent upon foreign ship service. I believe a ground swell of resentment toward any increases in these tolls, especially coming from midwest users of the seaway, would have a tremendous impact on the situation.

With this thought in mind, the Seaway Port Authority of Duluth prepared a "simple petition" supporting Senate bill 3137, and we offer these signatures of concerned citizens throughout the Midwest as evidence of their deep concern over this unjust and discriminatory situation.

Also, I believe the Merchant Marine Act of 1936 must be amended to recognize the Great Lakes-St. Lawrence Seaway System as America's fourth seacoast. The national interest will best be served by recognizing the Great Lakes as a major port range and eligible for the same considerations and involvements as are the Atlantic, Gulf and Pacific port ranges. There have been changes recommended to the act by the House Merchant Marine Committee which would amend the act—(1) recognize the Great Lakes-St. Lawrence Seaway Transportation System as a seacoast and allow attendant consideration for cargo preferences, various subsidies and use of U.S.-flag vessels for shipments of *AID* and *DOD* cargoes, and (2) provide for modernization and replacement of the Great Lakes domestic fleet.

Lengthening the seaway shipping season will be a long and costly endeavor. The Corps of Engineers has made a recent study which indicates that lengthening the season is possible and that extending the navigation season is considered to be of manageable proportions and possibly within economic limits. We must continue these efforts and have the Corps of Engineers define the cost, economic participation, and degree of Federal interests in the project, in order that we may have a definite sense of direction and timetable.

The Great Lakes Task Force, or which I am a member, is studying the overall problems facing the seaway and has recommended a Federal coordination operations center be established in the Great Lakes for collecting, processing and disseminating general navigation information, including weather and ice data vital to the maximum utilization of the present system. We would hope to have this center established here in Duluth, where the North American Air Defense Command (NORAD), the Naval Reserve, Army Corps of Engineers and Coast Gaurd facilities already exist.

It should be pointed out that the Federal Government, through its Maritime Administration, is currently providing subsidy funds for construction of ocean ships in American yards. Of particular concern to Minnesotans and other residents of Great Lakes States is the fact that most of the construction subsidy money now being provided in appropriation bills is being used to construct vessels which by design are too large to enter the St. Lawrence Seaway system. In other words, the Great Lakes taxpayers are literally paying for putting themselves out of business so far as modern overseas vessel services into the lakes is concerned. This type of discrimination must end if Duluth is to continue as a world port handling international cargoes.

I believe the Department of Transportation should consult with the Maritime Administration and point out that even though the era of super ships and super ports is upon us, certainly there must be a place for those ports that cannot accommodate the huge new generation of ocean ships and cannot afford the huge sums of money involved in constructing facilities for these subsidized carriers. Great Lakes ports as well as the smaller coastal ports certainly deserve better treatment from our Government.

Finally, as the youngest port director in the United States, I must speak out on the issue of international peace.

Just one year ago we were endeavoring to enter into meaningful trade negotiations with China on non-strategic goods, and our East-West trade talks with the Communist bloc countries were showing signs of encouragement.

Today the voices of protectionist policies are becoming louder calling for reduced trade, and quotas of all types. These restrictions are unsupported by either fact or logic, and such restrictions cost American businessmen hundreds of millions of dollars in lost opportunities. We can ill afford that cost at a time when our balance of payments needs all the exports we can possibly sell; our labor force needs all the jobs it can possibly find; and our Government needs all the taxes on profits it can possibly collect.

There is little sense in discussing the future of the Great Lakes-St. Lawrence Seaway and international trade when the future of our country and our world is in such jeopardy.

Clearly there is no early end to the war in Indo-China. Clearly there is no easy solution. Our invasion in Cambodia is a tragic mistake and pushes the other side further into the shadow of making a substantial military decision. Neither side can now give up, nor can either side obtain a final military victory. Our actions have made serious negotiations an impossibility. The youth of the world cry for an end to this un-godly war, and it appears to me that it is now time for a new initiative. That change could well be a movement in the international trade atmosphere.

Perhaps a substantial increase in trade in non-strategic goods between the U.S., Eastern Europe and China, can help create the kind of atmosphere in which a reasonable Vietnamese settlement can be achieved. One way of bringing about a favorable decision in Moscow and Hanoi is to improve our relations, thereby making less desirable and more difficult a severing of peaceful coexistence. This would be one further proof that it is not our desire or our ambition to eradicate Communism from the face of the earth. In fact, by engaging in trade with these powers we can demonstrate that Communist states can make progress in the community of nations by methods other than aggression. We would like you to know that the United States is willing to deal with nations of a different social, economic and political system . . . that we are sincerely interested in improving communications and reducing tensions . . . for only then can we even think of international peace.

I do not suggest the sale of strategic goods to those who are supplying our enemies; nor do I suggest that trade can solve or prevent the conflicts of interest and ideology that necessarily divide us from the Communists, but I do believe the peaceful thrust of U.S. foreign policy must now dedicate itself to the basic and deep-rooted conviction that world peace can only come about when all mankind join together in the world trade marketplace and are made to realize that the future of our entire society will depend on their actions, and that world trade does in fact open the door to world peace.

Senator HARTKE. The next witness will be Mr. James Sauter, the director of the Superior Harbor Commission from Superior, Wis.

STATEMENT OF JAMES SAUTER, PORT DIRECTOR, SUPERIOR HARBOR COMMISSION, SUPERIOR, WIS.

Mr. SAUTER. As port director of Superior, Wis., a port which shares with Duluth, Minn., the distinction of being located at the headwaters of the Great Lakes-St. Lawrence Seaway system, I am pleased to address this Special Subcommittee on Great Lakes Transportation.

First, I would like to say that we in Superior wholeheartedly support passage of Senator Mondale's bill, S. 3137, which, as you know, was coauthored by Proxmire and Nelson of Wisconsin. We believe seaway tolls are already too high, and, in fact, should not be imposed at all. The pressures of politics notwithstanding, it's incredible to many of us that the St. Lawrence Seaway, which opened the Midwest to international commerce, should be saddled with tolls when users of all other publicly financed waterway systems in this Nation are not burdened with tolls or other special charges.

The impact of international trade on our regional economy has been detailed earlier at this hearing, and we are fully aware of the significance of these important figures.

We would, however, like to point out that when we speak of international trade, we are referring to it in the broad terms of oceangoing cargo movements. Shipments to or from Canadian ports, carried by Canadian ships, are obviously part of international commerce. Yet, at the same time, the truly meaningful economic rewards of international trade come from carriage of goods by oceangoing ships. We would encourage the Senate Commerce Committee to explore the possibilities of insisting that U.S. Department of Agriculture and other governmental controlled cargoes move by deep-sea ships, preferably American-flag vessels, if available.

The economic impact of calls at our ports by Canadian ships as compared with American-flag or other oceangoing ships is, at best, minimal. We think it should be recognized that American taxpayers are, in a sense, underwriting the shipment of many of these cargoes, and, therefore, should receive an appropriate return on their own investments.

We now have benefit of nearly 12 years of experience with the seaway and international trade. We realize that even the most optimistic forecasters of the preseaway days were conservative in the possibilities of midwestern cargo moving directly in and out of the Great Lakes area, and we now find it imperative that steps be taken in order to continue the growth of Great Lakes ports and their import-export trade. All costs must be kept in line for shippers, importers, ship operators and others involved in this business. Any increases in charges will only cause irreparable damage to those of us who reside and work in the upper Midwest.

We have seen the benefits of international commerce through our port; we expect these benefits to increase. But only, gentlemen, if we have the cooperation of your committee, the Congress as a whole, and the Federal Administration. We have demonstrated that we can perform. Now we need your support in order that we may continue to enhance our good performance record.

Senator HARTKE. Thank you. I want to pay special tribute, at this time to Wisconsin Senators Proxmire and Nelson for the fine work they have been doing, and I want to thank you for the fine statement.

Senator MONDALE. Mr. Sauter, we are grateful to you for your very useful statement.

You make one point that galls me, as well as you, about the fact that we are the only federally maintained waterway in the country that pays any tolls at all, and there are several waterways in this country where they spend just as much, and sometimes more, and still pay no tolls at all, even for operation and maintenance.

We spent $56 million for the development of the Gulf Intracoastal Waterway, and an additional $50 million for O. & M.—not a dime in tolls.

The Federal Government spent $62 million for a 76-mile Mississippi River-gulf outlet, and another $11 million in O. & M.—no tolls.

We spent $33 million plus another $37 million for O. & M. for the 50-mile Houston ship canal, and not a dime in tolls is being charged.

We spent $130 million—greater than the cost of the St. Lawrence Seaway—for the Delaware River Channel in Philadelphia, and not a penny in tolls is being charged. More than $140 million has gone into that one channel alone for operation and maintenance—not a penny in tolls—and what was the one you were telling me about this morning?

Senator HARTKE. The Arkansas River project.

Senator MONDALE. They brought the Atlantic Ocean to Tulsa.

Senator HARTKE. That's right. I want you to know that demonstrates again if you really have the chairman of the Public Works Committee, like they had with Robert Kerr at that time, it makes a lot of difference, and it demonstrates some of the effectiveness of having individuals who are back home giving support. Senator Mondale is performing a very valuable service here, and we appreciate the fact that the people who have a direct concern are testifying here today.

I would say to the people, and not alone to the individuals here, but to the mayor and to the chamber of commerce, if you sincerely believe in this, you are going to have to do more than just come to a hearing when we come to Duluth. You have to be constantly behind Senator Mondale giving the support that he is trying to provide leadership for. That is the only way you are going to get it done.

Mr. Sauter makes the point here—and I quite agree—that we believe seaway tolls are way too high. Senator Mondale and I don't think this bill goes far enough, and yet we don't receive the type of support we need for this bill.

If the Nixon administration has its way, they will put more tolls on in other places that might help bring in some revenue. But I guarantee you it is not going to do anything for sea shipping and it is not going to do anything for these ports. I think you people are going to have to provide that type of citizen response which can be felt in Washington.

Now, I am here today, and I will carry back the message as well as I can. But I am already for the bill, and I will do everything I can for it. However, I want you to know there are powerful voices there which come from the east coast. We hear about the Delaware River project, and we see an outpouring from Philadelphia, and they know what they are coming for, and they want to hold things for themselves. It is not just a 1-day affair with them, it is a constant practice where they are down there giving support to their Senators and encouraging activity on their part.

When Senator Kerr was in the Senate, I served on the Finance Committee with him and had an opportunity to watch how he worked. He didn't bring in those people from Arkansas for just 1 day. There was hardly a month that those people were not down there constantly; I hate to use the word, but "agitating" was the proper one, to make sure, that the ocean was brought to Tulsa. I don't know if you have been down to Tulsa, but if you have see the amount of water, compared to these Great Lakes, it is a small stream. And I am not against Arkansas.

Mr. Sauter. Did you have a figure on that construction?

Senator Mondale. $1.2 billion.

Mr. Sauter. Right.

Senator Hartke. Yes. Now, this $1.2 billion is——

Senator Mondale. About 10 times the cost of the seaway.

Senator Hartke. There are a thousand million in a billion. This means there is $1,200 million in that project compared to $125 million total cost of the seaway—10 times as much.

I sometimes think that we in the Midwest, with all of our frugality, are sometimes hesitant to assert the fact that we are really the breadbasket of the United States. We supply most of the material which is necessary to provide a strong military posture throughout the world; we are industrially oriented, we manufacture automobiles, refrigerators, and almost everything else. These are used throughout the world, and especially throughout the United States. I think sometimes we needlessly have an inferiority complex.

I am not ashamed that I come from the Midwest; I am proud of it, and I think one of the greatest deficiencies of our area is the lack of citizen support.

Can I be kind to you?

Mr. Sauter. I certainly hope so.

Senator Hartke. This place should be jammed full today. I am being honest with you. I am going to tell you, I am a little disappointed, and I know you do not want me to be disappointed; but why didn't you bring a whole group of your people in? Why didn't you bring them in here, the people who are concerned, all these shippers. Are they really as concerned as you are?

Mr. Sauter. This is a very excellent question.

Senator Hartke. Why didn't you bring your citizens over? Is it too far? I came from Washington, D.C. I don't mind telling you that I have a political campaign this year. I should be back in Indiana, but I am interested in this and want to do something.

I am going to relate a little experience to you that occurred when I was mayor of Evansville. In 1937 there had been a very disastrous flood there, and the finest hotel in town, the Hotel McCurdy had 8 feet of water in its lobby. That did not go to the ceiling, because it is a high lobby, but 8 feet is a lot of water in a hotel lobby, I am going to tell you. Immediately after the flood, of course, the citizens were all aroused, and they were going to try to build a flood wall. Then they got into a fight as to what was going to happen and the war came.

In 1955, I was elected mayor, and in 1956 I put together a committee. I went down and saw Senator Allan Ellender, who was chairman of the Appropriations Subcommittee for Public Works. I said, "Let me ask you, we need to build a flood wall. Are we going to get it?"

He said, "I will tell you something, mayor; the squeaking wheel gets the grease."

"Do you mean if I filled up this hearing room with people from Evansville and demonstrated support, I would get results?", I asked.

"I can't guarantee it," he said, "but I will tell you one thing, it will have its effect." So we brought 400 people in from Evansville to Washington, D.C., to testify. We got the money, and the floodwall was built.

And here I am in Duluth, and I want to be kind to you, but I am going to tell you this is not the way you are going to get action. If that makes you feel badly, I am sorry. But if you are sincere in your efforts to get results, this is the kindest thing I could have said to you all day.

Mr. SAUTER. We will get some squeaking wheels.

Senator HARTKE. That's right. I am sorry I mentioned this to you, but I do feel that way. All right.

Mr. SAUTER. Thank you very much.

Senator HARTKE. Our next witness is Mr. E. L. Slaughter, the vice president of the International Longshoremen's Association, from Duluth.

Good morning, sir.

Senator MONDALE. We are delighted to have you. We met some of your men coming in this morning.

Mr. SLAUGHTER. We did it for a purpose. I think we made our point on pollution.

Senator HARTKE. I will compliment you for that. I do not like to see garbage thrown out into the drinking water and the sewage into the drinking water any more than you do, and you took out after the Coast Guard. You see, I already know the message from you. You took out after the Coast Guard and Army Corps of Engineers, didn't you?

Mr. SLAUGHTER. Right.

Senator HARTKE. And some Canadians, too, right?

Mr. SLAUGHTER. Yes; they are also on the list.

Senator HARTKE. Fine.

STATEMENT OF E. L. SLAUGHTER, VICE PRESIDENT, INTERNATIONAL LONGSHOREMEN'S ASSOCIATION, AFL-CIO

Mr. SLAUGHTER. Senators, I have my briefs here, and I certainly appreciate your asking us to come up and put in our little voice. We are not the experts that some of our friends are, but we work pretty closely with them. We have good relations, good labor relations.

This can be verified—we are right at the top on general cargo handling to and from ships, on the Great Lakes.

We get, I think, a little more tonnage per man-hour in Duluth-Superior than they do in any other port on the Great Lakes. We definitely have the best grain loaders on the Great Lakes. Ship companies can't use the excuse that it's poor labor, because we went to great extremes to run schools and teach the longshoremen how to perform their job, because we thought the faster a ship could turn around once she comes in here, the quicker the dispatch, the better service they would get, the more cargo we would get in return, in our little way we have done our bit toward making this port a success.

But, of course, I am interested in other ports. I work in the Great Lakes area——

Senator MONDALE. Could I interrupt, Buster?

Mr. SLAUGHTER. Yes, sir.

Senator MONDALE. I am told that Duluth has the lowest pilferage rate of any port in the United States—perhaps in the world.

Mr. SLAUGHTER. This I have heard.

Senator HARTKE. That is a real tribute.

Senator MONDALE. But there are some ports where pilferage is a major cost of doing business.

Mr. SLAUGHTER. You will never wipe it out.

Senator MONDALE. As a matter of fact, there is some cargo that comes to Duluth with that in mind, I am told.

Mr. SLAUGHTER. We try our best up here, and we are going to try and do better.

Of course, we made our expression on the pollution, so I won't go into that—and I think we made some people unhappy.

Senator HARTKE. You mean the polluter, you made the polluters unhappy.

Mr. SLAUGHTER. Yes; because they say they are going to move out of here. I don't know where they are going, but they are going someplace, that is what they said.

Senator, we are very concerned about this cargo. We hear all kinds of stories; we see things—the grapevine sort of gets around like a jungle telegraph, and our people seem to know of things that have a lot of foundation to them.

One thing we are very, very concerned about is that the other day, I was down in Milwaukee. That port seems to be doing all right—that day they were—I saw with my own eyes cargo being unloaded in Milwaukee, which was later shipped by rail via Minneapolis up here to Duluth; we can't understand this.

This, of course, is being done, and we feel that probably some of the steamship companies or agencies in the Great Lakes, or, the Canadian Shipping Federation of Canada, are discriminating against Duluth. We are used to being discriminated against, because we are in a labor organization, and a lot of our people get knocked around, so we have to fight hard. We even have trouble with these newspapers. They don't treat this port too good, either. We don't care. We are used to this, we are pros.

We feel that something should be done to get cargo in here. We learn that the United States is pouring millions of dollars in subsidies into American ship bottoms, Our information is, that they feel they are protected by that 50–50 cargo act—50 percent of the cargo going into the American bottoms, such as military and Government cargo.

Then we hear that the Government released thousands of tons of bag cargo from the Kansas-Nebraska area which normally would come to Duluth and we learn, that the U.S. ship companies don't want to sail on the Great Lakes, so they bid a high tonnage rate. Then they go down the gulf coast and they bid against themselves and cut it in half—in other words, just for example, say $90 a ton, they will bid on the Great Lakes, and then go down and bid $45 a ton down in Houston, and the Government says, "Boy, we are saving some dough. We are going to send that cargo down there."

We don't understand this. We feel that, if this is existing, this is taxpayers' money, and being part of the taxpayers here on the Great Lakes. We feel that maybe a good stiff congressional investigation should take place, and if it's found that these people are abusing the privilege of taxpayers' money in the subsidies, they should be taken away from them.

We would go as far as to say, throw out the 50–50 law and maybe legislation should be passed, for the Government to take the ships over. They are paying for them anyways, they might as well run them and get rid of these people.

We are a good American organization, there is nothing phony about us, and we always say that "ILA" means, "I love America," besides "International Longshoremen's Association."

The Canadian ships come into this port. They drop linemen on the dock, and they tie up the ships.

We have line companies here performed by our people, but our people don't get the work. What we can't understand is when a foreign ship arrives here, the Customs and the Immigration usually go aboard before anybody goes ashore, but not on Canadian ships. If I was handling Canadian lines off a Canadian ship and I wanted to bring contraband in here, dope, or anything else, and they dropped me on the dock at 3 o'clock in the morning when it's dark, I could hide a bundle under a rock or something and come back and pick it up later. I don't know why they allow this to happen, but they do.

We feel that they should be treated the same way in the States as we are treated when we go up to Canada. They shake you down when you go in there, believe me.

I remember they had me, when I went up one time. I was going in on some labor business, they put me in a side room. I had to prove I wasn't a Communist and everything else. They weren't going to let me into the country.

Foreign ships throw residue and junk over the side. We have pilots that run from Duluth down to Chicago, in fact all over the Great Lakes. Now, these pilots, we can get testimony or affidavits from them, Senator, they can tell you that sometimes as high as 40,000 to 60,000 board-feet of contaminated lumber is thrown over the side between Duluth and Sault Ste. Marie. They will testify under oath, and tell you the time, the place, and the name of the ships who do these things and there is 150 to 200 tons of residue that was cleaned out of the holds, of ships parked up on deck, waiting until they get out on the lake so they can shovel it over the side.

Senator MONDALE. Can you send me some times and dates on that?

Mr. SLAUGHTER. One of the captains is in town today——

Senator MONDALE. I will turn that over to the authorities.

Senator HARTKE. That is a clear violation of the law.

Mr. SLAUGHTER. But you see, the Coast Guard sits here, they pick up some lighthouse tenders now and then and get their names in the newspapers, and that is all they do. We can't understand why they are not more active on pollution.

I have about everything covered in my brief. It isn't the nicest brief in the world, but it's down to the point, I do believe that a good congressional investigation into the American ship bottoms to see what hanky panky these people are pulling down there, I think you would be surprised at what you will find when you get done. They have some cute tricks that they have hidden for many, many years. I think you know about these things.

We are getting a little sick and tired of being kicked around, we are taxpayers, and have an economy to support, we have got some nice people in Washington from this territory, and feel we should get some attention, and I know you will do it. I have heard a lot about you, Senator, and I certainly appreciate you allowing me to come up here and rattle off like this.

I certainly appreciate the invitation to place our testimony before your committee. I would like to take this opportunity to thank each and everyone of you who have been championing the cause of Great Lakes water transportation.

This statement will be short, concise, and to the point, without a lot of fancy wording, as we believe in being very blunt in our opinion. I am going to only touch on a few of the points which should be of interest to you, and which might be helpful in ascertaining the facts and the answers to solve our problems.

1. We believe the indebtedness of the seaway as it is now constituted should be written off the books. As long as that dark cloud hangs over the seaway, it will be a hindrance to the success of its development, because the way things are going, the debt will be increasing with no hope of ever collecting it.

2. We believe that the tolls on seaway traffic should be done away with. The Great Lakes Seaway, to our understanding, is the only place in the United States where tolls are collected. This discriminates against our area because it is an additional burden on ships using the seaway. Certainly, if they can go somewhere else and get the same service, they will—and that is exactly what they are doing.

"Sounds" coming from Ottawa, Canada, indicate that the Canadians are going to increase their seaway tolls. This will have an effect on ships booking sailings into the Great Lakes because the assessments at the present time are unnecessary. From information that we have received, Canada charges a set and fixed price for the use of the waterway, but when their own ships use it, it is our understanding that they receive cut rates. If this is true, it is unfair, and should be stopped.

By canceling the seaway tolls and indebtedness, we believe that it will be an incentive for more ships to book sailings with in the Great Lakes.

3. Everyone knows that pollution is the No. 1 enemy of the Great Lakes. Everyone seems to be talking about it but doing very little, including the U.S. Government. Today is Maritime Day, and the ILA membership in this area came out en masse to picket the U.S. Coast Guard and the U.S. Engineers, protesting against their polluting our harbors and Lake Superior. By doing this, we hope our voices will be heard in the right places and some of our lawmakers will take the cognizance of the fact that this is a big problem which must be solved in a hurry.

We believe that with very little expense, deep sea ships can be equipped with the proper facilities to take care of their garbage and human waste disposal problem. One of the biggest offenders on the Great Lakes are the Canadian ships. They come into American waters, do not use American labor, with the exception of handling cargo; they dump their garbage and human waste over the side—something they cannot do in their own country, and generally don't seem to give a damn about what they do in American harbors. We can prove that from time to time deep sea foreign ships have shoveled as much as from 150 to 200 tons of residue over the side while cruising across our lakes. In additional, thousands of board feet of contaminated lumber and dunnage have been dropped into our lakes. This is uncalled for, and should be stopped. The residue and other waste materials should be put ashore before the ship leaves harbor, and the proper restrictive legislation to see that this is done should be enacted. This includes American ships as well as Canadian. To say the least, our American ships are holding their own with others in competing for the first place as No. 1 polluters.

4. I will not touch on the pilots on the Great Lakes or the discriminatory rail rates which we know exist. I assume these are going to be covered in other testimony.

5. I wish to call to the attention of the subcommittee, and will sum up in good, plain, American language, the issue of the American shipowners and the capers they have been pulling off and on in order to nullify trade on the Great Lakes.

We firmly believe that the American shipowners have entered into a conspiracy to restrain trade on the Great Lakes. It seems very strange that a handful of shipowners can pull such shady stunts and get away with it.

For instance, the U.S. Government is pouring millions of dollars of the taxpayers money into subsidies. This allows an American ship to compete with foreign ships. There is legislation on the books known as the 50–50 law, which means that 50 percent or more of Government cargo must be carried in American bottoms.

Now, let's take it from the top. The U.S. Government subsidizes the American ships. They protect the American ships to the extent that 50 percent of American cargo must be carried in American bottoms. Now, the Government assigns thousands of tons of bagged cargo to this trade area which normally would find its way into Lake Michigan and Lake Superior ports for transfer to Europe and the Mediterranean countries. What do American shipowners do? They offer a bid to haul this cargo from Great Lakes ports at, let us say, $90 per ton; then they turn right around and go down to the gulf ports and bid against themselves at $40 to $45 per ton. The result, of course, is that the U.S. Government reassigns this cargo down to the gulf ports to save money.

Now, I ask you this simple question: Just how can American shipowners, with taxpayers money, pull a stunt like that and get away with it?

We, the ILA in this area, hereby request that this subcommittee look into this matter. We highly recommend that a congressional committee investigate the goings on of the American shipowners. Those who are guilty of trying to connive ways and means to restrain trade on the Great Lakes should lose their subsidy. If gross violations are proven to the satisfaction of Congress, the U.S. Government should undertake legislation to take over the operations of American shipping.

We believe that a good thorough congressional investigation will smoke out a lot of strange happenings which heretofore have been well hidden.

Let me say this: There is nothing wrong with the Ports of Duluth and Superior that a few thousand tons of cargo wouldn't cure. Over the years, we have been losing thousands of man-hours of work through discrimination in one form or another. If the present trend continues, we will probably be reduced back to the status that we were before the Seaway opened in 1959.

I hope that in some way I have been helpful to the work of this committee, and that someway, somehow, you gentlemen will correct some of the inequities that now exist so that the Great Lakes will behold their own with other ports in the United States.

Senator HARTKE. Thank you.

Senator MONDALE. A very fine statement.

The Duluth paper has a good editorial this morning called, "A Fair Break for the Seaway," and I ask that this be placed in the record.

Senator HARTKE. This will be placed in the record.

(The article follows:)

[From the Duluth News-Tribune, May 22, 1970]

FAIR BREAK FOR SEAWAY

As a special Senate subcommittee conducts hearings in Duluth today on legislation affecting the St. Lawrence Seaway, it should become apparent that without a fair financial break, the Seaway may flounder.

The Senate Commerce Special Subcommittee on Great Lakes-St. Lawrence Transportation will hear testimony relevant to a bill (introduced by Sen. Walter Mondale and 13 other senators from Great Lakes states) which would relieve the Seaway from repaying to the federal government the investment, plus interest, the government made in construction of the Seaway.

This investment was $124 million. Since the 2,342-mile waterway was opened, the Seaway Corp. has paid $33 million in interest to the federal government. Yet, the Seaway Corp. has fallen in arrears $12½ million in interest charges, and owing to other unexpected costs, now owes the government $155.9 million. If this pattern continues, by 2009, when the original debt is to be paid, the total debt will have increased to about $800 million.

Supposedly to give the Seaway Corp. an edge on repaying its debt, consideration has been given to increasing toll charges from 25 to 50 per cent. Such a plan might work, of course, if our seacoast was our only seacoast and if there were no other means of transportation to the heartland.

But the St. Lawrence Seaway has no such competitive advantage, and a substantial increase in tolls only would force a rerouting of such Seaway commerce into other coastal ports.

If the Seaway, in fact, were a transportation luxury, economic sense would dictate that it be closed as an avenue for commerce. But merely from the evidence that the annual cargo volume on the Seaway increased from 12 million tons to 48 million tons in 10 years, it may be concluded that the waterway provides definite economic advantages to many shippers.

A substantial increase in tolls clearly could diminish those economic advantages. In turn, traffic would diminish, and the Seaway Corp. would be in a position of being able to repay the government even less than it can pay now.

A sounder economic move, both for the Seaway and the government, would be to write off the debt, treating it instead as a permanent investment in a commercial waterway. Such an action wouldn't be an act of favoritism toward the Seaway interests. Rather, it would amount to giving the Seaway a concession granted other major waterways in the nation that have been built at government expense.

The government, for example, paid $56 million to develop the Gulf Intercoastal Waterway, and $50 million for maintenance and operation—$62 million to develop the Mississippi River-Gulf Outlet, and $11 million for maintenance and operation—$33 million to develop the Houston Ship Channel, and $37 million for maintenance and operation—$130 million to develop the Delaware River Channel, and $140 million for maintenance and operation.

Mondale's bill doesn't seek gratuitous treatment from the government. It calls only for canceling the debt and interest for the Seaway construction. Maintenance and operation costs would continue to be borne by the Seaway Corp. and any revenues in excess of these costs would be returned each year to the U.S. Treasury.

In light of concessions made to other waterways, Mondale's requests are not unreasonable. More to the point, if it is return on investment that the government is interested in, the government can best assure returns by lifting the construction cost debt and allowing the Seaway to grow, rather than strangling it with an uncustomary and unfair financial obligation.

Senator Mondale. They are already reforming under your criticism.

Mr. Slaughter. I wish they would learn how to spell my name.

Senator Hartke. This is a fine publication, and one of them is down in Gary, too. I would tell them that my name is "Vance" Hartke, not "Philip," as they stated on the front page, but that is all right. We will go right ahead.

Mr. Howard Hagen, from the Chamber of Commerce of Duluth.

STATEMENT OF HOWARD HAGEN, CHAMBER OF COMMERCE, DULUTH, MINN.

Mr. Hagen. Senator Hartke and Senator Mondale, it's always difficult to follow Buster Slaughter, I think in more way then one, but he is a great guy, and he is all for the Port of Duluth and Superior, and we are all for him.

As chairman of the Waterways Committee of the Duluth Chamber of Commerce, we appreciate the opportunity to appear in behalf of the board and the chamber, and to discuss the transportation problems of the Great Lakes and the St. Lawrence Seaway.

These, of course, are of vital interest, and concern to our city and our region.

Duluth-Superior is the largest port on the seaway in gross tonnage, and its growth and development are tremendous economic factors to our area. We applaud this special Senate Commerce Subcommittee on Great Lakes-St. Lawrence Transportation as being a significant step in reviewing the promise of this inland artery.

We appear in strong support of Senate bill 3137 to amend the act creating the St. Lawrence Seaway Development Corporation in order to cancel the indebtedness of the Corporation to the U.S. Treasury. As a Federal waterway project, it is unfairly singled out for debt satisfaction, and if this present burdensome financial situation is allowed to continue, an increase in tolls will be imminent.

Senator HARTKE. Let me stop you there, Mr. Hagen. This is the very point, and that is why I think Senator Mondale should be complimented for this constructive action he has taken.

What we are faced with here is not just merely the fact of the payment of the debt and the payment of the interest, but what we are faced with is an increase in tolls in a situation in which there already is discrimination against this part of the country, and discrimination against the Great Lakes, and especially against the ports, that if that occurs, the net result of the increase in tolls can only mean a decrease in tonnage, and therefore you have the dog chasing the tail, and this vicious cycle again, and that is that the increase in tonnage will also decrease the possibilities of it really developing to its fullest flower, and so the net result is that it becomes less and less attractive to everyone concerned, until ultimately, as I said, the end result is the destruction of Great Lakes shipping for all intents and purposes, especially international activity. That is why it's very important this action be taken on this legislation.

Mr. HAGEN. Yes, sir.

Senator MONDALE. If we continue on our present course with the present law, by the year 2009 we will be $800 million in debt. And, of course, if we try to adjust tolls to pick that up, it's going to cost a million a ship here soon, in and out. And it's getting worse, because we are paying interest on the debt, and interest varies, as we go along, with the cost of money to the Federal Government.

Two years ago we were paying something like 3½-percent interest. Now it's 6¾-percent interest on a $156 million bill. You run out of groceries pretty fast like that, and we are supposed to set tolls at a level that would pay for the cost of construction, plus interest, plus operation, plus maintenance. To have a toll structure that will pay for all of that just can't be done reasonably. Two years ago—you were with me on this, Senator Hartke—we went to the then-President and pleaded with him, because at that point under the law, literally, tolls should have been increased. About 15 of us went to see the President. We pleaded with him to suspend toll increases, to give us time to do something to revise the financial structure of the St. Lawrence Seaway.

His experts advised him that it couldn't be done legally. Do you remember that?

Senator HARTKE. Yes.

Senator MONDALE. He said, "Well, we are going to do it," and we did it. I am not so sure that, technically, he even had authority to do it, but he sensed the serious trouble we were in.

Well, now we have a 4-year respite during which we have got to redo this thing. Two years are already gone in it, and at the end of these 2 years, up those tolls are going to go and I think it can ruin the St. Lawrence Seaway.

Mr. HAGEN. We fully concur.

Senator HARTKE. Let me be quite candid with you. From this administration we have had no program whatsoever up to this time. The complete initiative is coming from Senator Mondale and those who have joined with him. I just want you to know that; therefore, I say to my Republican friends, if you have any influence with this Republican administration, will you please ask them to join with us in that effort. I am not being partisan about this. I am just telling you that members of the administration were before my committee, and I did ask them, I repeatedly asked them, I said, "You knew you were coming here to testify. What is your program? Didn't you prepare anything?"

And they just came back and said lamely, "Well, we hope to have one."

We gave them almost 2 months notice of the hearing, and they still came in with nothing, and to this date, they have come in with nothing.

Senator MONDALE. In fairness, the past administration came out in opposition to my bill. In other words, there has been a bias that has run through the Department of Transportation, and the Department of Defense for years against the Midwest, and it has just got to stop.

Mr. HAGEN. No question about it.

Senator HARTKE. I am sorry to have interrupted you.

Mr. HAGEN. An increase in tolls would definitely have a drastic negative effect on the people and economy of our area.

The Seaway serves the entire heartland of America, and those of us who have followed its development are disturbed with other artificial barriers which have been placed in its path to hinder its growth and development. Of these, we feel that the subcommittee should explore the discriminatory rail rates offered to coastal ports as opposed to Great Lakes ports—and I think this is part of the problem to which you just referred.

We would also press for a thorough evaluation of the maritime subsidy program to assure equitable treatment of Great Lakes shipbuilding industries.

Presently ships are being constructed too large to enter the seaway. We do not oppose progress of this type, but feel that contact should be maintained with Great Lakes shipbuilders, and we would like to mention that these shipbuilding ports were a major—made major contributions in World War II and World War I in our shipbuilding program, and since World War II, have been essentially forgotten.

On a direct local level, the Corps of Engineers have had no new construction projects fund whereas our Duluth-Superior harbor 27-foot project depth has not been completed. We would press for action on this project for deepening the upper and Minnesota Channels of the St. Louis River.

Our final point is not an artificial barrier, but a natural one. We feel that a serious attempt should be made to further explore the feasibility of extending the present navigation season. Many methods are being studied and tested, and we would ask for an acceleration in this area.

Our interest today, and in the future, is to develop our port and our area, asking nothing more than equal treatment as all other areas and communities receive, and we are fully aware of this Arkansas program. We followed it for a long time, and when we see this ratio of 10 to 1 in expenditures, it makes us real sick in this territory.

So I am glad that these references have been brought out, and we fully support you in your action, and we will do everything we can to be helpful in this regard.

Senator HARTKE. Can I ask you, Mr. Hagen, do you know what has happened to this corps project on the 27-foot project depth?

Mr. HAGEN. We understand that there has been moneys for the study. It was combined with another study program; namely, the widening of the Superior front channel, but since then no funding has taken place, to our knowledge.

Senator HARTKE. I am going to ask the staff to look into this, and request information from the Corps of Engineers to give us a complete status report and prognosis on that. I think this would be helpful to you, and we will get it back to you.

Mr. HAGEN. This we would appreciate very much.

Senator HARTKE. Another possibility along the line of the shipbuilding program is for the Maritime Administration to develop a Great Lakes ship. The average age for the Great Lakes ships is 43 years. That is not very new or modern.

What they could do is develop a ship for the Great Lakes, for utilization on the Great Lakes, and then provide for a subsidy along that line.

Mr. HAGEN. I think this could be done. Thank you.

Senator MONDALE. If I may say, one point that, I think, galls me the most is the fairness point that you make—that we are not asking for anything other ports don't have.

Mr. HAGEN. That is right.

Senator MONDALE. As a matter of fact, we are asking less, but we do want to be treated fairly.

Let's just take the issue of subsidies that you have brought up. We have a national program of operating subsidies. In 4 years, three carriers who received subsidies on the Great Lakes received $11 million, for 4 years; is that right?

In 1 year alone, one vessel—the SS *United States* received $11 million. All of the subsidies for all the Great Lakes, the whole St. Lawrence system in 4 years, the operating subsidies were $11 million; one ship—in the Atlantic trade last year got $11 million.

Mr. HAGEN. This is right.

Senator MONDALE. And this is the sort of thing that drives you crazy, in terms of construction subsidies, the average age of the U.S. Great Lakes fleet is 43 years.

Senator HARTKE. That is pretty old.

Senator MONDALE. That is older than Senator Hartke.

Senator HARTKE. Not exactly.

Mr. HAGEN. Thank you.

Senator HARTKE. Thank you, sir. Mr. Stuart McLennon, president of the Duluth-Superior Marine Association, from Duluth.

Mr. BURKE. I don't believe he is here.

Senator HARTKE. Next witness will be Mr. Irving M. Hyland, the assistant vice president, Cargill, Inc., from Minneapolis.

STATEMENT OF IRVING M. HYLAND, ASSISTANT VICE PRESIDENT, CARGILL, INC.

Mr. HYLAND. Mr. Chairman, first of all I would like to take this opportunity to thank you for the opportunity to come and discuss a subject which is very near and dear to the hearts of all of us that are in the grain business, and along with what few remarks I would like to leave here today, I have two letters that have been addressed to Senator Hartke; one from the Northwest Terminal Elevator Association, and the other is from Mr. Alexander, who is president of the Minneapolis Grain Exchange, that the would like to coincide and support the testimony that I am going to give.

Senator HARTKE. Those letters will be inserted in the committee's files.

Mr. HYLAND. Yes, thank you.

Senator HARTKE. Fine.

Mr. HYLAND. Well, first of all, I will identify myself. My name is I. M. Hyland. I am assistant vice president of Cargill, Inc.

Cargill is an international commodity trading firm headquartered in Minneapolis. We operate three grain elevators in the seaway port of Duluth, with storage capacity in excess of 13 million bushels. We also operate other grain storage and handling facilities on the Great Lakes at Milwaukee, Chicago, and Toledo; and in addition to that, we operate one of the largest privately owned grain elevators in the world at Baie Comeau, Quebec, an ice-free, year-round Canadian port on the lower St. Lawrence River.

We ship grain to Baie Comeau for conditioning, storage and transshipment to all major grain export markets of the world. From Baie Comeau, empty lake carriers move farther downstream to backhaul iron ore or other commodities into the Great Lakes. The transportation efficiencies resulting from two way pattern enable us to compete more effectively, either by paying farmers more for their grain, or by offering for export at more competitive prices, or both.

Other grain shippers operate in much the same manner as we. A more complete description of this $200 million per year transshipment pattern appeared in a recent article in "Foreign Agricultural Trade of the United States," which is a monthly publication of the U.S. Department of Agriculture, and so, Mr. Chairman, with your permission, I would like to ask that the text of this article be entered in the record for these hearings.

Senator HARTKE. Without objection, it will be made a part of the committee's files.

Mr. HYLAND. Thank you.

Mr. HYLAND. The St. Lawrence Seaway is an important transportation link to export grain markets, so we naturally are concerned with all matters that affect our ability to utilize it on an economically sound and competitive basis. In that light, the financial burdens of the seaway are especially troublesome, because the longer they go unrelieved, the more costly they will become in terms of viable, long-range solutions. Senator Mondale brought that out very clearly here a few minutes ago.

For many of the same reasons, grain shippers and the seaway port of Duluth are especially vulnerable to solutions that would involve an increase in transportation costs. As table III—which is attached to your report there—indicates, agricultural commodities account for an important share of total seaway traffic. They constitute an even greater proportion of shipments originating in the seaway port of Duluth. These commodities have a special competitive character, not the least of which is their sensitivity to transportation costs.

After costs of goods or commodities, transportation is the next greatest cost factor in marketing commodities. Volume movements follow the cheapest transportation routes. Similarly, higher transportation costs divert shipments to more competitive routes. Utilization of the cheapest mode or cheapest combination of modes is essential to one's competitive posture.

It is worth noting that the St. Lawrence Seaway Development Corporation Act reflected this situation by providing that seaway tolls should reflect the special competitive character of bulk agricultural commodities.

Now, if the financial burdens of the seaway go on unrelieved much longer, a series of very costly events could overtake seaway uses when the moratorium on toll increases expires at the end of the current shipping season. Agricultural shippers would be among the biggest losers if the ultimate solution involved substantially increased transportation costs.

Agricultural exports are in a critically competitive state at this time, having declined for 3 consecutive years despite strong economic activity and strong demand for agricultural products in many of the major industrial countries of the world.

As table I indicates, the principal victims of the export decline have been wheat and feed grains, and these are the two export commodities of the St. Lawrence Seaway.

There have been several other factors which have accounted for the decline.

One was a decline in total world grain trade as a result of increased local production, increased trade protectionism in major commercial markets, and then we had labor disruptions in many shipping ports.

Senator HARTKE. Mr. Hyland, at the time the so-called GATT negotiations were held in Geneva 3 years ago—it was named after the late President Kennedy, and called the Kennedy round—I said that the Kennedy round, as far as the United States is concerned, when they proclaimed it as a great victory for America, was nothing more than a propaganda victory because what effectively happened was it locked us out of the Common Market, especially on feed grains and wheat.

Mr. HYLAND. Absolutely.

Senator HARTKE. Now, I would have hoped that we could have really protested that action, and hoped that the people would be alert here in the United States to the potential. Protectionism and nationalism is on the increase in these countries. The fact of the matter is the subsidy to French wheat, I think, is sufficient to bring it up to the point where the French producer receives something over $3 a bushel.

Mr. HYLAND. That's right.

Senator HARTKE. That subsidy comes from the French Government to increase French production.

Now, one of the reasons for that is that a lot of people consider France to be a major industrial country, and it is, to some extent; but not nearly so much so as the other Common Market countries. In fact, the population of France per land area is about half of that of what it is in Germany. Therefore it becomes the so-called food basket, especially in the production of wheat.

Mr. HYLAND. For the Common Market.

Senator HARTKE. Yes, for the Common Market countries, West Germany, the Netherlands, Belgium, and so forth. Added to that, of course, the United States, to its everlasting glory, has helped to develvelop a strain of wheat called Mexican wheat.

Mr. HYLAND. Mexican dwarf.

Senator MONDALE. A miracle variety.

Senator HARTKE. A miracle variety, that's right. Now, this also eliminated a great need for India and Pakistan to depend on American wheat for their utilization; coupled with that is the fact that to a great extent we have been locked out of the Arab countries, due to the conditions there. Egypt is getting its wheat from other sources, and principally from communistic sources. At the same time we have this other situation—and I am not going to discuss the merits of it—but our neighbor to the north has found a tremendous source of purchasing power and an outlet by shipping its surplus wheat to Communist China. Australia has done the same thing.

Mr. HYLAND. And Russia.

Senator HARTKE. And Russia, right.

So what we have here is a combination of circumstances which are really providing for a great slackening off of American exports. The United States, as a net result, went from a $7 billion surplus in its trade balance in 1964 to the place where our trade balance is practically zero today.

Mr. HYLAND. Right.

Senator HARTKE. One of the main contributing factors, as you have indicated here today, and one of the groups of people which has really suffered the most is the American farmer and the people dealing in the shipment overseas of American farm products.

Mr. HYLAND. That's right. I agree, Senator.

Senator HARTKE. It is a very serious problem. It is not something which can be passed off lightly.

Mr. HYLAND. The international Grains Agreement negotiations are coming up again, too, and I think that hurt us. For sometime we abided with the agreement with the other countries, and all of a sudden we found that we were not selling our wheat; other countries were.

Senator HARTKE. Yes.

Senator MONDALE. Which is what a lot of people predicted would happen.

Mr. HYLAND. Yes.

Senator HARTKE. I hope you have strong representation. I hope you send somebody from the United States this time that really thinks the United States is worthy of some concern, instead of trading off and being "Jolly Green Giant," and giving everything to every foreign country, and coming home and saying, "We were nice guys."

I want us to be nice guys, but I would like for them to occasionally remember the country which gave them their chance.

Mr. HYLAND. That's right. I agree.

Well, that certainly does explain part of our problems as far as the lower exports are concerned.

I would like to add to it that any substantial increases in transportation costs on the seaway would compound these ills.

Senator HARTKE. That's right.

Mr. HYLAND. I mean, if everything else being equal, if we could compete, why, certainly higher costs of the seaway would make us less competitive.

The increased cost would retard export activity by discouraging maximum use of the seaway, and would jeopardize existing investments in handling facilities and the Great Lakes vessel industry.

In short, the increased costs would dull export competition at a time when agricultural exporters could least afford the consequences.

Against this competitive background, we are increasingly concerned with the apparent lack of progress in relieving the financial burdens of the seaway. The 1967 moratorium on toll increases so far has solved nothing. It merely secured more time to work out a permanent solution that has not been forthcoming. It has become increasingly clear to us that there is no reasonable prospect that the Seaway Corporation ever can meet its statutory obligations—even with substantial toll increases that by themselves would be self-defeating.

It also has become clear that the basic financial problems of the seaway are no more likely to disappear or solve themselves than they are to bend before new economic studies or bookkeeping wizardry designed to obscure the reality of debt. Instead, what we feel is needed is a sense of urgency and political will in both the Congress and the executive branch for a policy determination to deal with the problem reasonably and effectively without additional delay.

So, absent the full knowledge of other alternatives that may be under consideration, it is difficult to evaluate Senate bill 3137 to simply cancel the indebtedness of the Seaway Corporation. Nevertheless, lacking knowledge of all these other alternatives, we feel we must, and we do, support this proposal.

In the past, as we all know, the executive branch has been openly critical of debt deferral for recapitalization proposals. They argue that such solutions would:

> Violate basic self-supporting principles of the enabling authority;
>
> Subsidize seaway users at the expense of taxpayers and competitive transportation modes; or
>
> Impair the Government's investment in the Corporation.

Given the seriousness of the current situation, we are not particularly impressed with these arguments, for they are simply not responsive.

Senator MONDALE. Would you yield there?

Mr. HYLAND. Yes.

Senator MONDALE. As you know, this administration—and past administrations—have always said to us on the toll situation, "Well, it may be true that you pay the only tolls on any federally-maintained waterway, but we are going to extend tolls to all waterways."

Mr. HYLAND. I have heard of the user tax, yes, proposed.

Senator MONDALE. That's right. And, of course, none of those proposals has ever gotten out of committee. They have about as much chance of passing as Zasu Pitts has of being elected president, and they know it—and Zasu Pitts is dead, and so is that proposal—but they keep saying, "You stand there in splendid isolation paying $21,000 a ship coming in and out while we pursue a pure strategy that can't work," and in effect giving an economic and political incentive to all the other competing modes of travel, and coastal ports——

Mr. HYLAND. Right.

Senator MONDALE (continuing). To fight against the very proposal that they are talking about in order to keep us harnessed.

Mr. HYLAND. Right.

Senator MONDALE. It's a ridiculous proposal.

Mr. HYLAND. It is.

Senator MONDALE. Secretary Boyd made that one time and he practically admitted to me that his argument was invalid, but we are hearing it again.

Mr. Hyland.

Senator MONDALE. There is an excellent editorial of the Minneapolis Tribune on that issue, which I would like to have included at this point in the record.

Senator HARTKE. Without objection, that will be placed in the record.

(The article follows:)

[From the Minneapolis Tribune, May 15, 1970]

DISCRIMINATORY TOLLS ON THE SEAWAY

The St. Lawrence Seaway is in trouble. Unlike other inland waterways, it must (by law) pay for itself—construction, interest, maintenance and operations. This penalty was imposed by Eastern ports, railroads and other anti-seaway interests as the price for getting the seaway built. But present tolls cannot do the job—in fact, the seaway is falling behind. An original debt of $123 million has risen to $157 million, and the seaway is nearly $20 million behind in interest payments.

A moratorium on toll increases expires this year. Charles Baker, assistant U.S. secretary of transportation, told Congress in March the tolls must be increased or the seaway refinanced, but the administration has yet to propose any action. Sen. Mondale has a better alternative. He argues that higher tolls would be even more discriminatory against the Upper Midwest and would only discourage use of the seaway. Mondale is sponsoring a bill to cancel the seaway debt. A field hearing on the proposal, which is languishing in a Senate Commerce subcommittee, is scheduled May 22 in Duluth. Mondale's bill would not reduce toll charges—that requires agreement with Canada. But it represents a step away from increases. And it would allow a two-thirds reduction in tolls should Canada agree, which seems unlikely.

There's no doubt that the seaway's self-sustaining requirement is discriminatory. Tolls are imposed on no other portion of the nation's 25,000-mile system of navigable waters, despite a large and continuing federal outlay for construction and maintenance of this system. But some of the steam has been taken from Mondale's bill by the Nixon administration's attempt to impose user charges on all inland waterways.

This latter approach, which puts waterway users in roughly the same category as highway and air-transport users, makes sense. It would recapture a small portion of the federal investment in waterways projects, and it would help to even the differential created by seaway tolls.

But the administration's user-charge bill is no answer to the seaway problem. That bill is stalled in the House Ways and Means Committee, and even if it became law the seaway-financing issue would not be resolved. The Mondale bill, which offers a realistic and, we believe, fair way to help the seaway realize its potential, ought to be passed.

Mr. HYLAND. Aside from—well, hitchhiking on your idea, you know, if the tolls are based on the repayment of debt and the cost of operating the Seaway, if the same theory were applied to the Arkansas-Verdigris River Project, can you imagine what the toll would be to cover $1,200 million in debt? A barge would never go up the river.

So we are aware that the administration has conducted a broad review of financial issues involving the Seaway, and is considering various alternatives to the debt problem, but we are troubled by their apparent unwillingness to disclose their findings and recommendations on the basis of the confidential negotiations with Canada, which we understand have already begun, at least informally.

Senator HARTKE. You know, that is one of the most peculiar things about this uptight approach that is being used. Everyone knows what is going on except the Congress and the people of the United States. All of the Canadians know, and the Canadian legislators know, and the administration knows——

Mr. HYLAND. But no one else.

Senator HARTKE. When I ask them, try to find out, they oppose this bill but have no alternative. They would not tell us what is going on.

Mr. HYLAND. Yes. It isn't right.

Senator HARTKE. That's right.

Mr. HYLAND. Accepting their recommendation, whatever it might be for deferral of legislative action necessarily involves considerable faith on our part that the Great Lakes interests somehow are going to be protected under one or more of their confidential alternatives.

So in this period of uncertainty, the record of prior administration offers little comfort, for without exception they have relied strongly on the self-supporting concept of the corporation in opposing prior legislative efforts to relieve the debt burden by recapitalization or debt deferral.

Similarly, the President of the Canadian Seaway Authority is on record in favor of a toll increase of 25 to 30 percent to make the Seaway self sustaining despite the commissioning of a new toll study which has not yet been completed, and won't be completed until the end of this month.

On the other hand, there is evidence that this administration will seek a more acceptable solution to the Seaway debt problem than their predecessors on Canadian counterparts have been inclined to seek. In remarks here in Duluth last year, Secretary of Transportation John A. Volpe pledged to help the Seaway adapt to growing demand for every kind of transportation facility—and I quote:

> For our part, we in the Department of Transportation intend to exploit the Seaway and encourage its full usage.

Senator HARTKE. I will tell you, Senator Mondale and I intend to help him to keep that promise.

Mr. HYLAND. Thank you, sir.

And then, at the Senate confirmation hearing for incoming assistant secretary of transportation Charles D. Baker, there were two alternatives posed.

One was adjustment of either the Seaway program or the legislation, and after that, he reportedly said that there was a "possibility" that the administration will refinance the Seaway.

A week later, Senate Minority Leader Hugh Scott reinforced our hope for the refinancing alternative.

He said:

> . . . I can report that this administration intends to deal also with the refinancing of the outstanding Seaway debt.
>
> Without a substantial effort in this direction, Seaway tolls are bound to result in an increasing diversion of cargo away from the Great Lakes. Forthcoming negotiations with Canada on toll and allocations preclude any announcement in detail now, but I can assure this meeting that this administration has examined the Seaway debt problem in depth, and is prepared to seek action.

Well, gentlemen, he is speaking to the problem, but he is not telling us what possible alternatives are.

Senator MONDALE. Happily, as I said earlier, both Senator Scott and Senator Griffin are supporting relief for the seaway so we have a very strong bipartisan thrust this year.

Mr. HYLAND. That is very hopeful.

Senator HARTKE. The fact of the matter is that it is not even that good. You said after the hearing the Assistant Secretary reportedly said there was a "possibility" that the administration will favor refinancing the seaway.

It was Senator Griffin who forced him to make that statement. It did not come voluntarily. It came with a great deal of reluctance.

Mr. HYLAND. I guess that is why we put the quotation marks around "possibility."

Well, Mr. Chairman, our caution properly reflects our wish to avoid jumping to conclusions or premature judgments without fuller knowledge of the facts.

As I observed earlier, acceptance of the administration's recommendation for defense of legislative action would require considerable faith on our part that our interstate and those of other seaway users will be properly safeguarded by their confidential strategy.

History counsels caution for our Government's policy position and negotiating strategy have important economic consequences for our business. We would prefer some assurance that this administration will break with their predecessors by rejecting an increase in tolls in favor of a more reasonable alternative that will encourage rather than discourage full use of the seaway.

We would encourage full disclosure of the findings and recommendations of the recently completed administration review at the earliest possible date.

The Senate Commerce Subcommittee to Study Transportation on the Great Lakes and the St. Lawrence Seaway, in our opinion, has usefully dramatized the financial problems of the seaway and alternative solutions.

We personally commend you and your colleagues, and we share your hopes that these problems can be solved effectively without further crippling delay.

Senator MONDALE. Well, thank you very much for a most useful statement. It's what I would expect out of Cargill, which I must say, is one who has been interested in international trade for a long time, and is one of the most enlightened and thoughtful concerns in the country. I mean that.

Mr. HYLAND. Thank you.

Senator MONDALE. You ship large volumes of cargo through Great Lakes ports and through ice-free ports in Quebec. How much would it mean to your operations if we could keep the lakes open all year, or extend the season for 2 or 3 months, or maybe longer? Would that make a big difference in your business operations?

Mr. HYLAND. Oh, yes. Quite a bit.

Senator MONDALE. The economics shift dramatically with every additional month; do they not?

Mr. HYLAND. That's right, but I can't give you exact terms——

Senator MONDALE. Of course not.

Mr. HYLAND (continuing). In terms of tonnage or dollars in value of exports, but it would be substantial.

Senator MONDALE. And it's your testimony that rates do have a very clear impact on the use of the Great Lakes-St. Lawrence system?

Mr. HYLAND. Absolutely. If you have a bushel of grain sitting in the Port of Minneapolis or the Port of Duluth—I will use Minneapolis, it's a better example—if it's an eighth of a cent cheaper to ship that grain down to Baton Rouge and export it to the United Kingdom, than it would be to go through Duluth and through the seaway, and transship it at Baie Comeau, that is the way the grain will go.

Senator MONDALE. This legislation would permit, if the Canadians agree, toll reductions of up to two thirds. I wouldn't expect that to happen right away, but if it would happen, would you expect that the Great Lakes-St. Lawrence Seaway system would become more attractive for grain shipment purposes?

Mr. HYLAND. Yes, sir; it would. Yes, it would have a larger drawing area around the Great Lakes.

Senator MONDALE. I am glad you pointed this out, about the impact of this shipping cost on our farmers, and the agricultural industry of this area.

Mr. HYLAND. It vitally affects them.

Senator MONDALE. As you know, the wheat prices are not very attractive right now.

Mr. HYLAND. No.

Senator MONDALE. I mean——

Mr. HYLAND. Trading below the loan, except on several varieties.

Senator MONDALE. Right.

Senator HARTKE. If the Mondale bill is adopted, which it should be, just to give you a little bit of an idea of priorities and concern, the total cost of the cancellation of the indebtedness, plus the cancellation of the interest, amounts to less than the cost of 2 days of war in Vietnam.

Mr. HYLAND. Is that right? I wasn't aware of it.

Senator HARTKE. So that gives you a little bit of an idea.

In other words, for the cost of 2 days of fighting the war in Vietnam, this bill could be adopted and provide material assistance to all of the Great Lakes ports.

Senator MONDALE. It would cost about what we are going to spend this year to develop a "hard" design for a space shuttle—which we all need so desperately. We have 29 votes for that $110 million cut.

Senator HARTKE. I thought we were going to send the rest of the Senators on that space shot, one-way trip.

Senator MONDALE. That's right.

Mr. Hyland. The Seaway has competition, as you well know, in the form of trainload rates that are moving from the Midwest to the East and to the South, and any increase in tolls just simply will divert grain away from it, and other commodities, too, and when you think of the cost of the Arkansas River project, the Seaway looks like a bargain.

Senator Hartke. It is a bargain.

All right. Fine. Thank you, Mr. Hyland.

Mr. Hyland. Thank you.

Senator Hartke. Our next witness is Mr. Hollis F. Graves, manager Division of International Milling Co., with general offices in Duluth, Minn.

Is he here?

Senator Mondale. I might say we have several State Senators in the room, State Senator Arne Wanvick, State Senator Francis LaBrosse, State Senator Raymond Higgins, and Governor LeVander is represented by John Arnold.

I want to thank Buster Slaughter for filling this room after the Senator complained. That is what is called an instant audience.

Senator Hartke. As far as these people are concerned, they will at least have a clearer understanding that we are trying to help. That is what we are trying to do. We are trying to be helpful. Thank you, Buster, too.

All right.

Senator Mondale. Robert Babich.

Senator Hartke. I will let you call him.

Senator Mondale. Good. I would like to introduce Bob. He is the executive vice president of what we call "NEMDA," Northeastern Minnesota Development Association, an organization that I have been most interested in, along with many others, which have been established to do some creative research and some action projects for the five counties in northeastern Minnesota.

Bob is an old friend of mine, with a very rich experience in economic development matters, and now serves as executive vice president.

Senator Hartke. Let me say to you, sir, I listened about this all morning at breakfast, so I am thoroughly indoctrinated on what a fine organization this is.

Mr. Babich. Thank you.

Seantor Hartke. I want you to know you have a good public relations man in Senator Mondale.

Mr. Babich. Thank you.

STATEMENT OF ROBERT BABICH, EXECUTIVE VICE PRESIDENT, NORTHEASTERN MINNESOTA DEVELOPMENT ASSOCIATION

Mr. Babich. It is indeed an honor and a privilege to appear before this new and important subcommittee, and if I may deviate from my text——

Senator Hartke. Your entire text will appear, and then you can cover whatever you want to, and make any comments.

Mr. Babich. I would like to inject a little ethnic humor, which I think is apropos to our feeling of hopefulness, which at times, I think is great—and if I may, this great area of ethnic elements, one of the greatest is probably the Finnish element. There is a little story which is very apropos to our problems which we have had, and the frustrations.

Toivo and Yuse were out hunting, and Toivo had his compass, and Yuse said, "What is that?"

Toivo said, "That is a compass."

Yuse said, "What is that for?"

Toivo said, "If I get lost, I can find my way."

And Yuse looked at it, and he said, "What is that shiny thing in the back of the compass?"

Toivo said, "That is a mirror. That is to tell you who is lost."

And many of the problems we have had in northeastern Minnesota, we look in that mirror. This same great ethnic element that pioneered this area made sure that their youngsters had educations, and a result, 80 percent of our youngsters in this area go on to college, while the national average is 40.

The leadership that has emanated from this area was fantastic, and as Sentor Mondale remembers, we submitted to President Kennedy personally at the Hotel Duluth, a list of over 70 people that excelled in industry. He was so impressed with this that he invited every one of these people and their wives to the off-year gala. The unfortunate circumstances of Texas prohibited this, but again, with all this out-migration of this great talent we had, we look in this mirror. We have been a little lost, but we are now recouping and encouraging them to come back. We have enjoyed a quality of life here second to none. We wanted to share this quality of life in this beautiful place of ours, particularly northeastern, Minnesota, with the Nation, so we went along with things like the wilderness area, and many others. We were happy to share what we had.

But when the rest of the State and the Nation looks to us as a recreational area, only a summer recreation area, and a weekend retreat for the rest of the Nation, we again look in this mirror.

We were the leaders in pollution, and probably have the best pollution laws in the States here in Minnesota. We are proud of this clean lake we have here, and many of our lakes and rivers, and we want to maintain this—but again, with all of our efforts and concern by labor, our people or industries, to maintain this quality of water, being the leaders, we again look—we almost run our industry off the north shore, the only one we have; yet, the people that want to share never pointed a finger at the other states on the Great Lakes to rationalize their position.

Yet we look in this mirror; we are looking at a plant that could lay off 2,500 of our people. That is 25 percent of our labor force in this town, so we can't help but look in this mirror.

Again, the people of Minnesota, the great fortitude they possess, provided with our great congressional leadership, were very instrumental in making the St. Lawrence Seaway a reality.

Again sharing this with the Nation and the world, an area that produced 80 million tons of ore at its peak, and produced the steel for the bullets in two major wars, 80 percent in World War I and World War II. Yet we worked, and our congressional leaders worked to make the St. Lawrence Seaway a reality, knowing it would compete with the biggest industry we have, and this is our steel plant, but we were willing to do this.

We are again looking in this mirror, but today I am encouraged because I think we have a new compass in this subcommittee, and this bill we are talking about. I only hope there isn't a mirror with this compass. Believe me, I am sincere.

We in the Port of Duluth-Superior, and all of northeastern Minnesota, were elated at the formation of the subcommittee, and sincerely hope that it will take significant steps through legislation to solve the definite problems which plague the full development of the Great Lakes-St. Lawrence Seaway System.

As the executive vice president of the Northwestern Minnesota Development Association, I am integrally involved in the economic and industrial development of Duluth and the entire six-county area of northeastern Minnesota, and I can assure you that there is great concern here about the future of our fourth seacoast, for, as you well know, northeastern Minnesota, along with the entire midcontinent, rely heavily on waterborne transportation to keep us industrially competitive.

I am sure you are well aware that Duluth and northeastern Minnesota are just now beginning to rally from the severe economic setbacks of the late fifties and early sixties. Ten years ago, with the mass closing of the natural iron ore mines, this area became a second Appalachia. Unemployment was critical. The economy was sliding to its lowest point in history.

But the people of Duluth and northeastern Minnesota, known for their stability and toughness, did not roll over and die.

Several factors contributed greatly to our rebuilding program.

First, like Appalachia, northeastern Minnesota had substantial help from Federal and State programs.

Second, through a concerted effort, the people of Minnesota, in a statewide referendum, voted for the taconite amendment, which is quite familiar to Senator Mondale. This legislation resulted in a $1.5 billion investment in the taconite mining industry.

I might just relate my own experience. I am the youngest of 10 children. My dad came from the old country, and in his work his best year was 9 months' employment. The average was 6.

The last 2 years he lived—and he died in 1935—he worked 4 days a month. Today you have year-round employment, because of the efforts of the people in Minnesota, and particularly northeastern Minneosta.

By 1963 there was a great amount of enthusiasm to regenerate our economy. We were beginning to see signs of resurgence, and were grateful for the outside aid that helped put us back on our feet.

However, we were also aware that if we were to build and then maintain a long-range stable economy, we would have to begin helping ourselves.

It was at this time that the labor unions, the taconite mining industry, the areas utilities, the news media, the TV media, the telephone company, the small businessman, the lending institutions, and other interested parties, banded together to raise more than a million dollars to form the Northeastern Minnesota Development Association, and put northeastern Minnesota in the business of industrial development.

I might add here that NEMDA is now in its second 5-year phase of industrial development. In addition to the original membership we now have more than 100 new members from every type of business, which certainly is a good illustration of the broad-based local support and interest in building and diversifying our own economy.

What has been accomplished since then is a great tribute to the people of Duluth and northeastern Minnesota. As I stated earlier, we have had $1.5 billion invested in the taconite industry with another $1 billion to come. The wood fiber industry is rolling like it never rolled before.

These developments have been most gratifying to us. The people of the Nation and Minnesota showed faith and confidence in northeastern Minnesota, and we, in turn, responded with good, constructive developments to attract the expansions of our basic industries.

However, the significant point is that northeastern Minnesotans were and are no longer satisfied to rely exclusively on the basic industries. They realize the merits of a diversified economy, and are continuing to pursue this diversification. This is a great change from the complacency that marked the boom years of the forties and early fifties.

With this change in attitude we see the local people dropping the provincialism of the small towns and promoting the regional approach to industrialism. We see Duluth and several other communities developing industrial parks to attract the industries that are being driven from the metropolitan areas because of the instability of labor and the environmental problems. We see for the first time all facets of the community of northeastern Minnesota cooperating to realize our fair share of the great American economy.

And we sincerely believe that we are in that close ball game of industrial development and diversification.

What do we have here to sell?

We have a quality of life that is unsurpassed in the entire world. Where else can you begin your day by canoeing or fishing in our beautiful northern lakes, and complete the day by attending a symphony, opera, or major league sporting event here in Duluth's grand arena-auditorium.

We have a stable labor force—a productive labor force which appreciates its employment and readily lives up to its responsibilities as an employee. As an example, Litton Industries advertises its Duluth avionics plant as the most productive, with the least amount of rejects in the entire United States. These are assets which I am sure the great metropolitan areas of this Nation envy.

We do have a disadvantage. We are removed from the Nation's large markets, more so than any other of the Great Lakes area. Therefore, in order to stay in contention in the high competition of industrial and economic development, we must rely heavily on the Great Lakes-St. Lawrence Seaway System.

We have in Duluth excellent port facilities to attract port-related industries. C. Thomas Burke, the executive director of the port and his staff are vitally interested and working hard to develop the port's industrial properties to attract new industries and increase the import-export tonnage of the Duluth-Superior Harbor.

We have prospects who are now interested in locating plants in the Duluth area because of the existence of the port and the accessibility of the cheap rates for water borne cargo. However, these same prospects voice great concern over the problems that confront Great Lakes shipping and could decide not to locate here should greater burdens be placed on the operation of the Great Lakes-St. Lawrence Seaway System.

It is my sincere hope that this subcommittee continues to explore the discrimination to lake ports by unfair overland transportation rates. For too long the coastal ports have been favored by excessive and unfair rail rates to Great Lakes ports.

It is my hope that the Defense Department will realize the advantages of shipping defense cargo through the lake ports, and discontinue the longstanding discrimination against the seaway.

I was most pleased to hear that our Congressman John A. Blatnik has instituted action in the House to study the feasibility of greatly extending the Great Lakes shipping season. I encourage the subcommittee to do the same.

The Merchant Marine Act of 1936 must also be amended to recognize the Great Lakes-St. Lawrence Seaway System as the Nation's fourth seacoast.

And finally, I am in full support of S. 3137, which would restructure the financial framework of the St. Lawrence Seaway Development Corporation.

I certainly do not claim to be an expert in the financing of the seaway, but I do know that an increase in the tolls in an attempt to retire the seaway debt would be a severe detriment to the industrial development of our port the Duluth area, and all of northeastern Minnesota.

We are in a critical stage of our economic and industrial development and diversification. Our area has cooperatively worked to develop northeastern Minnesota economically. In order to continue to expand, we must rely heavily on our port and the Great Lakes-St. Lawrence Seaway System to equalize the transportation advantages enjoyed by our more centralized competitors.

We are enthused and optimistic about our future, and hope that you share in that enthusiasm and optimism and see fit, through constructive legislation, to place the Great Lakes-St. Lawrence Seaway System on an equitable basis with the coastal ports.

Thank you very much.

Senator HARTKE. Let me say this type of self-help program is certainly commendable. I want to congratulate you and Senator Mondale, and the others who participated in this. It's the formation of this type of enterprise which is going to be required if you are going to stay up with the rest of the Nation, and you know that, I guess.

Mr. BABICH. Yes, we do.

Senator MONDALE. I think Mr. Babich has stated, in very strong terms, the sense of frustration that comes from an area that has never really asked for an awful lot.

I think it's fair to say that this area of the country, for many years, and it's true today, had the best education system in the Nation. I never go anywhere unless I see top ranking people from Duluth in charge of things, and they have contributed to the country more people than we realize, and more than we would like to see leave this area.

When the awful Range recession hit here 12 years ago we wanted the ARA, we wanted the EDA, but this area went to work and cooperated, business and labor, government, and everybody else, in a way that I don't see any other areas cooperating.

We put together programs such as the Taconite development and other things. It helped put us back on our feet, and we tried to be in a position where this wouldn't happen again.

But here, right in our own back yard, is a fourth seacoast, 2,400 miles inland, just a nugget of gold—but it's locked up because of a whole range of discriminatory practices that I don't think can be justified, simply on the grounds of fairness. I hope that Senator Hartke and I, and the others, have the capacity to express this sense of frustration that you so clearly state in your testimony.

Senator HARTKE. Thank you.

Mr. BABICH. Thank you.

Senator HARTKE. Thank you, sir.

Senator MONDALE. Thank you.

Senator HARTKE. The next witness will be Mr. R. N. McGiffert, vice president, Hallett Construction, from Duluth, Minn.

Mr. BURKE. I don't believe he is here, Senator.

Senator HARTKE. Not here?

We have a statement from Mr. Burton Joseph, I. S. Joseph Co., from Minnesota, stating his support of S. 3137, and he apologized for not being able to be here today.

State Senator Raymond J. Higgins of Duluth has requested to make a statement for the record.

Good morning, sir.

Mr. HIGGINS. Good morning, Mr. Chairman. Good morning, Senator.

STATEMENT OF HON. RAYMOND J. HIGGINS, STATE SENATOR, STATE OF MINNESOTA

Mr. HIGGINS. First of all, Mr. Chairman, I would like to thank you for coming to Duluth. We are sorry that we cannot turn on the very best weather, but we will do our best, and we hope that you go away with at least a fairly good impression of the place.

Secondly, I would also like to commend you for the remarks you made, some of which resulted in the filling of our room here.

We in public life are all aware of the apathy on the part of many people, particularly on subjects that they are not directly involved with.

I would like to point out, Mr. Chairman, I have no prepared statement. I will make it very short.

I would like to say that you fellows are tough to go through a meeting like this with no break or recess.

I am one of the five members from Minnesota on the Great Lakes Commission. As you are probably aware, the Great Lakes Commission was made up of a compact of eight States, New York, Pennsylvania, Ohio—your own State of Indiana—Illinois——

Senator HARTKE. Great State, by the way.

Mr. HIGGINS. I am sure it is. I worked there for 4 years at Charlestown, not far from your hometown—Illinois, Wisconsin, Michigan, and Minnesota.

This group is keenly aware of the many problems that concern Lake Superior. We are, and have discussed freight rates, pollution, environment, fisheries, erosion; but I must say that the most important thing before us today is support for the bill which Senator Mondale has introduced.

We did have a meeting in Washington on April 27. We discussed all the things that involve the Great Lakes, but again the most important one thing was Senator Mondale's bill, and I thank you two gentlemen for your support of it.

Now, if I might put the foot, or the shoe on the other foot for just a bit, I think that if you people would use the Great Lakes Commission as your chief, or at least one of your supporting groups, to more or less lobby this bill with the rest of the legislators in Washington, that you would find a great deal of success. I am sure, Senator Hartke, that you are aware of the people from Indiana that are on the Great Lakes Commission.

I believe that we are scheduling, or talking about a meeting of the Great Lakes Commission people with all of the Senators and Congressmen from each of the eight States. This, to use your own words, would be the squeaking wheel, and I think if we cooperate together, we can get something done, because we all are aware of the tough lobby against us.

Senator HARTKE. Let me say to you that the Great Lakes Commission has been of help to the committee, and we appreciate it. It has been very instrumental in giving us facts and material and support, and we are appreciative. We will try to use them more.

Mr. HIGGINS. You can be assured that you will have our continued support, sir.

Senator MONDALE. I would like to ask, has the Commission testified?

Mr. ROUVELAS. Yes; Colonel Goodsell submitted testimony in Washington, and again there were several members of the commission who testified in Chicago.

Senator MONDALE. So they have testified and participated and now we have your appearance here, so that at every one of the hearings, members of your commission have participated. I think that is very valuable in this working relationship and it's terribly important to our effort.

I think it emphasizes the importance of this toll issue, and emphasizing it is terribly important.

They keep issuing studies out there that say that tolls don't make a difference, that you can increase them, and it doesn't make any difference. You can charge $21,000 for a ship coming through the seaway, and they say it doesn't make a difference—which I find utterly incredible. It shows the way that they will hedge figures in order to gain economic advantage. As the witness from Cargill told us, and that is a businessman, it is terribly important what it costs to ship by the several different ways available. One of the major grain shippers of the world testifies that way, and others have testified to that, and I think the fact that your Commission comes down this hard on this issue is going to be very helpful to us.

Mr. HIGGINS. I think one of the most important things is getting us all together as a block to really put a big push behind this.

Senator MONDALE. I think it's our biggest asset—what is it, 15 Senators now, a bipartisan group? We are just trying together to get justice.

Mr. HIGGINS. There are only 15—there should be 16 Senators from those eight States.

Mr. JASPER. We have, from each of the six Midwestern States, two Senators, plus three from the Dakotas.

Senator MONDALE. Do we have New York?

Mr. JASPER. No, we don't have New York or Pennsylvania, but the Pennsylvania Senators have expressed interest in the bill.

Senator MONDALE. That is the problem.

Mr. HIGGINS. We have had a lot of cooperation from New York State, but it's mostly through the Port Authority.

Senator MONDALE. Maybe you can put pressure on them.

Senator HARTKE. Remind them it's an election year up there, will you, and the Governor ought to be with us.

Mr. HIGGINS. I am afraid he might be with the railroads.

Senator HARTKE. He would probably be with New York City. That is the problem.

Thank you.

Mr. HIGGINS. Thank you very much, gentlemen.

Senator HARTKE. Our next witness is Capt. A. F. Rico, president, Upper Great Lakes Pilots, Inc., Duluth.

Senator MONDALE. With the Captain is Jack Chestnut, who is counsel for the organization. Why don't you sit here, too, Jack?

He is a very gifted young lawyer. He was once on my staff.

Senator HARTKE. He showed supreme good judgment in joining you.

Senator MONDALE. Even more when he left.

Senator HARTKE. Captain, earlier they talked about a recess. It didn't really occur to me that you are supposed to have a recess. This is normal procedure for us in Washington. These hearings begin like this and we usually continue on through until we complete the witness list. I think we are going to complete it here. As far as I know, you are the last witness. It is sort of like the grand finale. We expect you to be the star.

Captain RICO. Well, I take that as, well, you would probably like me to speed it up a little bit.

Senator HARTKE. No; we are in no hurry, sir. You just proceed as you will, and I guarantee we will give you all the time you need.

STATEMENT OF CAPT. A. F. RICO, PRESIDENT, UPPER GREAT LAKES PILOTS, INC.; ACCOMPANIED BY JACK CHESTNUT

Captain RICO. I am Capt. A. F. Rico, president of the Upper Great Lakes Pilots, Inc., a Minnesota corporation organized and existing under the laws of the State of Minnesota, formed for the purposes of providing pilotage service by the U.S. registered pilots on the Great Lakes of Huron, Michigan, and Superior. I also serve as a member of the Board of Directors of Great Lakes Pilots Advisory Association, a nonprofit corporation whose members are made up of pilots of pilotage districts 2 and 3, whose members provide pilotage service on the Great Lakes. I am also licensed by the Coast Guard as a U.S. registered pilot.

I appear here today at the request of Senator Hartke, chairman, Special Subcommittee to Study Transportation, to provide testimony on the issues outlined in his letter to me of May 13, 1970.

42-425—71——12

In regard to the effect of tolls and lockage charges on seaway traffic, I wish to state that I believe that they have a severe adverse effect, and that I support the enactment of a bill such as the one authored by Senator Mondale from the State of Minnesota, along with Congressman Blatnik from this State, and other Midwest Senators and Congressmen which would provide for a recapitalization of the St. Lawrence Seaway Development Corporation and eliminate the necessity for the assessment of tolls and lockage charges.

It is my understanding that the St. Lawrence Seaway Development Corporation was created by law to provide a vehicle for cooperation between the Governments of the United States and Canada in the construction of the seaway. This was accomplished by Public Law 358 in the 83d Congress.

It was determined that the portion of the seaway to be constructed and maintained by the United States would be financed with borrowed funds instead of appropriated funds. The Corporation was authorized to borrow from the Secretary of the Treasury. The borrowing is secured by revenue bond which must be repaid with interest over a statutory 50-year period.

This plan, established at the outset, requires that the Corporation become self-sustaining and self-liquidating through the collection of tolls. To my knowledge as a pilot, the seaway is the first federally constructed navigation works in the history of the United States which is not open to use without charge.

The Canadian Authority and the American Seaway Development Corporation share statutory power to establish seaway tolls. The original tolls were established on the basis of cargo estimates projected prior to the opening of the seaway, and were set at a level sufficiently high to liquidate the capital investment of the two countries over a 50-year period. The rates went into effect April 1, 1959, and have been a severe economic burden ever since.

There have been several attempts, to my knowledge, to increase tolls and lockage charges since 1959. I believe that the Canadian Government has increased their lockage charges, but that an agreement was not reached between the two countries to increase tolls. Various cargo estimates upon which the original tolls were predicated were not reached during the periods estimated. A number of factors have been cited for the failure to reach these levels. One of these factors is that it was impossible to complete the Seaway to full depth and to obtain maximum utilization of port facilities prior to 1965. In fact, port facilities are being improved to this date.

Another factor whch has greatly affected cargo estimates is the use of super Canadian lakers during the past several years. These large ships have been utilized to carry off substantial quantities of bulk cargo available in the Port of Duluth to Canadian ports outside the St. Lawrence Seaway system, and there used for cargo loads of vessels engaged in foreign commerce. This cargo is our principal inducement to obtain foreign shipping in the Port of Duluth. The Canadian lakers do not pay to support the pilotage system required by the Great Lakes Pilotage Act of 1960, nor do I believe they pay other charges necessary to the support and promotion of the system. I believe that the Canadian Government has seriously frustrated and hindered the development of foreign trade on the Great Lakes by their policies; not only on the super Canadian lakers pools, but pilotage charges and conditions of operations. Our Corporation is currently on the verge of going out of business due to the inability of the Department of Transportation to come to terms with the Canadian Government on rates which we can be permitted to charge ocean vessels for our pilotage services.

The U.S. Coast Guard has agreed that our employee pilots should be paid in the area of $25,000 per year for their services. On our current rate schedules our employee pilots have only been able to earn in the area of $17,000 per annum, and with fewer ships traversing the seaway as a result of cargoes carried by these superlakes, this income could further decline.

In the event that we are forced to go out of business, the entire burden of financing pilotage could fall on the U.S. Government.

If tolls are further increased, it could substantially damage our position in Duluth as the character of movements of bulk agricultural commodities is highly competitive.

Grain traffic, in particular, is extremely sensitive to small differences in overall costs. The tolls and any increase in tolls could easily cause the shifting of the movement of this commodity to other areas of the country, or to agricultural suppliers in other areas of the country, substantially damaging the midwestern agricultural economy.

Throughout the history of American waterway policy, Federal development of inland waterways has existed. Congress has recognized that this policy is necessary to obtain economic benefits for the Nation as a whole. Originally, our guiding principles of freedom of use of waterways emerged from the geographical, economic, and political necessities of a new nation. Our Nation, being large in geographical area, required cheap transportation in the preservation of national interest as opposed to local and sectional rivalries. The same situation exists today. Increased participation in world trade requires that local burdens on commerce be removed.

The Federal Government has expanded large sums of money to maintain channels on the Mississippi and Missouri Rivers. Other improvements, such as channels in the Port of New Orleans to the gulf, improvement of the Delaware River, and harbor maintenance and improvement in many north Atlantic ports have also been accomplished.

I believe the billions appropriated for these purposes were warranted and are sound investments.

I also believe that investment in the St. Lawrence Seaway is sound. The distinction, of course, is that, to my knowledge as a pilot, tolls are not levied against commerce to pay for the other improvements, whereas they are imposed on traffic on the St. Lawrence Seaway.

The St. Lawrence Seaway is not a shortcut which has been established merely for the benefit of the shipping community, such as the Panama and the Suez Canals. The St. Lawrence Seaway opens up a vast industrial and agricultural heartland to new markets via foreign trade.

The fundamental policy to be followed in determining financing may very well depend upon whether the facilities under consideration contribute to the public welfare generally. If so, their costs should be spread generally. If facilities are only for the direct benefit of the users, then presumably an appropriate charge is in order. It should be clear to any disinterested person that the former situation applies in the case of the St. Lawrence Seaway. The seaway is of major and general importance to the entire national economy.

In Minnesota we have spent millions of dollars to establish public marine facilities at Duluth, and to promote foreign trade via the seaway. This money has been well spent.

The increase and expansion in the operation of the Port of Duluth has been one of the stabilizing effects on the economy of our area. If Duluth's role as a seaport is reduced due to declining traffic, it will have a serious effect on our local economy. Our small corporation alone has gross receipts and expenditures in excess of a million dollars, and if we are forced to go out of business, this will be lost to our local economy.

Our businesses in Duluth are vitally concerned with anything that threatens their ability to compete with their counterparts in other sections of the country. They have a right to compete on an equal basis on the world market. We feel we are expanding trade which previously did not exist in the Midwest. The St. Lawrence Seaway permits us to participate in markets that were previously barred because of cost. We feel our entire national economy has benefited.

Our small corporation, where we have felt our interest affected, has intervened in Interstate Commerce Commission proceedings, and proceedings before Federal agencies to protect our interest on the Great Lakes.

The cost of using the seaway will be the single most important factor in whether or not it will continue to expand or decline. It is my understanding that the tolls are needed not to operate the seaway system, but only to retire debt. The system would be greatly benefited if this burden on it could be removed.

Our department has been involved in numerous hearings before the Department of Transportation, the Department of Commerce, and the U.S. Coast Guard involving rates for pilotage service.

Uniformly in these hearings the ocean ships using the seaway, through their agents and representatives, have complained about the cost of the seaway, and that every increase burdens their opportunities to use the seaway and make it less competitive.

Our pilotage charges are extremely small when compared with other costs of using the seaway. Nevertheless, they see fit to believe that these are significant. One can only wonder how significant the toll charges and lockage charges must be if such a small charge as pilotage is significant. It would seem that if we could once and for all remove this burden on the seaway, that it might be one of the biggest blows we could strike for expanded foreign trade in the Midwest.

Obviously I am not only opposed to any considered increases in tolls and lockage charges, but I am opposed to their very existence.

In another respect, Senator Mondale, we have consulted with you in the past on problems of pollution in the Great Lakes. As Government employees, as such, we have the opportunity to witness many acts of pollution.

We feel very strongly about this, and we feel that we would cooperate with any agency that was recommended to us to help reduce this.

We have seen many ships come in and pump ballast, discard refuse—not in small quantities, but in large numbers of tons.

I feel that some legislation should be taken to curb this act.

Senator MONDALE. Let me ask the staff, does the legislation that deals with oil waste from ships include this kind of situation?

Mr. ROUVELAS. The legislation that was transmitted to the Congress 2 days ago would definitely cover this. I do not think there would be any problem under that legislation.

Senator MONDALE. It would be included so that the whole burden would then rest on the carrier to explain why that stuff was in the water, and it exposes them to criminal penalties, does it not?

Mr. ROUVELAS. Yes.

Senator MONDALE. And to civil damages.

I remember we talked about this 2 or 3 years ago.

Captain RICO. Yes; we did.

Senator MONDALE. I think you told me once they will sometimes bring oil in here, and once they leave the port they will clean their tanks out, flush them in the water.

Captain RICO. That is what is referred to as a "butterworth system," and when tankers are butterworthed—and Senator Hartke, the Indiana Harbor in Whiting would have a concentrated amount of oil—I worked for companies out of your State. We did our butterworthing, but we were—we had the facilities to butterworth at the piers and put the overboard discharge at a terminal on the docks.

But these facilities are not available totally throughout the Great Lakes, so some systems should be set up that this can be done dockside, and that the sludge and refuse be pumped to a tank for settlement.

In respect to pollution on the Great Lakes, I can only reiterate to you my observations and the observations of my fellow pilots which have been explained to me. It is clear that shipping contributes a great deal to pollution on the Great Lakes. Almost uniformly there is a lack of any sanitation facilities onboard lake, Canadian lake vessels operating on the St. Lawrence Seaway. Human effluent and all types of discharge from the ship are pumped directly, unprocessed, into the lake. I have observed on foreign ships where their salt water tanks have been cleaned by running water from the lakes through their tanks and the residue being flushed into the lake. Again, sanitation facilities are almost uniformly not available on these ships, and all waste material is pumped directly, untreated, into our lakes and harbors. Debris of all types I have observed being indiscriminately tossed into the lakes.

Many times fittings and other work on board the ship performed by the crews and treated lumber and other materials are thrown into the lake in an attempt to avoid having these services performed by American labor.

I believe that the U.S. Coast Guard has been totally ineffective in attempting to enforce or require even minimum sanitation requirements on the foreign vessels or Canadian lake ships.

I would also like to add that I have noticed continuing progression of forms of pollution in all of the U.S. Great Lakes on which I serve. I am seriously concerned for the protection of our fresh water supply of Lake Superior, as we constantly note increasing signs of pollution, not only in Lake Superior, but in the Duluth Harbor as well.

I am in favor of attempts to extend the navigation season on the Great Lakes, as I believe this would spread the costs of operation over a longer period of time with increased productivity of cargo levels.

I believe that proper appropriations should be made to the U.S. Coast Guard for competent icebreakers, and assist them in any form of system, whether it's bubble or whatever, to extend the season.

Now, it seems rather odd to me that the amount of money that has been appropriated for facilities such as the St. Lawrence Seaway system, where the Government feels that they have to be paid back because they built this system, but, on the other hand, they don't appropriate enough money to make the system work.

Now, we are in an area—a seasonal area—where we have to go out and make a living for 8 months, and yet that doesn't mean the end of our year. We have got that 4 additional months to live by.

Now, the Great Lakes system, it's obvious that people in business that cannot utilize the system on a greater period of time just have to sit back and cool its heels until the system opens up again.

I feel that this has a serious effect on our economy in this area.

Now, the Coast Guard has got to take a position whereby they will have some forms of means to keep this system open nearly the year around, or as near as possible. To imagine having one icebreaker on the Great Lakes, which is an ice-bound area, that is almost ineffective to cope with the navigational problems that we have.

I feel very strongly about them building more icebreakers.

I would like to add, I know this continuing problem of pollution, too, in the Great Lakes, and especially in Lake Superior.

In regard to discriminatory rail rates, the operation of cargo preference laws and the shortage of American flag vessels on the Great Lakes, I can only tell you that as a U.S. registered pilot, I have observed the adverse effect of each of these issues on traffic on the Great Lakes. American flag vessels are practically nonexistent in Great Lakes traffic. This, of course, means that much of the cargo which originates in the midwest cannot be carried out of the St. Lawrence Seaway system due to the lack of American bottoms.

As I said, American flag vessels are practically nonexistent in the Great Lakes, and their position, their ability to gain a subsidy from the U.S. Government, and then turn around and quote a ridiculous rate of, say, $90 a ton versus $45 a ton out of the gulf or the coastal ports leaves a sour taste in our mouths. We wonder why these people are allowed to do this.

I wish to point out that we supported the report of Mr. Paul N. Pfeiffer, Hearing Examiner in Docket No. S–173, Great Lakes Foreign Trade Routes Investigation.

Mr. Pfeiffer, in that report, accurately and clearly sets forth the reasons behind the absence of American bottoms on Great Lakes traffic.

I believe that all of the issues raised in the letter of May 13, 1970, to me from Senator Hartke bear the serious consideration and attention of this subcommittee and require immediate action if the Great Lakes position in world trade is to be preserved and enhanced.

Senator HARTKE. Thank you, sir.

Senator MONDALE. Thank you for a very fine statement.

Once again, we have evidence of pollution, I would hope that these statements could be turned over to the appropriate authorities, particularly under this new legislation, and ask them to respond in writing to the committee why this continues. I would like to have answers for these things.

I understand that some of these ships dump their human wastes with no treatment at all into the lake; is that correct?

Captain RICO. Oh, I would say, conservatively, about 80 or 90 percent.

Senator MONDALE. Most of them?

Captain RICO. Yes.

Senator MONDALE. Isn't that against the law? You are a lawyer, Jack. Isn't that against the law?

Mr. CHESTNUT. Apparently the Coast Guard does not have the ability to enforce these particular pollutants. There are various laws that do exist—they have been totally ineffective in enforcing it.

Senator MONDALE. I am not trying to be critical of anyone.

Senator HARTKE. I am an old Coast Guard man, so be careful what you say about us.

Now, let me say to you, you mean they don't have the personnel?

Mr. CHESTNUT. I don't know whether they don't have the personnel or they don't feel the laws are adequate for them, but in any event they have not been able to effectively stop the problem.

Senator HARTKE. We will go into that, and we will make a determination on that. I think at this time it is appropriate for me to also recognize some of these longshoremen who have come in here.

I want you to know at least you got the message over to me. I heard your voice. You are not part of the silent majority, thank goodness. I am glad you came in.

Senator MONDALE. I think one of the things that has been difficult about our legislation in this field is that many times it involves the burden of proving where the pollution came from, and so on. It has been very hard, you know, to find the ship and say what happened, and then prove that it was negligence, and all the rest.

Now, I think under this new legislation, if there is pollution, the burden is on the shipowners to say it didn't come from his ship, and while it may be somewhat tough on him, the whole industry is going to have to start getting serious about this thing, which apparently they have not been up to this point.

Captain RICO. No. Well, I had the experience of handling a U.S. flag vessel that went from Montreal to Toronto, and when he arrived in Toronto, he had empty garbage barrels, and he was automatically fined. I don't know where they got the proof, but I know he did get fined.

Senator MONDALE. Didn't you tell me once they would sometimes throw big bundles of wood overboard?

Captain RICO. Yes. Dunnage has been thrown over the side of a ship, tons of it.

Senator MONDALE. That would be a navigational hazard, wouldn't it?

Captain RICO. Especially when you throw it over in front of the Coast Guard Station, and that is where this happened, in the Straits of Mackinac.

Senator HARTKE. Do you have any protests pending at the present time in front of the Maritime Commission?

Captain RICO. No, I don't believe we have, have we, Jack?

Mr. CHESTNUT. The pilots, you mean?

Senator HARTKE. Yes.

Mr. CHESTNUT. They currently have a rate proposal before the Department of Transportation. It's my understanding that the Department of Transportation and the Canadian Government have not been able to come to an agreement on the proposal which was published by the Coast Guard, who handles the regulatory matters under the Department of Transportation for pilotage.

Senator HARTKE. I might say that the Commerce Committee recently authorized, and I think the Congress did, too, the funding of an icebreaker, I think to be used in the Arctic Ocean.

Senator MONDALE. Oh, sure. The oil companies need that, don't they?

Senator HARTKE. I suppose so. Thank you very much, Captain Rico.

Captain RICO. I thank you very much.

Senator MONDALE. Mr. Chairman, we have, not on the roster, two more witnesses, Mr. J. F. McGrath and Mr. Sven Hubner.

We will take Mr. McGrath first, who is president of the port authority.

STATEMENT OF J. F. McGRATH, PRESIDENT OF THE PORT AUTHORITY

Mr. McGRATH. Senator, I did not intend to make a formal statement this morning, but having sat through the hearing and listened to the comments that were made, I had a couple of extra thoughts I would like to get into the record, if I might.

First of all, I, too, would like to extend my sincere appreciation to you particularly for coming here. We expect Senator Mondale to be here, and we are always glad to see him; but we do appreciate very much your coming.

But I would like to comment, you have been talking about the cost of wiping out the debt, and the interest. I would just like to comment that the State of Minnesota contributed $5 million, the county of St. Louis, $4, and the rather small city of Duluth, a million dollars to build what I consider to be the finest installation of a port practically anywhere in the world for the size of installation that we have, and I do think I speak with some experience.

I have been in the maritime field since I have been 17 years old, and I worked in New York. I am a transplanted easterner, but I would like to comment, you mentioned about our longshoremen here. I would just like to ask somebody to consider the potential detriment to our economy and what happens to the jobs of these men. What is it going to cost the Government if we do not have the seaway, if we don't use our facilities, if we don't have these men working?

And they do an excellent job up here, and we are proud of them, and we need this situation clarified.

Senator Mondale's bill, in my opinion, must pass. I would just like to comment, my private business has to do with electricity, and when

I have to go out and buy electricity for a cent and a half a kilowatt and I sell it for a penny, I don't make it up in volume. And this is what happens to the Manchester liners, and all the rest of the people who come in here when they come in with a ship, and they must face these tolls, and these expensive operations; they are not going to come, and, Senator, one more point:

What about the Department of Agriculture's subsidy to Red Durum Wheat from North Dakota and South Dakota, 4 cents a bushel as of last week, I understand, up from 3, to ship it through the Port of New Orleans. This is another matter.

Senator MONDALE. Can we inquire?

Mr. ROUVELAS. Surely.

Mr. MCGRATH. We have been down, to Washington last year and we would like to see what is going on again this year, because this adversely affects our port.

The last comment I would like to make this morning, in my mail I received from the National Waterways Conference, Inc., a report saying, "The Truth About Tolls."

Now, basically this organization is river oriented, various waterways throughout the system, and they have never been too excited about the fact that the St. Lawrence Seaway has had to pay tolls, but obviously looking at this pamphlet here this morning, they are getting somewhat concerned that maybe they might have to pay some tolls, so now all of a sudden we are getting a little more support from the National Waterways Conference. I submit it to you, if you think of it, put it in the record. Perhaps it would do some good.

Senator HARTKE. This organization is going to testify when we reconvene in Washington, in favor of the bill.

Mr. MCGRATH. Obviously this is in favor, this brochure I got this morning.

Senator HARTKE. I might point out that the Maritime Administration study indicates that the seaway has resulted in a $300 million per year additional income to the Great Lakes area; that is, 200 percent of the investment cost per year.

Mr. MCGRATH. And as I was just commenting, the $10 million that our little State has put into this port, how much in relation to all the other ports, what is the investment that we are talking about here? We are talking about $135 million compared with the jobs, the boost in the economy, the investment that all States have in their ports throughout the seaway, small potatoes, I am afraid, and it's a lot of money, but relatively, it's rather small, a rather small amount of money.

Senator MONDALE. The Duluth-Superior Port is a port upon which both States and the upper Midwest rely, rely enormously. The State of Minnesota, in the early and middle fifties, put up $5 million; you say the county put up four, and the city put up 1 million to build this port?

Mr. MCGRATH. Yes, and this is just the terminal facilities.

Senator MONDALE. We have appropriated money since then for promotion, development, and the rest, and the Board itself is constituted on a regional basis; aren't their State representatives?

Mr. MCGRATH. Yes, sir. There are two appointees by the Government; one from St. Paul, one from Minneapolis, three appointed by the City Council of Duluth, and two by the county of St. Louis in relation to the contribution.

Senator MONDALE. There has been tremendous interest by all levels of government in Minnesota, for over a decade, in this port and its development. I think all the members serve free, and they have been doing it with great energy and devotion all of these years, and you can't put a price tag on that; but what a shock it would be, what an unutterable insult it would be to this area if they just threw on a stupid set of toll increases, and ended the viability and the hope of this wonderful facility. No decent country should do that.

Mr. McGRATH. Thank you very much for your patience and your interest.

Senator HARTKE. Thank you, sir.

Sven Hubner, the past president of the Marine Association.

STATEMENT OF SVEN HUBNER, PAST PRESIDENT, MARINE ASSOCIATION

Mr. HUBNER. Good morning—good afternoon, rather.

First of all, I want to apologize for Stuart McLennon not being here. He had to go out of town—and then, on behalf of the marine industry, I want to put in my two bits, and I think the seaway tolls are very, very important that we get them decreased or eliminated.

Senators, as you know, we are all behind you; and, Senator Hartke, I agree with you, we should be a little bit ashamed that we didn't arrive here in more force.

However, the seaway tolls is not necessarily the overwhelming thing. What 100,000 tons of cargo would do for this port would be just tremendous. The statement you came out with, Senator, was that one hundredth of 1 percent of the military cargo is all we are getting. That is just a shame, and I think we all have to work on getting the seaway tolls eliminated, but also—and very much more so—try to get more cargo. This is what we need.

I think we are very fortunate having a port director as Tom Burke. I think he has seen the light, and I am not criticizing any of his predecessors; however, I think that ships, they will come where cargo is, if not the other way around.

The seaway tolls, sure, they are, will make an owner think more of paying 90 cents a short ton on general cargo and 40 cents on bulk gain. However, the ships will again come where the cargo is, and this is what we need, not only in Duluth—we have to think of the entire Great Lakes area. But this is where we ask you to go down and try to work out for us.

And you, as our Senators, we need your help to advise us what we can do in order to achieve this.

Thank you.

Senator MONDALE. Mr. Hubner, this is very useful testimony; in a sense, all these pieces fit together.

Mr. HUBNER. Right.

Senator MONDALE. Anything, any progress we can make anywhere, a longer shipping season, defense cargo, rail rates, tolls, will help make these ports more attractive.

Mr. HUBNER. Right.

Senator MONDALE. And that, in turn, will create an incentive to develop more, and the reverse is true; if we go in reverse in any of these areas, the attractiveness of the Great Lakes, all across the board, is reduced. We have to move ahead on all of these fronts at once, and I think your statement underscores that point very well.

Senator HARTKE. Let me make one point of difference, however in regard to military cargo. That is that the statement, that ships will go where the cargo is, is not always true, at least under the law as it is presently. The cargo preference laws require 100 percent of the defense cargo and at least 50 percent of other Government generated cargoes be sent on U.S. flag ships, if available. U.S. flag ships will not come in here, so they have to ship it by rail to the east coast to get to the U.S. ships.

Mr. HUBNER. Yes, that is true. However, now, with the new administration's—or the administration's new maritime act, they are going to build 300 ships in 10 years. Now, we would have American ships here to haul the stuff.

Senator MONDALE. Some of us want to amend that proposal, to make certain that there is construction and operating subsidies geared for the Great Lakes; that proposed legislation doesn't have a nickel in it for Great Lakes freight——

Mr. ROUVELAS. Not the way it came down from the administration.

Mr. HUBNER. Well, I mean, we tried, as you know, there were 17 ships being on this military cargo last year, and didn't work out for obvious reasons.

Now, the physical aspect of the thing worked out beautifully. The turn around the ships got in the Great Lakes was very, very good. Now, the labor force is very good; our facilities are very good, and we have to have a greater American merchant marine, and if we can get the cargo—which rightfully belongs here—we should have the American ships coming in here hauling it.

Senator MONDALE. That is correct.

Senator HARTKE. Thank you, sir.

Mr. BURKE. Senator, can I ask a question? We are getting back to the Merchant Marine Act of 1936, and did you say it just came down without any provisions in that that would recognize the Great Lakes as the fourth seacoast?

Mr. ROUVELAS. No. As the administration sent it to the Congress, it contained nothing for the Great Lakes, but the House committee which acted about a week and a half ago, included provisions for the Great Lakes. My understanding is that there was a possibility the bill would be on the House floor late last night, but we had to leave Washington before that and I did not see any mention of it in the Duluth newspaper this morning.

Mr. BURKE. And that did contain a provision that would not only recognize the Great Lakes as a fourth seacoast, which would allow us to handle AID cargoes?

Mr. ROUVELAS. There are no provisions for AID cargo; but there are provisions for allowing tax-deferred construction funds for Lakes operators which is one of the most important benefits in the bill.

Mr. BURKE. This was originally in the amendment, though, the House Merchant Marine Committee recommended this?

Mr. ROUVELAS. For the AID cargo?

Mr. Burke. Yes. And it apparently has been deleted somewhere along the line.

I have been involved in this, and there were changes recommended in the act which would amend the act and recognize the Great Lakes and the St. Lawrence Seaway as the fourth seacoast, and allow attendant consideration for cargo preferences, various subsidies and use of U.S.-flag vessels for shipments of AID and Department of Defense cargoes.

Mr. Rouvelas. I understand what you mean, but in terms of the practical effect of the cargo preference laws, it doesn't alter that at all.

The bill would merely change the law so that the Maritime Administrator must consider for the first time the effects of the Maritime program on the Great Lakes. Now he must consider the effects; before he was not required to do so.

Mr. Burke. And also that some of the amendment was to provide for replacement of the Great Lakes fleet, subsidies for replacement, was that also deleted?

Mr. Rouvelas. No; not subsidies. That is in the form of construction reserve funds on which taxes are deferred.

As the bill came down from the administration, only oceangoing vessels in foreign trade were allowed to deposit their earnings in these tax-deferred funds to build new ships. In other words, under the amendment that was made in the House, the benefit of these funds will now be available to Great Lakes operators for the first time. That means, essentially, you can build these ships with tax-free dollars or for about 50 percent of normal cost.

Senator Mondale. And that is an important new plus.

Mr. Burke. That is very important to the Great Lakes; the average age of the vessels on the Great Lakes is 43 years old, and that is terrible.

But getting back to the subsidy program, now, the ships that are being built under the Government program are too large to enter the seaway—and I am not saying this isn't the era of the superships and superports, but is there something we could do to have that amended to subsidize the building of ships that are small enough to come into the seaway?

Senator Mondale. I think definitely there should be money in there, as you say in your testimony, for construction of ships designed for use in the St. Lawrence-Great Lakes system. There is not a dime in there now for that—am I correct in that?

Mr. Rouvelas. That is right. There is no earmarking of funds—but earmarking creates a great number of problems. What can be done, I think, is that the Maritime Administration can let some contracts to develop standardized designs of ships, and certainly some of those ships should be capable of transiting the seaway.

Senator Mondale. The Maritime Administration then determines who is going to get this money, what kind of ships, what kind of operating subsidies—at this point not a dime has ever gone—or at least in recent years, gone to the Great Lakes; am I correct, for construction——

Mr. Rouvelas. Yes.

Senator Mondale (continuing). And very little for operating subsidies.

Mr. BURKE. How about if we were to approach the Department of Transportation?

Senator HARTKE. It would be very helpful.

Mr. BURKE. I think they are the logical people that should insert themselves here and say, yes, this is the era of the superport and supership, but damn it all, there is a place for the Great Lakes, and there should be some recommendation for building smaller ships to provide for and ply our trade.

Senator MONDALE. I would like Mr. Jasper to comment.

Mr. JASPER. One of the problems is that the Transportation Department and the Maritime Administration will not necessarily go out and seek proposals for subsidies. The initiative will have to come from, in part, the Great Lakes area itself.

In other words, the shipping interests on the lakes will have to put together viable proposals, soliciting the subsidy contracts from the Maritime Administration. Then comes the time for the squeaking wheel, once the proposal is sent down there. Then we can all mobilize support for it; but you have to have a proposal if you want to get a subsidy contract.

Mr. BURKE. All right. This is what I am really getting at, Senators; how can we do this? What can we effectively do?

It was alluded to that there is going to be a meeting in Washington later on this summer—it would be June 25, to be exact—where we will have all the Senators and Congressmen from the Great Lakes States together at breakfast.

At that time, would that be the time to come forth with a proposal to the Department of Transportation?

Senator HARTKE. It's fine if you can come with a proposal.

Let me explain to you, coming and talking to Senator Mondale, we are—and myself—we are trying to help you and want to be of help.

But some of the initiative is going to have to come from here, and I don't believe that we are going to be able to put those proposals together for you. This is going to require that the initiative from the people who are in the business, and the community leaders——

Senator MONDALE. Of course the meeting you are talking about is just a general policy discussion.

Mr. BURKE. I think it's really to tell you what you already know.

Senator MONDALE. But it's darned important that we keep meeting.

Senator HARTKE. That's right.

Senator MONDALE. But in order to press home the point of construction subsidies for the carriers designed for the Great Lakes system, and for ocean voyages, there have to be specific proposals for construction subsidies made to the appropriate agency, and then we will get behind them, see?

Mr. BURKE. All right.

Senator HARTKE. That's right. We can get behind you. It's not you getting behind us. Do you follow?

Mr. BURKE. Fine. I am in full accord with that. We will try and do that.

Senator HARTKE. Any more witnesses?

Senator MONDALE. Permit me just to say that I appreciate the participation here this morning, and the very fine testimony. This helps strengthen the record a great deal. It shows what these communities are doing on their own. It shows the importance of this effort to the upper Midwest, and it shows the interest which exists here for this kind of measure. I am hopeful now that we can take this testimony, together with the other information which Senator Hartke has developed, and make progress this year in the adoption of this measure.

Senator HARTKE. I want to again congratulate Senator Mondale for his initiative and enterprise in coming forward with this very worthwhile legislation. The hearing has been very good. It has very helpful to us. We will continue these hearings and proceed to reconvene in Washington, D.C., upon them, and hopefully have some action this year.

Let me point out that this is a Senate committee. I would hope that you would exercise your influence not only in the Senate, but let the House know also; the House of Representatives—that other body, as we refer to it—let them know also that you are interested in what is going on.

The committee will recess at this time.

(Whereupon, at 12:15 p.m. the subcommittee was adjourned.)

ADDITIONAL ARTICLES, LETTERS AND STATEMENTS

Statement of Vice Admiral James A. Hirshfield, U.S.C.G. (Ret.) President, Lake Carriers' Association

As an organization representing better than 98% of the American flag Great Lakes bulk cargo fleet, it is encouraging to note that at long last the problems confronting Great Lakes and St. Lawrence Seaway transportation are being given the attention they deserve. The Great Lakes vessel industry is a significant part of the American Merchant Marine and the Great Lakes are the fourth seacoast of the United States.

By way of background, the present-day Great Lakes fleet consists of about 420 vessels with a total trip carrying capacity slightly in excess of 5,000,000 gross tons. About 56.2% of the tonnage is of United States registry and 43.8% Canadian registry. Of the American flag fleet, 194 are dry bulk cargo carriers.

With respect to the composition of the Amercan flag bulk cargo fleet, in 1960, the last year in which a new American flag bulk cargo vessel was built and put in service, there were in existence on the Great Lakes 33 individual American flag vessel fleets operating a total of 314 ships with an estimated trip carrying capacity of 3,527,550 gross tons. Today only 17 of those individual vessel fleets remain, operating a total of 194 vessels with an estimated trip carrying capacity of 2,626,000 gross tons. During the past ten years no fewer than 14 American flag Great Lakes vessel companies have ceased business entirely and 122 vessels have been scrapped or otherwise disposed of without replacement, bringing about a decrease in the per trip carrying capacity of the bulk cargo fleet of 25.4%.

The mainstay of the American flag Great Lakes bulk cargo vessel is, of course, the interlake movement of such basic bulk commodities as iron are, coal, grain, limestone and petroleum. The domestic producers of these commodities, however, are experiencing ever-increased competition in the market place from foreign producers of the same commodities and this naturally leads one to an evaluation of the St. Lawrence Seaway and the particular problems which are associated therewith.

THE ST. LAWRENCE SEAWAY

When the Seaway was created its purpose was, in the eyes of many, to open the seaports of the world to the Great Lakes. Indeed, since the construction of the seaway, midwestern emphasis has been placed primarily on export expansion. The fact is, however, that the seaway has not opened the world to the Great Lakes but the Great Lakes to the world. The 1969 Traffic of The St. Lawrence Seaway amply bears this out. It shows that in 1969 total seaway traffic consisted of 41,014,040 net tons, of which 82,8% or 33,959,388 net tons were bulk commodities and 7,054,652 net tons were general commodities. The most startling fact is, however, that of the total commodity movement, vessels of United States registry transported only 228,833 tons of bulk commodities and 55,224 tons of general commodities, a total of 284,057 net tons, or only 0.7% of total seaway traffic. Canadian vessels, on the other hand, accounted for 62.7% of all seaway traffic.

In addition to Canada the vessels of the United Kingdom, Denmark, France, Germany, Greece, Italy, Norway and Liberia all carried more bulk commodities through the seaway than did our own United States vessels. Presumably this was largely export grain which formerly moved in United States Great Lakes vessels from the head of the lakes to Buffalo for movement beyond by rail to the east coast for export.

The only conclusion is that, insofar as the American flag Great Lakes bulk cargo vessel is concerned, the seaway has not been any bonanza. What has actually happened is that a delicate economic balance has been created insofar as the total picture involving the movement of bulk commodities on the Great Lakes is concerned. Great Lakes vessel operators are struggling to keep the interlake domestic bulk commodity movement competitive.

Considering the provisions of S. 3137 we believe the question of the level of tolls can and should be separated from the question of cancellation of the indebtedness of the seaway. Whether or not the indebtedness of the St. Lawrence Seaway Corporation to the United States is cancelled, subject to the condition that the corporation shall pay annually into the treasury of the United States any revenue determined by the corporation to be in excess of its needs for operating and maintaining the works under the administration of the corporation, is of no concern to Canada. Fundamentally, tolls have been divided according to the relative costs to Canada and the United States of constructing the seaway, plus annual operating and maintenance charges. Those costs of construction are sunk costs incurred by the United States. Cancellation of the indebtedness of the St. Lawrence Seaway Corporation to the United States does not mean that they were not incurred. Thus, cancellation of such indebtedness should not affect, in any way, the division of tolls.

We are cognizant of the testimony of the Department of Transportation which proceeded these hearings, particularly that which was presented on Tuesday, February 17, 1970 in connection with the Bill S. 3137. Contrary to that testimony we do not believe it is premature to consider legislation such as S.3137 until discussions have been held with Canada, nor do we believe the issues to be as indicated in that testimony. In considering tolls we are not dealing with just the St. Lawrence Seaway but with the entire Great Lakes-St. Lawrence Seaway system. Thus, the question is not alone the effect of tolls on the traffic and revenues of the seaway but the effect on the entire transportation economy of the Great Lakes. We strongly advocate, therefore, that there be no change in the level of tolls of the St. Lawrence Seaway but at the same time see no objection to enactment of legislation such as S. 3137.

REPLACEMENT NEEDS

Turning to other issues, the record concerning the replacement needs of the American flag Great Lakes bulk cargo fleet is abundantly clear. Reference need only be made to the testimony developed during the course of the hearings on S. 3287, a bill to amend the Merchant Marine Act, 1936. The size of the future domestic bulk commodity movement on the Great Lakes, the preservation of which is of vital concern to all of the Great Lakes states, depends on the ability of American flag Great Lakes vessels to keep American commodities competitive in the market place with the same foreign products. To keep our own domestic products competitive, transportation costs must be reduced. Those costs can be reduced only if inefficiencies inherent in the utilization of antiquated equipment are eliminated through new construction of modern-day bulk cargo vessels and the rehabilitation of the better vessels of the fleet. Only through the introduction of new capital for modern and more efficient equipment can we curtail the inflationary growth in the costs associated with uneconomical vessels.

To achieve this purpose Lake Carriers' Association has long advocated that Great Lakes vessel operators be granted the right to establish tax-deferred construction reserve funds. Fortunately, the questioning by Senator Hartke of Under Secretary of Transportation, James M. Beggs, on February 17, 1970 more than evidences the concern of the Commerce Committee in connection with this issue. After Mr. Beggs admitted that a proposed new maritime program discriminates against the Great Lakes, Senator Hartke asked ". . . Do you think the Great Lakes operators are entitled to the tax deferred capital reserve funds treatment of the Merchant Marine Act of 1936? Do you think they should be excluded or included?" Mr. Beggs replied, "So far as I know, there have been no—this base has never been a burning issue. *That is, the Great Lakes operators have never applied for this kind of treatment.*" (Emphasis supplied). To this statement Lake Carriers' Association must take strong exception.

It is not known what Mr. Beggs meant by "a burning issue" but certainly the Great Lakes vessel industry, for more than 18 years, has been endeavoring to point out the desirability of establishing tax-deferred construction reserve funds as the basis for a badly needed, sound, long-range modernization program.

As early as November 1, 1952 the then Secretary of Commerce, Charles Sawyer, submitted to the President a report on Government Assistance Necessary to Maintain a Merchant Marine Adequate to the Commercial and National Defense Requirements of the United States. Concerning Great Lakes shipping, the report emphasizes that:

> "The Lake Carriers' Association has stated that section 511 should be amended to permit the deposit of earnings before payment of Federal Income Tax for use in new construction and reconstruction."

The report continues:

> "Replacement of vessels will continue to be a problem for many years."

With respect to the Great Lakes, the report concludes:

> "The domestic operators on the Great Lakes are fully aware of the need to modernize and improve their fleets and take the general position that no financial aid in the form of direct subsidy is desired. They have, however, indicated a desire for further liberalization of section 511 of the Merchant Marine Act of 1936. The Maritime Administration is giving further review to the Lake Carriers' problems."

In 1952, when the above report was made, the American flag Great Lakes bulk cargo fleet consisted of 403 vessels with a total deadweight in excess of 3.7 million tons.

In 1956 during the 84th Congress, a concerted effort was made to obtain legislation to aid the Great Lakes fleet. The bill S. 3108 was approved by the Senate Committee on Interstate and Foreign Commerce, which said in its report:

> "Your committee has been vastly concerned for some time over the preponderance of foreign flag vessels in the carriage of iron ore imports. It is equally concerned that there be maintained on the Great Lakes a bulk carrier fleet adequate not only for normal peacetime requirements, but adequate likewise to assume any emergency demand that may be made upon it should ore from foreign sources be cut off by enemy action." (S. report No. 1874, 84th Congress, Second Session, Page 2).

In 1956, when the above statement was made, the American flag Great Lakes bulk cargo fleet consisted of 343 vessels.

In 1963, Lake Carriers' Association again made known to the Congress the need for tax-deferred construction reserve funds in order to establish a sound, long-range modernization program. In that year, the Association actively supported S. 1773, but despite the record that was made, no affirmative action was taken on the bill.

In 1963, the American flag Great Lakes bulk cargo fleet consisted of 269 vessels.

In 1965, Lake Carriers' Association made a concerted effort in support of S. 1858 which sought to aid the non-subsidized segments of the American Merchant Marine by extending to them the privilege of establishing tax-deferred construction reserve funds. Again, despite an impressive record, no action was taken on the bill.

In 1965, the American flag Great Lakes bulk cargo fleet consisted of 260 vessels with a deadweight of 2.8 million tons.

In 1967, the House Committee on Merchant Marine and Fisheries held extensive hearings on a proposed "long-range maritime program." Once again Lake Carriers' Association made known its views concerning the desirability of tax-deferred construction reserve funds. That same year, the Association's views were made known to the Senate Commerce Committee during hearings held on "the present status and future of the American Merchant Marine."

In 1967, the American flag Great Lakes bulk cargo fleet consisted of 221 vessels.

In 1968, Lake Carriers' Association testified before the House Committee on Merchant Marine and Fisheries in connection with H.R. 13940, a bill to amend the Merchant Marine Act of 1936 and other statutes to provide a new maritime program.

By 1968, the American flag Great Lakes bulk cargo fleet had dwindled to 214 vessels.

This year Lake Carriers' Association testified in connection with H.R. 15424 and submitted a statement concerning S. 3287, the bills which embody the Administration's new maritime program.

Today, the American flag Great Lakes bulk cargo fleet consists of only 194 vessels with a deadweight of 2.6 million tons.

It is submitted that the issue of extending the privilege of establishing tax-deferred construction reserve funds has been before the Congress and the administrative agencies involved many, many times, and as early as 1952. During the period the issue has been under consideration, the American flag Great Lakes bulk cargo fleet has shrunk from 403 to 193 vessels, with a loss of deadweight of 1.1 million tons. No new American flag vessel has been built and put in service on the Great Lakes since 1960. The average age of the fleet is 43.8 years. At least 95 of the vessels are now 50 or more years old.

The desirability of extending the privilege of establishing tax-deferred construction reserve funds to the Great Lakes has been demonstrated many times and it is respectfully submitted that Mr. Beggs was in error when he stated, "The Great Lakes operators have never applied for this kind of treatment."

POLLUTION

Turning to pollution, Lake Carriers' Association believes that enactment of the Water Quality Act of 1970 is a substantial stride forward with respect to the control of waste discharges. Its virtue is that properly administered, it should lead to uniformity of treatment throughout the Great Lakes. Great Lakes vessel operators are most anxious to move forward with the installation of treatment devices so that no untreated waste will be discharged by commercial vessels into the Great Lakes. To do this, appropriate standards must be established and the necessary treatment devices designed, built, certified and approved.

With respect to spoil dredged from the rivers and harbors, it appears most desirable that such dredged material be disposed of in confined areas suitably located and diked. The Corps of Engineers estimates, however, that to locate such areas, arrange for funding and construction of the necessary dikes capable of holding at least ten years dredgings will require one or more years.

The two-year pilot study recently completed by the Corps of Engineers indicates that annually about 10.8 million cubic yards of material are dredged each year from the rivers and harbors of the Great Lakes. Of this, 6.7 million cubic yards are dredged in Lake Erie, 1.9 million in Lake Michigan and 1 million in Lake Huron. These figures indicate the enormous size of the disposal areas that will be required.

Desirable as the objective may be, it is apparent that it cannot be accomplished immediately and it will be necessary to continue maintenance dredging during the period required to provide suitable disposal areas. Otherwise, those who are dependent upon Great Lakes shipping would be seriously affected.

Using Indiana Harbor and the Calumet River as examples, the Corps of Engineers advises that these areas shoal to the extent of approximately two feet per year. The material consists mainly of silt and annual dredging is required if adequate channel depths are to be maintained.

During the 1968 navigation season, which is the most recent year for which cmoplete statistics are available, Indiana Harbor handled a total of 19,111,434 net tons of cargo. The same year South Chicago handled a total volume of 24,736,022 net tons of cargo. Involved in this traffic were 1,239 vessel arrivals and clearances with drafts of 20 feet or more at Indiana Harbor, and 1,788 vessel arrivals and clearances at South Chicago with drafts of 20 feet or more.

Conservatively estimated, the average Great Lakes bulk cargo vessel floats approximately 60 gross tons of cargo for each inch of draft. On this basis, the loss of 2 feet of draft would reduce the average cargo by 1,440 tons and the amount of cargo for the season for these particular harbors would be reduced by 4,352,880 net tons. Assuming a transportation cost of $2 per ton, the total projected loss to the vessel industry with respect to Indiana Harbor and South Chicago alone, if dredging operations are not performed, would be a minimum of $8,717,760 per year. Of course, this loss will be much greater if the remaining major harbors on the Great Lakes are included.

The Great Lakes vessel industry, as much as anyone, is interested in a clean lake and the industry readily recognizes the need for practical, effective pollution control regulations. If, in fact, the disposal of dredged material does create a pollution problem, the vessel industry would be the first to admit that appropriate steps should be taken. However, it is our view that it is not realistic to arbitrarily cease all maintenance dredging until an alternative method of disposal is found, as has been advocated by some.

STATEMENT OF FRANK E. POLOM, EXECUTIVE DIRECTOR OF TRANSPORTATION, CHICAGO BOARD OF TRADE

My name is Frank E. Polom and I am Executive Director of Transportation of the Board of Trade of the City of Chicago, 141 West Jackson Boulevard, Chicago, Illinois, 60604.

We wish to submit for the record our support of Senate Bill 3137.

The Board of Trade of the City of Chicago, hereinafter referred to as Board of Trade, is the world's largest grain market. It is a corporation created by an act of the Illinois Legislature, with its principal place of business in the City of Chicago, Illinois. It now maintains, and has maintained for more than 120 years, a commodity exchange where its members meet daily for the purpose of buying and selling grain and grain products.

Chicago has eight deep-water grain elevators having a total storage capacity of 52,907,000 bushels. These facilities are equipped to load and unload deep-draft vessels, inland waterways barges, rail box and covered hopper cars, and motor trucks. Appendix A lists all the grain and grain products facilities located within the Chicago Switching District.

The St. Lawrence Seaway is an important link connecting our marketplace with those of the world and provides a trade route for the movement of grain beyond our market in foreign as well as domestic commerce. The Board of Trade is very much interested and vitally concerned with all matters pertaining to the future of the Seaway.

Our primary purpose in this matter is to present factual evidence supporting some of the benefits to the agricultural economy of this country generated and influenced by the Seaway. Since its opening, the Seaway has had a tremendous impact upon the freight rates and charges of competing forms of transportation, and we can say, without any hesitation, the savings produced through lower freight rates have already repaid this nation for its share of the cost for the construction of this waterway. We want this committee to be aware of the seaway's significant contribution to the agricultural economy of the midwest and there is no doubt in our minds of its importance to the continued growth of the midwest.

The American agricultural economy is basically a livestock economy, which is to say, our major agricultural efforts are directed to the growing of animal feed grains. These grains are fed to livestock and poultry and in turn the meats and milk products make up a major portion of our diet. Rising standards of living throughout the world will increase the demand for animal protein. This trend is already taking place in many countries where the consumption of meat and poultry is continually rising.

Corn and soybeans, two of the principal feed components and our biggest agricultural dollar earners, are grown quite extensively within easy reach of the Seaway. Appendix B is a statement showing the production of these grains for the years 1958 through 1969 for the seven states within the area naturally tributary to the Seaway. The statement also shows the percentage relationship for each state, as well as the total for the seven states, to the total production for the United States. It is interesting to note that Illinois, Indiana and Iowa produce in excess of 50 per cent of the corn grown in the United States. For the last 6 years, the seven states accounted for approximately 70 per cent of the U.S. corn production.

Illinois continues to be the leader in the production of soybeans, increasing its production from 141.8 million bushels in 1958 to 221 million bushels in 1969. The seven states produced 659.3 million bushels in 1969, 59 per cent of the total U.S. production. This area increased its production by 79.6 million bushels over the year 1958.

The St. Lawrence Seaway has been a contributing stimulus in the movement of these commodities in world commerce and the economic benefits realized from the Seaway have placed our grains in a more competitive position in world markets.

The Seaway was opened for business in April, 1959, and the Great Lakes cities became world ports. The Eastern Rail carriers, whose tracks parallel the waterway, were not too happy with the building of the seaway and were poised to do everything in their power to fight it. They were now faced with the obvious task of meeting this new form of competition and they didn't waste any time to begin their mission.

In March of 1959, the eastern rail lines announced their intention to publish drastic reductions in the export rates on grain, including soybeans, from origins in Illinois, Indiana, Ohio and Michigan to the North Atlantic Ports. The rates became effective June 18, 1959.

Appendix C is a map which illustrates this rate adjustment. For example, the single car corn rates from central Illinois origins were reduced from 50 to 37 cents cwt., a reduction of 13 cents cwt., or 26 per cent. Using an average box car weighing 115,000 lbs., the new rate produced a car saving of $149.50. The soybean rates dropped from 72 to 38 cents cwt., a reduction of 34 cents cwt., or 47 per cent, resulting in a per car savings of $391.00. From Indiana the reductions ranged from 11 to 13.5 cents cwt. on corn and from 20.5 to 30.5 cents cwt. on soybeans, producing per car savings from $126.50 to $350.75.

Subsequently, in 1964, the same eastern rail carriers again published a lower level of export rates on grain, except soybeans, from origins in Indiana, Michigan and Ohio to the eastern ports applicable in single and multiple car shipments and only during the period of Seaway navigation. This adjustment produced a corn export rate of 30 cents cwt. from Indianapolis to Baltimore, applicable in single carloads, and 25 cents cwt. in multiple shipments of 6 covered hopper cars. By comparison, the pre-Seaway single car rate from this origin was 46 cents cwt., the end result being a reduction of 16 cents cwt., or 65 per cent. For multiple carload shipments, the savings were better yet, the overall reduction being 21 cents cwt. During the winter months, this level of rates is increased 2 cents cwt.

The eastern carriers continued the publication of seaway compelled rates by establishing 25 multiple car rates from specific origins in Illinois, Indiana and Ohio to the North Atlantic Ports. The new export rates became 20 cents cwt. in shipper-furnished covered hoppers and 21 cents cwt. in carrier-furnished covered hoppers, applicable on all the major grains, except soybeans. The 25 car requirement was later lifted and now these rates are applicable in aggregates of 15 cars.

Subsequently, other export rate adjustments were made primarily on soybeans, and recently this commodity was placed in the same single car rate level category as corn and other grains. Appendix D is a statement covering the major export rate adjustments to the North Atlantic Ports since the opening of the Seaway. Page 5 contains the present single and multiple carload rates, which have been increased with all general freight rate increases to date except Ex Parte 262. The most recent export rate adjustment covered movement in 100 car train units with a guaranteed five consecutive train trips.

Appendix E is a record of the volume of grain, converted into rail carloads, exported through the North Atlantic Ports for the years 1959 to and including 1968. The statement indicates 810,208 carloads were exported during this period. Earlier we pointed out the economic savings generated by lower export rates established to meet the competition of the Seaway. Based on a conservative per car savings of $125.00, the economic gains realized by midwest agriculture amounted to 101.3 million dollars since the opening of the seaway.

Seaway compelled rate reductions were not confined principally to railroads paralleling the Seaway. We have witnessed comparable reductions by the Gulf oriented lines in grain rates since 1959 from origins in Illinois and Iowa to Gulf Ports. These adjustments were not only advanced by the carriers themselves, but also by shipper and Gulf interests who alleged the lower rates were needed to allow them to compete more effectively with Seaway directed movements. The level of rates vary depending on whether movements take place in single cars, five car multiples, 25 car multiples, or train loads.

The extensive rate reductions to the tidewater ports caused us considerable concern and created a very serious problem for the Port of Chicago as a new gateway for world commerce. Because of the Northern Indiana Lines' refusal to publish lower export rates to Chicago, we were faced with a situation where grain grown within 100 miles of Chicago could be shipped at lower rail rates to the eastern tidewater ports than to the Port of Chicago and the distance was seven times greater. Our several attempts to secure a more favorable level of rates applicable on export grain traffic met with little success. The rail lines had no desire to establish a level of export rates to Chicago and we then were compelled to file a formal complaint with the Interstate Commerce Commission. This course of action brought only token reductions in the grain rates. We could get no relief in the soybean rates.

Appendix F is a map illustration comparing the average single car corn rates, at the Ex Parte 259–B level, to the North Atlantic Ports with the average rate applicable to Chicago. Twenty-one representative origins in Indiana were used. The average rate was measured with the applicable first-class rates in both directions. Mile for mile the carriers maintain a lower level to the North Atlantic ports than to Chicago.

The Board of Trade again filed a formal complaint in 1963 against Illinois rail carriers serving Chicago and the Gulf Ports, alleging the level of rates maintained by these carriers on soybeans was unduly preferential to the Gulf Ports and unduly prejudicial to the Port of Chicago. We were seeking a level of soybean exports rates to Chicago properly related to the level published by those carriers to the Gulf Ports. It was also our belief that Chicago has a legal right to the preservation of its very inherent advantage, that of location.

The Interstate Commerce Commision ruled in favor of the railroads and the case was taken to the Federal District Court and finally to the Supreme Court in 1969. The High Court affirmed the ruling of the Lower Court that the case be remanded back to the Commission for further proceedings. Rate exhibits and other matters in the record were brought up to date. The hearing was completed in March and briefs have been filed. We now await the Hearing Examiner's Report and Recommendation.

Appendix G is a map illustration comparing the present average single car soybean rate of 25 origins in Central Illinois to Chicago with the average rate to the Gulf, at the Ex Parte 259 level. Both averages were measured with the first-class rates. The average of the present level on soybeans to the Gulf is 7.6 per cent of the first-class rate; whereas, the average to Chicago is 10.1 per cent of the first-class rate, a classic example of preferential treatment to the Gulf Ports.

Appendix H is a map illustration comparing the average single car soybean rate of 27 Central Illinois origins on the N&W Railway to Chicago with the average rate to Baltimore. Both averages were measured with the first-class rates. Here the carrier maintains soybean rates to the North Atlantic Ports which measures 7.3 per cent of the first-class rates, compared with rates to Chicago which measure 13.1 per cent of the first-class rates. We have another glaring example of preferential treatment to the tidewater ports.

Rail carriers serving Chicago and other Great Lake Ports from the west have been more receptive to requests for rate adjustments on export traffic. Some of these carriers serve Chicago directly, but do not serve any tidewater ports except through a connecting carrier or carriers. As they must divide the revenue on movements to the tidewater ports, they are inclined to promote the Seaway where they participate in the entire line haul movement. This factor, coupled with the intense motor truck competition, caused these carriers to make drastic reductions in the corn rates from Iowa to the Port of Chicago and other lake ports as well.

Within the last few years, we have witnessed reductions in the Iowa corn export rates from 42 cents cwt. to 20 cents cwt., a reduction in excess of 50 per cent. More recently, this level of rates was broadened to include soybeans. These reductions have been instrumental in preventing further erosion of rail traffic to motor carriers.

Appendix I is a map illustration of the export rate adjustment on corn and soybeans, at the Ex Parte 259–B level, established by the Rock Island Railroad from Iowa origins. Here is a great example where all ports served by this carrier were treated equally. Other competing lines have published similar reductions to Chicago and the Gulf Ports. Export rates at these levels will provide us with the opportunity to grow and, at the same time, strengthen our competitive position with the tidewater ports.

Inbound grain receipts at Chicago via various modes of transportation for a series of years is shown in Appendix J. Although the rail carriers at one time transported the bulk of grain into Chicago, they have been losing ground steadily to motor trucks. Last year's truck receipts of 81.5 million bushels was an all time high. The rail carriers have dropped to a point where they only transport approximately 50 per cent of our inbound grain.

Shipments from Chicago via lake and seaway for the years 1954 through 1969 are set out in Appendix K. The port's last major obstacle was eliminated with the removal of a railroad bridge in the Calumet River which restricted the size of vessels to reach the Lake Calumet Harbor facilities. Maximum size grain ships can now be loaded, improving our competitive position with other grain ports.

The Port of Chicago still faces the problem of increasing its participation in overseas trade of the agricultural commodities produced and those manufactured in the area tributary to the seaway. This problem can only be solved by securing a favorable level of export rates. We must have equitable inland export freight rates to grow and compete with the older, strongly entrenched, year-round tidewater ports through which shipping patterns have become firmly established over the years. The Board of Trade, already a pioneer in securing export rates on grain to Chicago, will continue its efforts in that direction.

The Seaway plays an important role in our national transportation system. It has made a significant contribution to the agricultural economy of the midwest, and it is one of our nation's valued natural assets. We only need more people to promote and use it.

APPENDIX A.—CAPACITY OF GRAIN ELEVATORS, PROCESSORS AND MALT HOUSES IN THE CHICAGO AREA ON APR. 1, 1970

[Ship facility elevators on Chicago River—(C), on Lake Calumet—(L), on Calumet River—(S)]

Name	Location	Railroad	Capacity (bushels)
Warehouses (active):			
Belt	87th and Stewart	B.R.C	1,650,000
Cargill (S) [1]	122d and Torrence	C. & N.W	23,720,000
Concrete	Kenton Ave. and Cortland	C. & N.W., C.M. St. P. & P	1,500,000
Continental B(S) [1]	117th and Torrence	P.C.P	6,800,000
Continental C(L) [1]	124th and Doty Ave	C.R.I. & P	6,750,000
Erie	51st and Wallace Sts	E.L	500,000
Garvey (S)	93d and Harbor Ave	C.R.I. & P	3,800,000
Do	98th and Calumet River	I.H.B., P.C.P	2,150,000
Garvey	123d and Cottage Grove	P.C.M	320,000
Garvey (C)	27th and Damen Ave	A.T. & S.F., C.R. & I	1,800,000
Gateway (L) [2]	128th and Doty Ave	C.R.I. & P	6,750,000
New York Central	Indiana Harbor, Ind	P.C.W	2,200,000
Rialto (S) [1 2]	104th and Calumet River	B.R.C	2,750,000
Subtotal			60,690,000
Warehouses (inactive): Badenoch	17th and Damen Ave	C.B. & Q	620,000
Processors and maltsters:			
American Maize [1]	Roby, Ind	I.H.B., P.C.P	450,000
Central Chicago Elevator B	1825 North Laramie	C.M. St. P. & P	2,265,000
Corn Products	Argo, Ill	G.M.O., B.O.C.T., B.R.C., I.H.B	1,350,000
Dixie Portland Flour [1]	1300 West Carroll Ave	P.C.P	980,000
Falstaff A. & B	103d and Avenue C	do	4,000,000
Fleischman Malt	51st Pl. and Leavitt St	do	1,950,000
Hales	140th and Halsted	I.H.B	1,000,000
Knoke, H.C	5728 West Roosevelt Rd	B. & O.C.T., B. & O., C.G.W	25,000
Star & Crescent Mlg. (S)	104th and Calumet River	B.R.C	187,000
Subtotal			12,207,000
Total capacity			73,517,000

[1] Facilities with truck dumps.
[2] Also storage facilities for General Mills.

Note: 8 deep-water elevators have a total capacity of 52,907,000 bushels.

Source: Board of trade of the city of Chicago annual statistics.

APPENDIX B.—CORN AND SOYBEAN PRODUCTION IN STATES BORDERING THE ST. LAWRENCE SEAWAY FOR YEARS 1958–69 AND THE PERCENT OF THE TOTAL U.S. PRODUCTION

[In thousands of bushels]

States	Corn		Soybeans	
	Production	Percent of U.S. production	Production	Percent of U.S. production
(1)	(2)	(3)	(4)	(5)
1969:				
Illinois	956,774	20.9	220,966	19.8
Indiana	446,016	9.7	104,896	9.4
Iowa	922,768	20.2	174,339	15.6
Minnesota	355,640	7.8	76,008	6.8
Wisconsin	139,772	3.1	3,306	.3
Michigan	93,684	2.0	11,822	1.1
Ohio	232,900	5.1	67,976	6.1
7-State total	3,147,554	68.8	659,313	59.0
U.S. total	4,577,864		1,116,876	
1968:				
Illinois	897,832	20.4	209,884	19.0
Indiana	407,150	9.3	103,872	9.4
Iowa	912,144	20.8	177,952	16.1
Minnesota	368,388	8.4	71,104	6.4
Wisconsin	163,122	3.7	3,542	.3
Michigan	96,216	2.2	12,038	1.1
Ohio	242,256	5.5	69,418	6.3
7-State total	3,087,108	70.3	647,810	58.7
U.S. total	4,393,273		1,103,129	

APPENDIX B.—CORN AND SOYBEAN PRODUCTION IN STATES BORDERING THE ST. LAWRENCE SEAWAY FOR YEARS 1958–69 AND THE PERCENT OF THE TOTAL U.S. PRODUCTION—Continued

[In thousands of bushels]

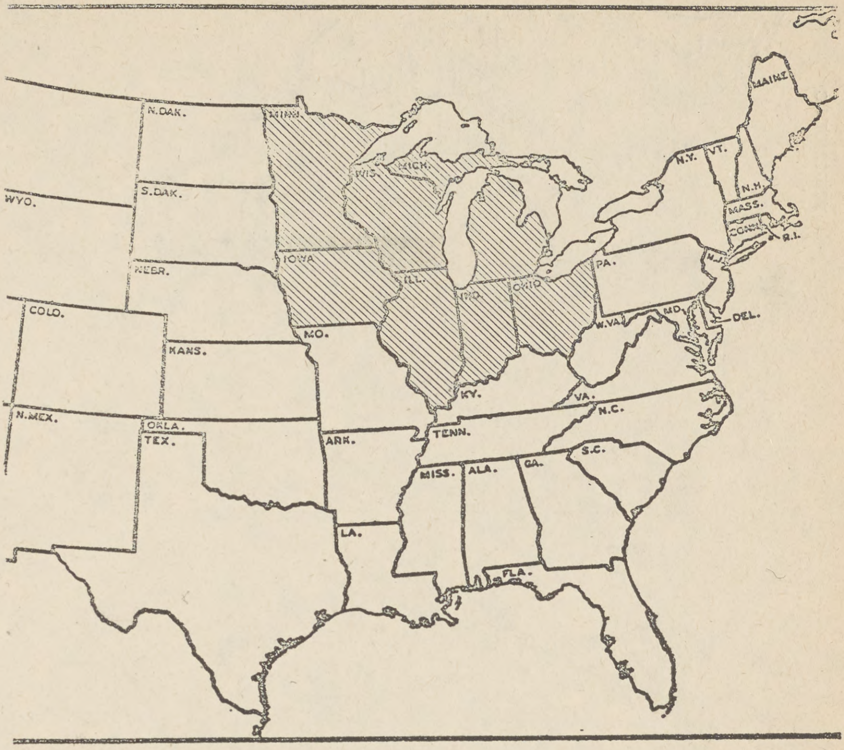
States	Corn		Soybeans	
	Production	Percent of U.S. production	Production	Percent of U.S. production
(1)	(2)	(3)	(4)	(5)
1967:				
Illinois	1,078,800	22.7	186,279	19.1
Indiana	441,324	9.3	71,001	7.3
Iowa	986,332	20.7	144,265	14.8
Minnesota	355,896	7.5	70,024	7.2
Wisconsin	136,240	2.9	3,330	.3
Michigan	91,455	1.9	10,180	1.0
Ohio	249,480	5.2	50,198	5.1
7-State total	3,339,527	70.2	535,277	54.8
U.S. total	4,760,076		976,060	
1966:				
Illinois	827,360	20.1	160,407	17.3
Indiana	396,006	9.6	73,164	7.9
Iowa	901,748	21.9	147,382	15.9
Minnesota	341,544	8.3	80,544	8.7
Wisconsin	141,950	3.4	3,700	.4
Michigan	94,269	2.3	10,800	1.2
Ohio	261,660	6.4	59,992	6.5
7-State total	2,964,537	72.0	535,989	57.7
U.S. total	4,117,355		928,481	
1965:				
Illinois	919,038	22.5	177,620	21.0
Indiana	441,894	10.8	80,388	9.5
Iowa	814,506	19.9	126,100	14.9
Minnesota	261,080	6.4	58,571	6.9
Wisconsin	122,056	3.0	3,040	.4
Michigan	90,341	2.2	9,680	1.1
Ohio	225,996	5.5	50,078	5.9
7-State total	2,874,911	70.4	505,477	59.8
U.S. total	4,084,342		845,608	
1964:				
Illinois	716,196	20.0	143,350	20.4
Indiana	341,064	9.5	66,200	9.4
Iowa	774,516	21.6	121,239	17.3
Minnesota	272,108	7.6	57,040	8.1
Wisconsin	105,140	2.9	1,938	.3
Michigan	101,804	2.8	7,546	1.1
Ohio	192,465	5.4	41,850	6.0
7-State total	2,503,293	69.9	439,163	62.6
U.S. total	3,583,780		701,917	
1963:				
Illinois	752,165	18.4	164,462	23.5
Indiana	400,113	9.8	75,212	10.8
Iowa	868,464	21.2	109,038	15.6
Minnesota	353,556	8.6	58,236	8.3
Wisconsin	105,140	2.6	1,908	.3
Michigan	100,685	2.5	6,930	1.0
Ohio	226,434	5.5	41,242	5.9
7-State total	2,806,557	68.6	457,028	65.3
U.S. total	4,091,685		699,363	
1962:				
Illinois	686,410	18.9	158,888	23.7
Indiana	352,436	9.7	75,824	11.3
Iowa	752,752	20.7	93,638	14.0
Minnesota	272,212	7.5	42,920	6.4
Wisconsin	107,310	3.0	1,818	.3
Michigan	91,520	2.5	7,898	1.2
Ohio	202,388	5.6	44,775	6.7
7-State total	2,465,028	67.8	425,761	63.6
U.S. total	3,636,673		669,211	

APPENDIX B.—CORN AND SOYBEAN PRODUCTION IN STATES BORDERING THE ST. LAWRENCE SEAWAY FOR YEARS 1958–69 AND THE PERCENT OF THE TOTAL U.S. PRODUCTION—Continued

[In thousands of bushels]

States	Corn		Soybeans	
	Production	Percent of U.S. production	Production	Percent of U.S production
(1)	(2)	(3)	(4)	(5)
1961:				
Illinois	630,476	17.4	157,320	23.2
Indiana	308,802	8.5	75,068	11.0
Iowa	753,188	20.8	97,042	14.3
Minnesota	324,242	8.9	53,843	7.9
Wisconsin	117,822	3.2	2,016	.3
Michigan	101,864	2.8	7,410	1.1
Ohio	187,738	5.2	48,216	7.1
7-State total	2,424,132	66.9	440,915	64.9
U.S. total	3,625,530		679,566	
1960:				
Illinois	678,980	17.4	129,298	23.3
Indiana	350,336	9.0	65,205	11.7
Iowa	772,541	19.8	66,274	11.9
Minnesota	315,630	8.1	40,755	7.3
Wisconsin	108,500	2.8	1,536	.3
Michigan	90,882	2.3	4,420	.8
Ohio	230,044	5.9	36,726	6.6
7-State total	2,546,913	65.2	344,214	62.0
U.S. total	3,908,070		555,307	
1959:				
Illinois	673,350	15.7	124,696	23.4
Indiana	325,314	7.6	60,112	11.3
Iowa	811,265	18.9	62,778	11.8
Minnesota	339,913	7.9	41,667	7.8
Wisconsin	184,990	4.3	1,758	.3
Michigan	121,240	2.8	5,400	1.0
Ohio	246,708	5.8	36,800	6.9
7-State total	2,702,780	63.1	333,211	62.5
U.S. total	4,281,316		533,175	
1958:				
Illinois	587,673	15.5	141,848	24.5
Indiana	280,161	7.4	61,263	10.6
Iowa	664,290	17.5	79,458	13.7
Minnesota	312,448	8.2	53,935	9.3
Wisconsin	140,962	3.7	1,740	.3
Michigan	106,344	2.8	6,095	1.1
Ohio	202,560	5.3	37,466	6.5
7-State total	2,294,438	60.4	381,805	65.9
U.S. total	3,800,863		579,713	

Source: U.S. Department of Agriculture, Statistical Reporting Service, Crop Reporting Board, Annual Summary Crop Production.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MINN.
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NEBR.
IOWA
PA.
N.J.
ILL.
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MD.
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KANS.
KY.
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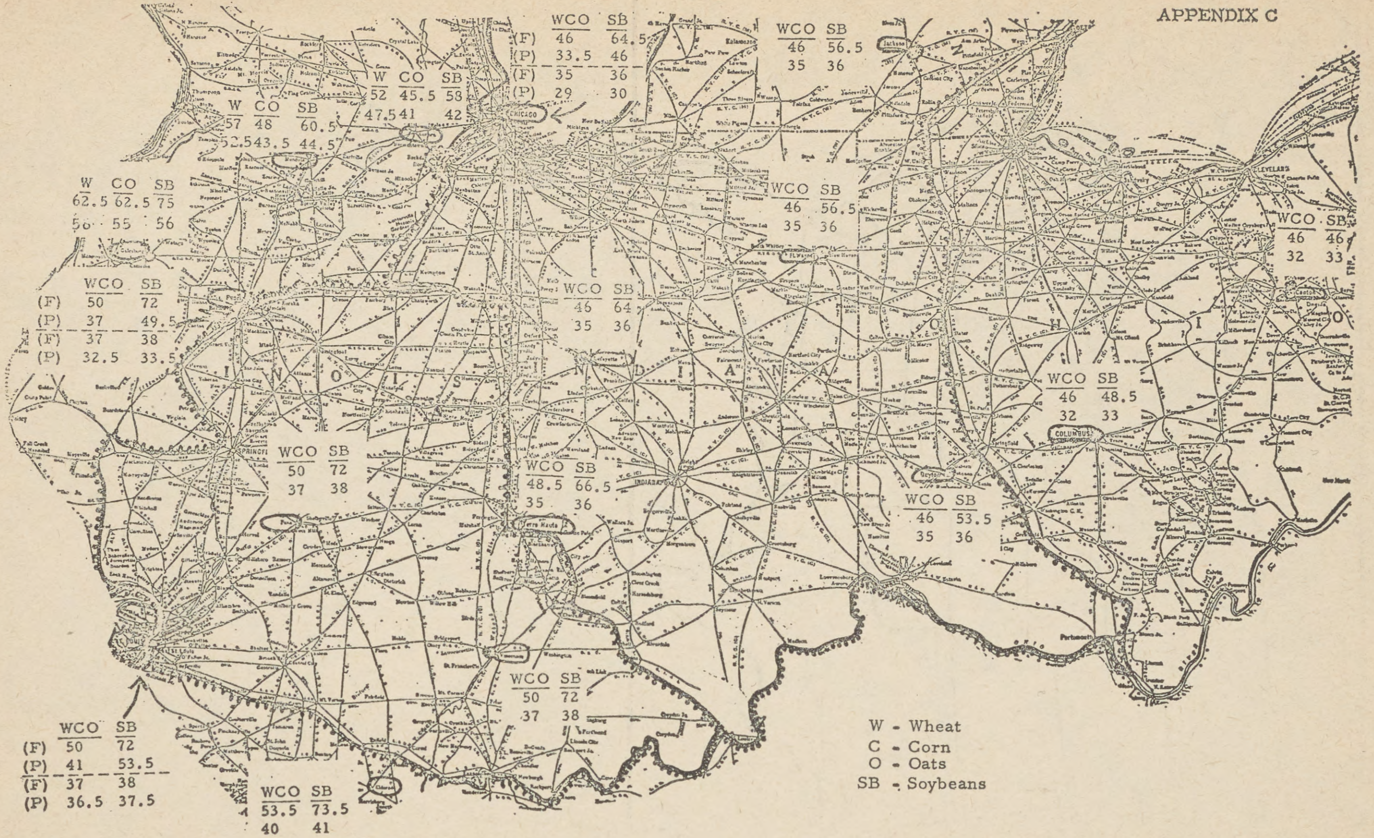
APPENDIX C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32 33
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37 38
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35 36
WCO SB
46 53.5
35 36
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37 38
WCO SB
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(P) 41 53.5
(F) 37 38
(P) 36.5 37.5
WCO SB
53.5 73.5
40 41
CHICAGO
INDIANAPOLIS
COLUMBUS
CLEVELAND
Terre Haute
I N D I A N A
I L L I N O I S
O H I O
W - Wheat
C - Corn
O - Oats
SB - Soybeans

APPENDIX D.—EXPORT RATES ON WHEAT, CORN, AND OATS TO BALTIMORE, MD.

[In single carloads]

From	Prior to June 18, 1959	Effective June 18, 1959	Ex parte 223 increase Oct. 24, 1960	Effective Sept. 25, 1964: Type of cars [1] (1)	Covered cars [2] (2)	Covered hopper cars [3] (3)
Illinois:						
Bloomington	50.0	37	37.5			
Champaign	50.0	37	37.5			
Decatur	50.0	37	37.5			
Gibson City	50.0	37	37.5			
Pana	50.0	37	37.5			
Springfield	50.0	37	37.5			
Streator	50.0	37	37.5			
Indiana:						
Decatur	46.0	35	35.5	30	27	28
Ft. Wayne	46.0	35	35.5	30	27	28
Indianapolis	46.0	35	35.5	30	27	28
Kentland	46.0	35	35.5	30	27	28
Kokomo	46.0	35	35.5	30	27	28
Schneider	46.0	35	35.5	30	27	28
Terre Haute	48.5	37	37.5	32	29	30
Ohio:						
Bellevue	46.0	32	32.5	26	23	24
Columbus	46.0	32	32.5	26	23	24
Lima	46.0	32	32.5	26	23	24
Marion	46.0	32	32.5	26	23	24
Mansfield	46.0	32	32.5	26	23	24
Troy	46.0	32	32.5	26	23	24
Van Wert	46.0	35	35.5	30	27	28
Michigan:						
Bay City	46.0	35	35.5	30	27	28
Britton	46.0	32	32.5	26	23	24
Kalamazoo	46.0	35	35.5	30	27	28
Saginaw	46.0	35	35.5	30	27	28

[1] Box cars—110,000 pounds per car, but not less than 100,000 pounds when loaded to full visible capacity. Covered hopper cars—marked capacity of car, but not less than 100,000 pounds when loaded to full cubical or visible capacity Open top equipment for a limited number of carriers—Same as for box cars.

[2] Shipper or receiver owned or leased covered cars, 190,000 pounds minimum weight, subject to mileage allowance no to exceed 5½ cents per mile loaded or empty; or, 11 cents per loaded mile with no allowance for empty miles.

[3] Railroad owned or leased covered hopper cars, 190,000 pounds minimum weight.

Note: Rates under columns (1), (2), (3), are subject to special rules covering free time and detention charges, switching charge absorption and transit restriction. These are shown in items 9070.2, 9070.3, 9070.4 and 9070.6, T.P.O. Hinsch's C/TN 245-I, ICC C-375.

APPENDIX D

MULTIPLE CAR EXPORT RATES ON WHEAT, CORN, AND OATS TO BALTIMORE, MD.

	Effective Sept. 25, 1964, and later			Effective Oct. 10, 1965, and later	
	(A)[1]	(B)[2]	(C)[3]	(D)[4]	(E)[5]
Illinois:					
Bloomington	31	28	29		
Champaign	30	27	28		
Decatur	31	28	29		
Gibson City	31	28	29		
Pana	31	28	29		
Springfield	32	29	30		
Streator	31	28	29		
Indiana:					
Decatur	28	25	26	21	20
Fort Wayne	28	25	26	21	20
Indianapolis	28	25	26	21	20
Kentland	28	25	26	21	20
Kokomo	28	25	26	21	20
Schneider	28	25	26		[6] 20
Terre Haute	30	27	28	21	20
Ohio:					
Bellevue	24	21	22	19	18
Columbus	24	21	22	19	18
Lima	24	21	22	19	18
Marion	24	21	22	19	18
Mansfield	24	21	22	19	18
Troy	24	21	22		18
Van Wert	28	25	26	21	20
Michigan:					
Bay City	28	25	26		[8] 20
Britton	[7] 24	[7] 21	[7] 22		
Kalamazoo					
Saginaw	28	25	26		[8] 20

[1] (A) Boxcars—110,000 lbs. but not less than 100,000 lbs. when loaned to full visible capacity. Covered hopper cars—Marked capacity but not less than 100,000 lbs. when loaded to full cubical or visible capacity. Aggregate minimum of 550 tons in either boxcars, covered hoppers, or open-top equipment. (Note: For the account of certain carriers, applies in open-top equipment.)

[2] (B) Shipper or receiver owned or leased covered hopper cars, minimum weight 190,000 lbs. per car, aggregate minimum 570 tons. Cars subject to mileage allowance not to exceed 5½ cents per mile loaded or empty, or 11 cents per loaded mile with no allowance for empty miles.

[3] (C) Railroad owned or leased covered hopper cars, minimum weight 190,000 lbs. per car, aggregate minimum 570 tons.

[4] (D) Covered hopper cars exceeding 4,000 cu. ft. capacity, minimum weight marked capacity of car, but not less than 180,000 lbs., aggregate minimum 2,250 tons.

[5] (E) Shipper or receiver owned or leased covered hopper cars exceeding 4,000 cu. ft. minimum weight marked capacity of car, but not less than 180,000 lbs. aggregate minimum 2,250 tons. Subject to mileage allowance not to exceed 5½ cents per mile loaded or empty, or 11 cents per loaded mile with no allowance for empty miles.

[6] To Albany only via New York Central direct.

[7] To Norfolk only via Norfolk & Western direct.

[8] To Norfolk via Chesapeake & Ohio and to Albany via New York City.

Note: Rates under col.s (A), (B), (C), (D), and (E) are subject to special rules covering free time and detention charges, switching charges absorption, and transit restriction. These are shown in items 7020.3, 7020.2, 7060.4, 7060.6 T.P.O. Hinsch's C/TN 245–I, ICC–375.

APPENDIX E EXPORT RATES ON BARLEY, CORN, OATS, RYE, AND WHEAT TO BALTIMORE, MD.

From	Single carloads			Multiple carloads				
	Col. 1[1]	Col. 2[2]	Col. 3[3]	Col. 4[4]	Co.l 5[5]	Col. 6[6]	Col. 7[7]	Col. 8[8]
Illinois:								
Bloomington	37	33	35	35	28	29	25	24
Champaign	36	32	33	33	28	29	23	22
Decatur	37	33	35	35	28	29	25	24
Gibson City	37	33	35	35	28	29	25	24
Pana	37	33	35	35	28	29	25	24
Springfield	38	35	36	36	28	29	25	24
Streator	38	35	36	35	28	29	25	24
Indiana:								
Decatur	33	30	31	31	28	29	23	22
Ft. Wayne	33	30	31	31	28	29	23	22
Indianapolis	33	30	31	31	28	29	23	22
Kentland	33	30	31	31	28	29	23	22
Kokomo	33	30	31	31	28	29	23	22
Schneider	33	30	31	31	28	29	23	22
Terre Haute	36	32	33	33	28	29	23	22
Ohio:								
Bellevue	29	25	27	27	23	24	21	20
Columbus	29	25	27	27	23	24	21	20
Lima	29	25	27	27	23	24	21	20
Marion	29	25	27	27	23	24	21	20
Mansfield	29	25	27	27	23	24	21	20
Troy	29	25	27	27	23	24	21	20
Van Wert	33	30	31	31	28	29	23	22
Michigan:								
Bay City	33	30	31	31	28	29	23	22
Britton	29	25	27	27	23	24	---	---
Kalmazoo	33	30	31	---	---	---	---	---
Saginaw	33	30	31	31	28	29	23	22

[1] Box cars—110,000 pounds per car, but not less than 100,000 pounds when loaded to full visible capacity. Covered hopper cars—Marked capacity of car, but not less than 100,000 pounds when loaded to full cubical or visible capacity. Open top equipment for a limited number of carriers—Same as for box cars.

[2] Shipper or receiver owned or leased covered cars, 190,000 pounds minimum weight, subject to mileage allowance not to exceed 5½ cents per mile loaded or empty; or, 11 cents per loaded mile with no allowance for empty miles.

[3] Railroad owned or leased covered hopper cars, 190,000 pounds minimum weight.

[4] Box cars—110,000 pounds but not less than 100,000 pounds when loaded to full visible capacity. Covered hopper cars—Marked capacity but not less than 100,000 pounds when loaded to full cubical or visible capacity. Aggregate minimum of 550 tons in either box cars, covered hoppers, or open top equipment. For the account of certain carriers, applies in open top equipment.

[5] Shipper or receiver owned or leased covered hopper cars, minimum weight 190,000 pounds per car, aggregate minimum 475 tons. Cars subject to mileage allowance not to exceed 5½ cents per mile loaded or empty; or, 11 cents per loaded mile with no allowance for empty miles.

[6] Railroad owned or leased covered hopper cars, minimum weight 190,000 pounds per car, aggregate minimum 475 tons.

[7] Railroad owned or leased covered hopper cars exceeding 4,000 cubic feet capacity, minimum weight marked capacity of car, but not less than 180,000 pounds, aggregate minimum 1,350 tons.

[8] Shipper or receiver owned or leased covered hopper cars exceeding 4,000 cubic feet minimum weight marked capacity of car, but not less than 180,000 pounds aggregate minimum 1,350 tons. Subject to mileage allowance not to exceed 5½ cents per mile loaded or empty; or, 11 cents per loaded mile with no allowance for empty miles.

Note: Rates under columns (1), (2), (3), are subject to special rules covering free time and detention charges, switching charge absorption and transit restriction. These are shown in items 9070.2, 9070.3, 9070.4, and 9070.6, T.P.O. Maurer's C/TN 245–I, ICC C–375. Rates under columns (4), (5), (6), (7), and (8) are subject to special rules covering free time and detention charges, switching charges absorption, and transit restriction. These are shown in items 7020.2, 7020.3, 7060.4, 7060.6, T.P.O. Maurer's C/TN 245–I, ICC C–375.

Source: Tariff Authority: T.P.O. B.B. Maurer's C/TN 245–I, ICC C–375.

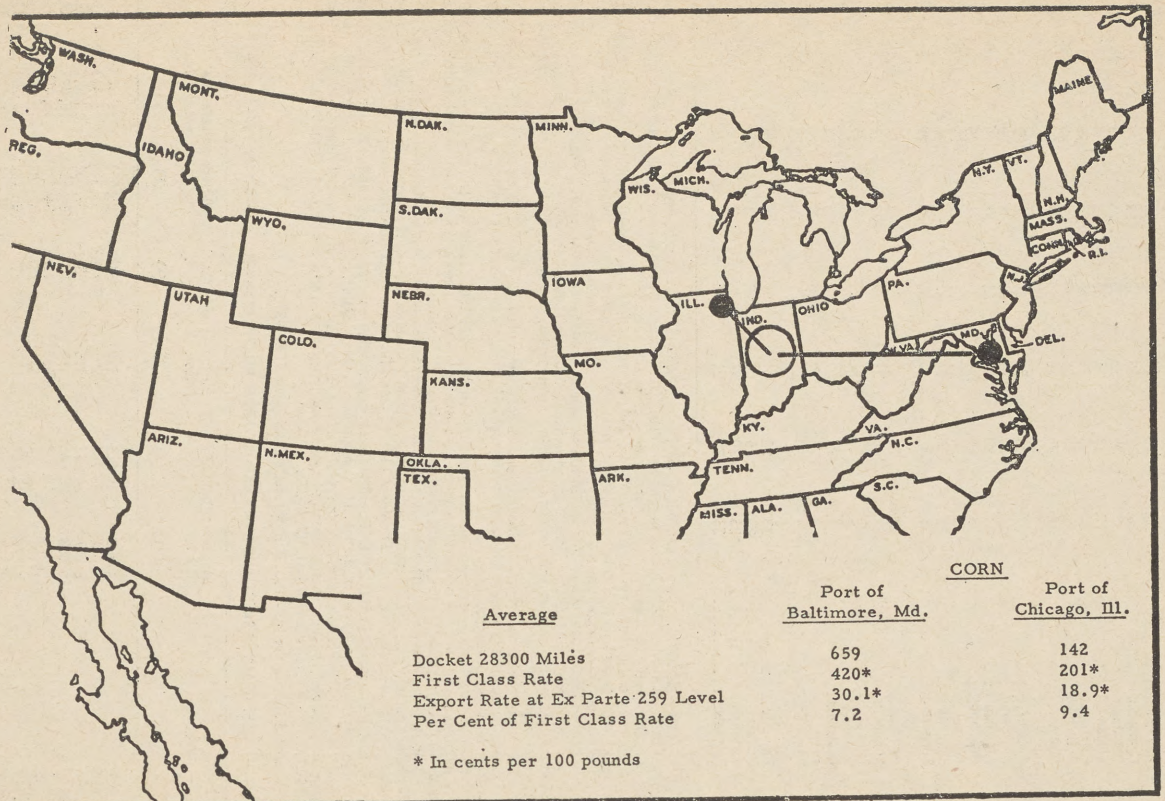
U.S. GRAIN INSPECTIONS[1] FOR EXPORT FROM NORTH ATLANTIC PORTS FOR YEARS 1959–68

Year	Albany N.Y.	Baltimore Md.	Boston Mass.	New York N.Y.	Norfolk Va.	Philadelphia Pa.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1959	4,895	26,801	6,118	7,342	26,553	11,372	83,081
1960	6,361	28,204	5,705	3,736	33,318	9,418	86,742
1961	6,057	28,842	5,316	1,936	37,052	13,323	92,526
1962	5,052	20,645	2,412	1,111	36,894	16,094	82,208
1963	10,473	19,658	3,938	4,118	34,286	15,411	87,884
1964	4,198	16,114	5,634	1,267	32,196	15,771	75,180
1965	4,026	18,221	1,677	1,812	30,782	20,708	77,226
1966	8,538	32,210	---	---	31,154	16,633	88,535
1967	4,928	15,755	---	---	32,141	13,623	66,447
1968	6,315	14,245	---	---	34,492	15,327	70,379
Total	60,843	220,695	30,800	21,322	328,868	147,680	810,208

[1] Bushels reported were converted into rail carloads using an average figure of 2,000 bushels per carload.

Source: Chicago Board of Trade annual statistics, based on weekly reports of inspections for export by licensed grain inspectors.

APPENDIX F



	CORN	
Average	Port of Baltimore, Md.	Port of Chicago, Ill.
Docket 28300 Miles	659	142
First Class Rate	420*	201*
Export Rate at Ex Parte 259 Level	30.1*	18.9*
Per Cent of First Class Rate	7.2	9.4

* In cents per 100 pounds

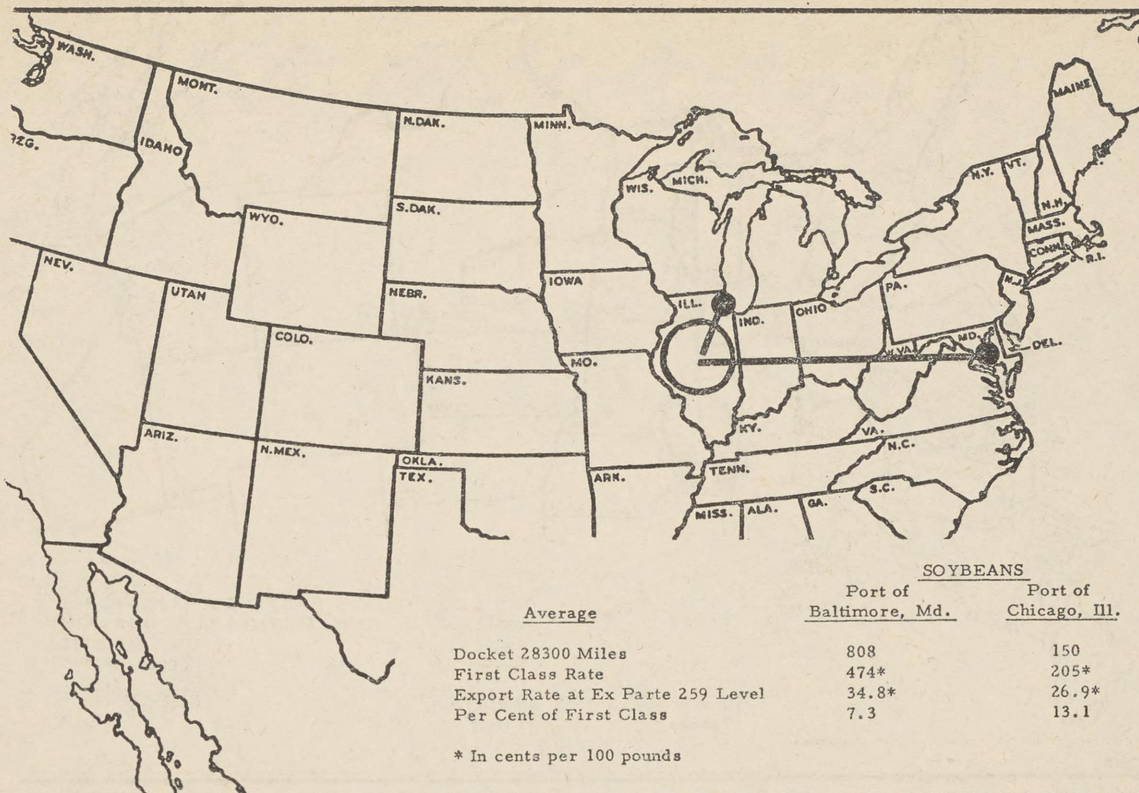
APPENDIX G

SOYBEANS

Average	Port of New Orleans, La.	Port of Chicago, Ill.
Docket 28300 Miles	765	152
First Class Rate	460*	206*
Export Rate at Ex Parte 259 Level	34.8*	20.8*
Per Cent of First Class Rate	7.6	10.1

* In cents per 100 pounds

APPENDIX H



Average	SOYBEANS Port of Baltimore, Md.	Port of Chicago, Ill.
Docket 28300 Miles	808	150
First Class Rate	474*	205*
Export Rate at Ex Parte 259 Level	34.8*	26.9*
Per Cent of First Class	7.3	13.1

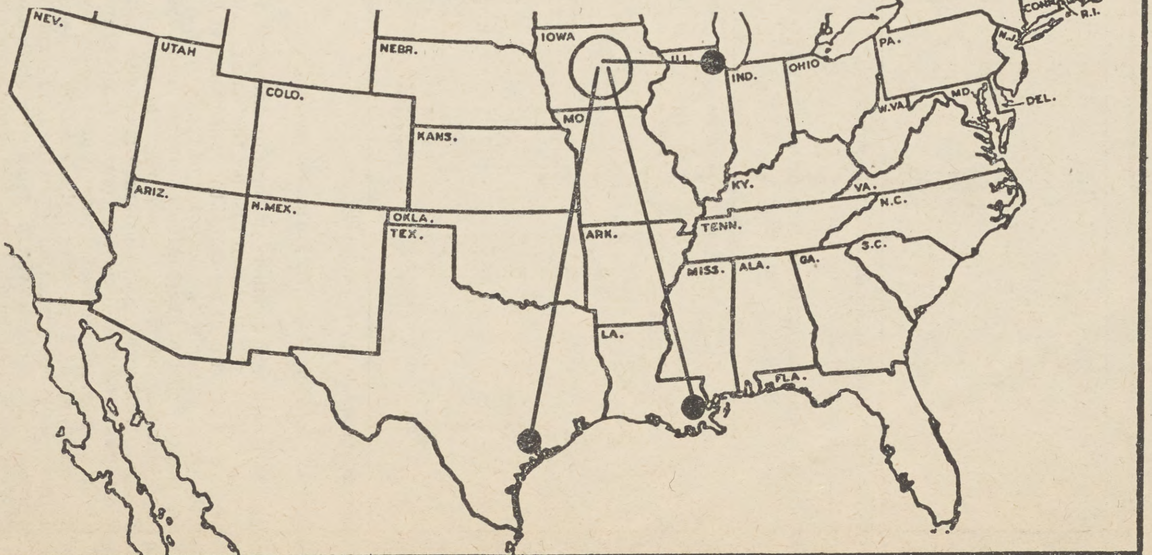
* In cents per 100 pounds

APPENDIX I

CORN AND SOYBEANS

Average	Port of Houston, Tex.	Port of New Orleans, La.	Port of Chicago, Ill.
Docket 28300 Miles	1013	1005	268
First Class Rate	539*	535*	264*
Export Rate at Ex Parte 259 Level	35.6*	35.7*	17.8*
Per Cent of First Class Rate	6.6	6.7*	6.7

* In cents per 100 pounds



APPENDIX J.—TOTAL GRAIN RECEIPTS IN BUSHELS RECEIVED AT CHICAGO VIA WATER, RAIL, AND TRUCK, INCLUDING COMPOSITE TOTALS, FOR YEARS 1958–69 [1]

[In thousands of bushels]

Calendar years (1)	Total received via lake and seaways (2)	Total received via Illinois waterways (3)	Total received via railroads (4)	Total received via trucks (5)	Totals (6)
1969	1,546	13,273	97,955	81,510	194,284
1968	1,504	18,571	97,397	77,770	195,242
1967	1,385	27,143	90,042	68,146	186,716
1966	3,493	34,057	128,399	61,060	227,009
1965	3,464	46,989	133,339	63,338	247,130
1964	3,994	49,488	130,876	62,321	246,679
1963	4,922	39,551	149,013	51,389	244,875
1962	4,960	42,465	145,368	36,548	229,341
1961	7,509	36,657	131,549	21,941	197,656
1960	7,579	39,591	124,006	31,701	202,877
1959	11,481	51,295	119,037	31,044	212,857
1958	8,479	64,693	144,376	19,759	238,307

[1] All grains include wheat, corn, oats, rye, barley, and soybeans.

Source: Chicago Board of Trade annual statistics.

APPENDIX K.—GRAIN SHIPMENTS IN BUSHELS FROM CHICAGO, VIA LAKE AND SEAWAY FOR YEARS 1954–69

[000 bushels omitted]

Year (1)	Corn (2)	Soybeans (3)	Wheat (4)	Others (5)	Total all grains (6)
1969	62,073	19,801	2,978	376	85,228
1968	57,754	17,552	6,068	457	81,831
1967	38,073	16,454	8,681	469	63,677
1966	65,476	17,266	5,928	249	88,919
1965	73,038	19,625	14,361	128	107,152
1964	67,412	19,084	9,085	504	96,085
1963	56,238	16,348	7,901		80,487
1962	56,889	11,993	5,402	5,390	79,674
1961	31,099	8,202	4,975	178	44,454
1960	28,392	10,712	3,437	524	43,065
1959	30,366	12,198	3,414	3,376	49,354
1958	18,387	5,694	4,478	820	29,379
1957	10,827	7,469	2,777	64	21,137
1956	7,502	6,844	5,371	72	19,789
1955	2,761	4,071	2,873	2,151	11,856
1954	12,789	4,898	5,686	333	23,709

Source: Chicago Board of Trade Annual Statistics.

Statement of Hon. John A. Volpe, Secretary, Department of Transportation

Mr. Chairman and members of the Committee: I appreciate this opportunity to appear before you today to discuss the Saint Lawrence Seaway.

We in the Department recognize the importance of the Saint Lawrence Seaway and the Great Lakes to the economy of the Nation. A strong and viable Seaway is an essential part of the Nation's transportation system. For these reasons, it is important that we strive to encourage the growth of commerce on the Great Lakes and the Seaway, and encourage maximum utilization of the outstanding public works facilities along the course of the Seaway.

Unfortunately, the successful pursuit of these goals is threatened because some of the assumptions upon which the existing Seaway debt payment plan was established have not proven out over the long term. We therefore join with the Committee in its concern over the financal condition of the Seaway Corporation.

The statute which created the Seaway Corporation provides that tolls be calculated to cover, as nearly as practicable, all costs of operating and maintaining the facilities under the control of the Corporation. In adition, it requires that the tolls provide the Corporation sufficient revenues to repay its debt to the Treasury, including the interest thereon, by the end of a 50-year period ending in the year 2008.

The first ten years of operation of the Seaway were projected to be a development period during which revenues would not be sufficient to meet all of the annual financial requirements. The plan for the first five years was to meet all expenses of operation and maintenance, but not all of the interest expenses. However, it was projected that interest so deferred would be paid back by the end of 1967. By that time, annual revenues were forcast to be sufficient to provide for the payment of all operating expenses and all current interest on the debt, and payments on the principal of the debt were to begin.

Each year since the opening of the Seaway, the Corporation has, in fact, paid from revenue all of its normal operating and maintenance costs. In addition, it has returned over $36 million to the Treasury. However, revenues have not been adequate to meet the interest on that debt, and the over-all debt (including unpaid interest) has been growing each year until it has now reached nearly $156 million.

We believe that an increase in tolls on the Seaway would tend to discourage use of the waterway and, in turn, would be detrimental to the growth of the midwestern economy. Therefore, we oppose any increase in the present tolls on the Seaway. Having reached that plateau, we have had to face squarely the proposition that payment of interest on the Seaway debt as required by the statute simply renders impracticable adherence to the debt reduction plan originally established for the Seaway. Traffic forecasts indicate we eventually will experience a growth in cargo volume from the 41 million tons handled in 1969 to an annual level of 75 million tons. Despite that growth, major toll increases would be necessary to enable the Seaway Corporation to meet its debt repayment schedule. Therefore, we intend to submit to the Congress shortly legislation which terminates the requirement for the Corporation to pay interest on the Seaway debt. This includes unpaid interest which has accrued to date, and interest that would otherwise accrue on the balance of the debt over its remaining life.

We believe this is a reasonable approach to the financial dilemma facing the Seaway Corporation. While relieving the pressure for higher tolls and avoiding the adverse effects increased tolls would create, our proposal still calls for the repayment to the Treasury on schedule of the principal on the revenue bonds issued by the Corporation. Interest payments would terminate with the approximately $36 million that already have been paid over the last eleven years. The interest deferred through the end of 1969 which would be waived amounts to $22.4 million.

Financial forecasts necessarily are based on a number of assumptions. In this instance, these assumptions include traffic levels, toll levels, revenue divisions and future operating and maintenance expenses, all of which are subject to change. Our projections indicate that granting the Corporation relief from interest payments should permit the repayment of the bonded debt within the statutory period while holding the line on tolls.

I would like to compare for a moment our recommendation and the proposal the Committee has before it in thee form of S. 3137. The principal feature of S. 3137 is that it cancels all of the indebteedness of the Corporation to the Treasury, both principal and interest. Many of the goals of S. 3137 and the measure we are proposing are the same. Both bills recognize the impractical nature of the existing debt reduction plan, and both proposals are designed to avoid the necessity of imposing tolls which would discourage use of the Seaway and serve to the detriment of the economic growth of the area the Seaway serves. The proposal we are making, however, waives only the payment of that portion of the Seaway debt which it has become impracticable to pay. It maintains the requirement that the original debt incurred by the taxpayers in the consruction of the United States facilities be satisfied. We believe, as a mater of fiscal responsibility, any legislation to relieve the Corporation of any part of its financial burden should not go beyond the point necessary for the Corporation to meet this basic obligation.

In short, the proposal we are recommending would place the Seaway Corporation on a sound long-term financial footing, and it properly balances the worthwhile statutory goals of offering services at fair and equitable rates, encouraging increased utilization of the Seaway facilities, and effecting recovery of construction and operating costs.

In addition to the legislative proposal we have discussed, there are a number of other actions the Department is taking in an effort to increase traffic on the Seaway system, make more efficient the operations of the Seaway Corporaion, and improve the financial health of the Corporation.

I am pleased to announce that we have just awarded a research contract to The Manalytics Corporation of San Francisco for a twelve-month analysis of the economic feasibility of establishing a cargo feeder system to serve the Great Lakes. The objective of the study is to examine, in detail, a container-feeder service operating within the Lakes. Such a feeder system would collect carog and transport it to a central load point for consolidation into a larger carrier.

The study, which will be managed jointly by the Seaway Corporation and our Office for Policy and International Affairs, is in two phases. The first phase is ten weeks in duration and is intended to determine the overall feasibility of the concept. Given a positive assessment of feasibility, Phase II, system design and implementation, will be begun. The total cost of the study is estimated at $80,000.

To assure appropriate input to the study by non-Government interests, David Oberlin, our Seaway Administrator, has formed a review board to review and comment on the Phase I findings and to aid in the final design of Phase II, if that becomes necessary.

Another action we are undertaking stems from the hearings the Committee held on the Seaway earlier this year. This is the study of the effects of freight rates and services on the Saint Lawrence Seaway. The research to be conducted will include the identification of (1) those rates and services by the more significant connecting modes of transportation needed for the Seaway to perform its economic role effectively; (2) the roles of rival routes and ports, and their response to the Seaway's competition; and (3) criteria for assessing the reasonableness of the rates and services involved.

We believe this study is particularly important to the operation of the Seaway and to many of the commercial interests who use the waterway. We expect that the study will take about six months to complete.

The Corporation also plans to investigate ways in which the toll structure may be revised and improved. This investigation will evaluate the use of lockage charges as compared to present cargo tolls and their effect on the capacity of the system. It is conceivable that the results of this study might encourage the lowering of the level of some charges.

Finally, we intend to concentrate more fully upon the problem of extending the length of the Seaway season. The possibility of lengthening the season is of great interest to us because it would result in more effective use of our facilities, better utilization by vessel owners of their fleets, a longer revenue-producing season for commercial interests, and extension of the period of employment for persons involved in Great Lakes maritime activities.

There are a number of efforts we are pursuing respecting the lengthening of the season. We are working on an agreement with power authorities to permit the early removal of ice booms. In addition, we are working on the modification of boom design to permit a longer navigation period. We are also looking into the possibility of modifying locks and gates to facilitate the disposal of ice coming into the locks from the channels. Finally, the Seaway Corporation and the Coast Guard are working with various Great Lakes interests in putting together a pilot project to permit the winter navigation of vessels.

In conclusion, Mr. Chairman, we are confident that freed of the burden of the annual interest payments now required by statute, the Development Corporation will be able to effectively develop and promote the movement of cargo through the Saint Lawrence Seaway and the Great Lakes and return to the Treasury the capital costs incurred in constructing the facilities operated by the Corporation.

Mr. Chairman, that concludes my prepared statement. Now I would be happy to answer any questions the Committe may have.

North Atlantic Ports Association, Inc.,
August 6, 1970.

Mr. Emmanuel Rouvelas,
Senate Office Building,
Washington, D.C.

Dear Mr. Rouvelas: Enclosed please find a copy of a statement which the North Atlantic Ports Association proposes to submit to the Special Subcommittee To Study Transportation on the Great Lakes Seaway at the hearing on August 11, 1970.

Further, it would be appreciated if the Committee would allow the Association to present the paper at the hearing itself. Fifty additional copies will be available at that time.

As President of the North Atlantic Ports Association, I will represent the Association at the hearing.

Regards,

W. GREGORY HALPIN, *President.*

STATEMENT ON S. 3137 TO THE SPECIAL SUBCOMMITTEE OF THE SENATE COMMERCE COMMITTEE BY THE NORTH ATLANTIC PORTS ASSOCIATION, INC.

The North Atlantic Ports Association is appreciative of the opportunity to submit its views on S. 3137.

The Association, established in 1949, is a regional organization of more than 110 maritime oriented firms and organizations, both public and private, serving the North Atlantic range of ports extending from Maine to Virginia. Although the members of the Association are in friendly competition with one another, they form a common front on matters of mutual concern. The St. Lawrence Seaway is very definitely a matter of mutual concern.

For almost twenty years the North Átlantic Ports Association has taken an active interest in the St. Lawrence Seaway because of the strong competition which exists between the Seaway and the range of North Atlantic ports. Over the years, we have testified at a wide range of hearings underscoring the fundamental truth that the Seaway was authorized only on the basis that it be self-supporting and that the tools should be maintained at a level to make this possible.

Time and again varied plans, programs and schemes have been advanced that would, in effect, violate the pledge of the Congress to the people—namely, the Seaway must pay its way.

And now S. 3137.

S. 3137 would cancel all outstanding Seaway indebtedness to the U.S. Treasury.

But the main purpose of S. 3137 is, quite simply, to preclude any possibility of any increase in the tolls charged by the St. Lawrence Seaway. When Senator Mondale introduced S. 3137 last November, he made the following statement: "I wish it were possible for the U.S. Congress to require that Seaway tolls be substantially reduced and, eventually, eliminated. But we own only two of the seven locks. Accordingly, I will merely state at this time the objective of the sponsors that everything will be done by the United States to prevent any toll increase and to move as rapidly as possible toward reduction in tolls."

The adequacy of the existing schedule of tolls and charges to meet the Seaway's basic obligations has long been in question. It has been obvious that under the present schedule, the Seaway's revenues are not and will not be sufficient to meet the annual requirements for debt service and the operating and maintenance costs of the St. Lawrence Seaway Development Corporation and the St. Lawrence Seaway Authority. The fact that the toll structure is once more to be reconsidered later this year has led Seaway advocates to mount an intensive campaign to change the capital structure of the Development Corporation in order to preclude any possibility of a toll increase. S. 3137 is designed specifically to attain that tainted goal.

As everyone knows, the Seaway navigation has a long legislative history. Time after time, it was proposed to Congress, but without success. The plain fact is that, until the tolls feature was added, there was absolutely no prospect of authorization. In 1954, however, the Congress and President agreed that there was sufficient economic justification for the Seaway project to warrant the imposition of user charges and that on the basis of volume forecasts it could be a self-supporting and non-subsidized facility over a 50-year period. With this fundamental addition to the proposed legislation introduced by Senator Wiley of Wisconsin and Representative Dondero of Michigan, and supported by the Seaway's own advocates, the project was authorized. The record on this score is absolutely clear.

In 1958, the original structure of tolls and charges was established on the basis of a series of assumptions concerning the cost of construction, interest for funds expended, operation and maintenance charges, and annual volumes which would transit the Seaway, sufficient to amortize the total investment over a period of 50 years. It was assumed, for example, that the capacity of the Seaway was 50 million tons per year and that between 1959, when the Seaway was to be opened, and 1968, the annual volume would increase progressively to the estimated capacity. From 10% to 12% of the traffic would be general cargo, with the balance consisting of bulk commodities. Also, it was assumed that annual operation and maintenance expenses would reach $1,450,000 in 1960 and then, incredible as it may seem, were forecast to remain constant at that level throughout the 50-year period of amortization.

When the St. Lawrence Seaway legislation was enacted in 1954, it was assumed that the United States' share of construction costs specifically applicable to navigation would be $105 million, and an issue of bonds up to that amount was authorized. Subsequently, in 1957, the bond authorization was increased to $140 million. The record indicates that as of December 31, 1968, there were $129.1 million in outstanding bonds. To this, however, must be added the amount of deferred interest incurred as a result of lower revenues and higher operating and maintenance costs than were originally projected, and the additional costs for rehabilitation of the Eisenhower and Snell locks. These total $19.4 million. When these are included, the sum total of debt outstanding as of December 31, 1968 stood at $148.3 million.

Table 1 presents a comparative statement of the cargo volumes which were projected by Seaway authorities and on which the financial program of the Seaway was based, and the volumes which actually moved through the Seaway from 1959 through 1969.

In only one year since the Seaway's opening has the actual volume equalled the volume originally projected. (See Table No. 1). The annual deficit has ranged as high as 31%. For the full 11-year period since opening, the total volume of 385.8 million tons handled by the Seaway is some 67.2 million tons below the original estimate of 453 million tons. This is equivalent to a 15% deficiency.

Total Seaway revenue accruing to the United States for the years 1959–1968 amounted to $49,874,610. (See Table No. 2), This is in sharp contrast to the pre-opening estimate of revenue of $61,169,880 for the same period. The deficit for the United States in this period was $11,295,270 or 18% less in income than was originally programmed.

The fact that revenues have been lower than anticipated is partly responsible for the continuing increase in deferred interest payments. As originally projected, it would be necessary to defer some interest payments on outstanding debt between 1959 and 1962, but beginning in 1963, a small start would be made towards repayment. The Federal Budget for 1970, however, indicates that it will now be necessary to continue deferring such payments until at least through next year, which is 10 years beyond the date originally assumed.

Examination of the record to date reveals that the Seaway Corporation's financial program has fallen far short of its original goals primarily because many of the assumptions on which the program was based have been invalidated by actual experience. As already indicated, tonnages have lagged behind expectations so that even if all other assumptions had proved out, revenues would necessarily have fallen behind and a larger amount of interest deferred. The fact is, however, that the other assumptions have not proved out.

There is crucial fallacy in one of the basic assumptions on which the entire program is predicated. This is that annual operation and maintenance expenses would reach $1,450,000 in 1960 and then remain constant for the ensuing 49 years. This assumption was completely unreasonable at the beginning and is now indefensible as shown by actual experience. (See Table #3)

It will be noted that operation and maintenance expenses have climbed continuously since 1959, the increases ranging from 3% to 29% over each preceding year. The 1968 figure of $2,089,000 is already 44% higher than the maximum figure of $1,450,000 assumed in the year 2008!

Experience to date demonstrates conclusively that without substantial revision of the basic assumptions on which its financial program is based, the Seaway cannot ever hope to meet the mandate that it be self-supporting and self-amortizing. Re-examination of the original assumptions and development of more realistic ones is therefore in order.

Recasting of the basic assumptions, however, is viewed as an unpleasant and undesirable requirement by Seaway advocates. It would require them to provide more realistic estimates of Seaway capacity, Seaway volumes, current and future cost of Government borrowing, trends in ship capacity and cargo handling techniques, Seaway operating and maintenance costs and Seaway revenue. What they view with greatest distaste is the probable conclusion, based on actual experience, that future Seaway revenues will not be sufficient to meet its financial requirements and that, as a result, tolls will have to be increased. This is at the heart of the matter, S. 3137, as stated by Senator Mondale, is designed specifically to prevent just such a probability from coming to pass.

In 1966, both the United States and Canadian Seaway agencies held public hearings, as required by law, on the question of revising the toll schedule. Despite the fact that both national agencies recognized the need for an increase in tolls and, in fact, recommended a 10% increase, the United States Government, under strong pressure from Midwest interests, decided to continue the toll structure for another four years. Later this year, therefore, the toll question is scheduled to be re-examined.

The Canadian Government was unhappy with the 1966 decision, but had no choice but to accept it. In this context, two points must be noted. First, it must be realized that increasing Seaway deficits are much more serious to the Canadian Government because its investment in the Seaway is more than three times as large as that of the United States. Second, since proposals to change the toll schedule must be agreed to by both governments, each government, in effect, has an absolute veto over any changes in the toll schedule. This is, of course, exactly what did happen in 1966.

S. 3137 provides for the cancellation of all indebtedness of the St. Lawrence Seaway Development Corporation incurred prior to the enactment of the proposed legislation, and for subsequent payment to the Treasury of the United States of all revenues of the Corporation which are "in excess of those needed for operating and maintaining the works under the administration of the Corporation, including administrative costs and payments in lieu of taxes." The bonds now outstanding, all held by the Treasury, would be absorbed by the Treasury and eliminated as a debit item from all accounts of the Seaway Development Corporation. Cancellation of the debt of the Seaway Corporation would, of course, eliminate the need for any repayment of the present debt. This would automatically wipe out the financial pressures on the Corporation and reduce or eliminate any need to increase tolls.

The proposed legislation has another provision which provides "that for the purpose of any such negitations for the division of any tolls due consideration shall be given to the total investment of the United States in the Seaway project." This provision is apparently a reaction to the action taken in 1966 when the then U.S. 29/71% Canadian ratio was revised to the present 27/73% ratio to meet the Canadian request for an additional share of the total revenue concurrent with the agreement to maintain the tolls schedule without change for an additional four years. The effect of this revision was to reduce the funds available to the Development Corporation in subsequent years.

The proposed legislation, however, provides that, in the future, any and all negotiations concerning the division of revenues shall take into account the total investment of the United States in the project. Thus, even though the costs of investment would be eliminated from any and all accounting in the Development Corporation's financial structure, the cost of investment would, nevertheless, have to be taken into account in any negotiations for the division of revenues. If I may, I would suggest that this is a classic example of having your cake and eating it a the same time.

Enactment of the proposed legislation would, for all practical purposes, make academic the question of reviewing the toll structure later this year. By providing for cancellation of the Corporation's indebtedness, it would automatically reduce the need to raise additional revenue. This would constitute a direct repudiation of those who originally supported construction of the Saint Lawrence Seawy on the basis that it would be self-supporting, and that the full indebtedness would be amortized over a period of 50 years.

We suggest that S. 3137 cancels the vows made by Congress to the people in establishing the St. Lawrence Seaway. We suggest that cancellation of the Seaway's outstanding debt violates a public trust.

We urge, instead, a realistic assumption of responsibilities on behalf of the Seaway and a revision of the toll schedule to enable the Seaway to meet its financial requirements.

We believe we have demonstrated that since its opening, the Seaway has encountered many problems and difficulties. We cannot see how these problems can be resolved by legislatively sweeping them under the national rug. It would, we suggest, be far better to sweep S. 3137 under the rug.

TABLE 1.—ST. LAWRENCE SEAWAY CARGO VOLUMES, TONS 1959–69

Year	Estimated	Actual	Difference between actual and estimated	
			Amount	Percent
1959	25,000,000	20,593,100	−4,406,900	−18
1960	29,000,000	20,310,300	−8,689,700	−30
1961	33,000,000	23,417,700	−9,582,300	−29
1962	37,000,000	25,593,600	−11,406,400	−31
1963	41,000,000	30,942,800	−10,057,200	−25
1964	44,000,000	39,309,000	−4,691,000	−11
1965	47,000,000	43,382,900	−3,617,100	−8
1966	48,000,000	49,249,000	+1,249,000	+3
1967	49,000,000	44,029,000	−4,971,000	−10
1968	50,000,000	47,954,000	−2,046,000	−4
1969	50,000,000	41,000,000	−9,000,000	−18
Total	453,000,000	385,781,400	−67,218,600	−15

TABLE 2.—ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION REVENUE 1959–64

Year	Estimated	Actual	Difference between actual and estimated	
			Amount	Percent
1959	$3,799,000	$3,204,494	−$594,506	−16
1960	4,406,840	3,115,040	−1,291,800	−29
1961	5,014,680	3,407,461	−1,607,219	−32
1962	5,622,520	3,700,259	−1,922,261	−34
1963	6,230,360	4,443,683	−1,786,677	−29
1964	6,686,240	5,591,401	−1,094,839	−16
1965	7,142,120	6,371,814	−770,306	−11
1966	7,294,080	7,114,885	−179,195	−2
1967	7,446,040	6,109,607	−1,336,433	−18
1968	7,528,000	6,815,966	−712,034	−9
Total	61,169,880	49,874,610	−11,295,270	−18

TABLE 3.—ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION OPERATION AND MAINTENANCE COSTS, 1959–65

Year	Estimated	Actual	Percent increase over previous years	Difference between actual and estimated	
				Amount	Percent
1959	$1,085,000	$951,233		−$133,767	−12
1960	1,450,000	1,224,900	29	−225,100	−15
1961	1,450,000	1,308,995	7	−141,005	−10
1962	1,450,000	1,455,472	11	+5,472	−0
1963	1,450,000	1,500,572	3	+50,572	+4
1964	1,450,000	1,651,344	10	+201,344	+14
1965	1,450,000	1,765,748	7	+315,748	+22
1966	1,450,000	1,883,251	7	+433,251	+30
1967	1,450,000	1,995,498	6	+545,498	+38
1968	1,450,000	2,089,976	5	+639,976	+44

STATEMENT OF J. I. FINSNESS, ATTORNEY, ON BEHALF OF THE STATE WHEAT COMMISSION, STATE OF NORTH DAKOTA

My name is John I. Finsness, and I am attorney for the State Wheat Commission, State of North Dakota. The State Wheat Commission is a creation of the state government and is financed by a levy upon the producer of wheat of two mills per bushel sold in commercial channels.

The Wheat Commission is engaged in the promotion of wheat grown in North Dakota, particularly hard red spring wheat and durum. It seeks to develop both foreign and domestic markets for the sale of wheat and to improve in all ways possible the economic return to the producer of these crops. The cost of transportation whether assumed by the producer to terminal domestic markets or as reflected in the laid down price at foreign destinations, has a significant bearing upon the sale of wheat and upon net returns to the farmer.

North Dakota is a landlocked state far removed from ocean ports. The advent of the Seaway placed the state from 250 to 600 miles distant from water transportation. It created a competitive surface transportation system because truck transportation of grain in large quantities became economically feasible.

Competition between railroads and trucks on the movement to Duluth for overseas destinations resulted in railroad freight rate reductions with an estimated three and one half million dollar saving per year to the producer. Substantial railroad rate reductions on grain from Chicago to the eastern seaboard to meet the competition of ships out of Duluth also resulted upon completion of the Seaway.

There is no reason to believe that these reductions would have occurred without the building of the Seaway, and there is no reason to believe that the reductions would remain in effect if the Seaway ceases to be a competitive force either because of physical limitations or because of the level of the tolls for its use.

All waterways of the United States, many of them built and maintained at huge cost, are available free to the shipping public. These waterways benefit commercial enterprises making use of them and benefit industrial enterprises located upon them in a variety of ways, one of which is a transportation mode competitive to the railroads with the expected influence upon rail rates. These waterways offer attractive locations for large industry, contribute to a concentration of industry and population and militate against hinterland efforts at decentralization.

The Seaway is the exception to the concept of the free use of waterways. The Seaway was built only after years of effort by inland states and really only after Canada served notice it would build it alone unless U.S. cooperation were forthcoming. Tolls for the use of the Seaway in order to pay costs of its construction contrasted to free access to U.S. ocean ports has an effect upon the number of ships willing to call at inland ports. The level of the toll can destroy the Seaway as surely as a hydrogen bomb dropped on a strategic lock.

Destruction of the Seaway, however arranged, would have a direct and immediate adverse effect upon the already hard pressed North Dakota farmer. This would also be true as to Minnesota, South Dakota and Montana farmers. It would contribute to higher priced wheat and declining foreign markets.

To the extent that wheat is sold for cash in foreign markets it makes a significant contribution to the perennial U.S. balance of payment problems. Agriculture has demonstrated an amazing increase in efficiency in production in the face of declining profits whereas the outlook for U.S. industrial production is for higher prices, decreased foreign sales and worsened balance of payment ratios. The next development, unfortunately, will be increased tariffs against importations into this country (textiles), retaliatory actions by foreign countries, further trade imbalances with even less confidence in the dollar. The U.S. has now considerably more foreign debt than it has gold.

Most of the United States has reasonable access to free water transportation.

The Seaway is a necessity to provide water transportation to the Upper Great Plains States.

Tolls must remain reasonable, indeed they should be eliminated, if the Seaway is to attract ships to utilize it.

Tolls high enough for maintenance and to retire the debt will destroy the Seaway and cause great economic loss to tributary farmers by reason of increased transportation costs not only to foreign markets but into domestic terminals as well by destroying truck competition and giving to the railroads a monopoly in the transportation of grain to east coast ports.

Existing competition between truck or rail to Duluth and ship beyond and truck and rail to the Mississippi River, barge to New Orleans and ship beyond will also be destroyed.

Eastern railroads, east coast ports, gulf coast ports, and existing barge interests have always been adamant foes of the Seaway, not because of any concern for the welfare of the country but to selfishly channel the flow of commerce to their own self interest. Midwest farmers helped pay for what amounts to the digging of a big ditch in the Mississippi channel from St. Louis to Minneapolis as well as for the improvement of countless other waterways far removed from the plains of North Dakota providing users with toll free waterways. The Great Lakes and the Seaway are natural resources of inestimable value to the country which should be fully exploited as are other waterways, that is toll free.

Fifty million bushels of grain moved through lake ports in the 1968–1969 crop year. This is cash grain of a value of one hundred million dollars, a valuable aid in the balance of payments problem.

The land locked states in the deep interior of the country need water transportation more desperately than regions closer to continental shores, and they need it on the same basis which is toll free, and for the above reasons the North Dakota State Wheat Commission supports S.B. 3137.

STATEMENT OF WILLIAM J. HULL, SECRETARY, NATIONAL WATERWAYS CONFERENCE, INC., WASHINGTON, D.C.

Mr. Chairman and members of the subcommittee: My name is William J. Hull, and I am Secretary of the National Waterways Conference, Inc., with headquarters at 1130 17th Street, Northwest, in Washington, D.C. I would like to express my appreciation to the Subcommittee for giving our organization this opportunity to present our views on S. 3137, more commonly referred to as the Mondale Bill.

Founded 10 years ago, the National Waterways Conference, Inc., now has a membership of more than 500 businesses, industries and agencies, including firms which ship or receive products by water; shallow-draft and deep-draft water carriers; companies which build, repair, service or insure vessels; port authorities operating ports on the inland rivers, Atlantic, Gulf and Pacific Coasts as well as the Great Lakes; water resource development associations; industrial development agencies; farm groups; state water boards; financial institutions; chambers of commerce, and others having an interest in the American waterways system. It is the Conference's purpose to encourage a better public understanding of the significant contribution which low-cost water transportation makes to the American economy and to the fulfillment of national policy objectives. In pursuit of this objective, the Conference opposes any increase in tolls on the St. Lawrence Seaway and the introduction of waterway tolls or "user charges" in any form on the U.S. inland waterway system.

Since the Nation's earliest origins, public policy has specifically prohibited the collection of tolls or user charges on inland rivers and waterways. This policy has been reaffirmed on numerous occasions, both by Congress and by international treaties. Over the years, the policy of toll-free waterways improved and maintained as a sovereign responsibility of the Federal government has served a wide variety of basic public purposes: unification of the Country, the furtherance of westward expansion, the defeat of sectionalism with its internal trade barriers and discriminatory impositions upon commerce, and the provision of low-cost transportation adequate to the needs of a growing economy—both directly and also as a restraint on the rates charged by competing overland transport modes which often were so exorbitant as to obstruct economic development of countless communities and whole regions.[1] Waterways improvements without toll or tax have been effectively used in stimulating the development of interior regions of the Nation, in strengthening the farm economy through cheaper distribution, in encouraging industrial dispersion away from the seacoasts, and in otherwise helping to promote a better rural-urban balance.

This brings us to the issue of tolls on the St. Lawrence Seaway. Our organization is opposed, without qualification, to any increase in Seaway tolls. We look forward to the day when Seaway tolls are completely removed and this vital waterway becomes—as are the Nation's inland and coastal waters—free of all tolls, lockage fees, and other such charges. We respect the fact that the Seaway is an international channel and—like the Panama Canal—its tolls are no precedent for breaking the tradition of toll-free use of domestic waterways. We also respect the fact that the Congress provided for tolls to liquidate construction, operation and maintenance costs when the Seaway project was approved. I would like to point out that the House Public Works Committee, in favorably reporting the Seaway legislation, said in House Report 1215, 83rd Congress, Second Session (1954):

"In approving the imposition of tolls as part of this project, the Committee wants it expressly understood that by such action it is not digressing from the firm and long-standing toll-free policy established with respect to inland waterways. The approval herein given is not intended to be interpreted as a precedent varying the toll-free policy since this project, being international, is clearly distinguishable from purely inland waterway facilities in the United States."

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[1] See "The Origin and Development of the Waterways Policy of the United States," National Waterways Conference, Inc., 79 pp., 1967.

The Conference enthusiastically supports this Subcommittee's efforts to head off any increase in Seaway tolls, and we respectfully urge that you push forward toward the ultimate elimination of all tolls, fees, or other levies on the Great Lakes-St. Lawrence Seaway system.

As indicated earlier, while the National Waterways Conference, Inc., has many members from the Great Lakes area, our membership is composed principally of businesses and industries in America's great river cities—such as Pittsburgh, St. Louis, and New Orleans—or companies having a direct interest in the Mississippi, Ohio, Tennessee, Missouri, Arkansas and Columbia River Valleys, among others, as well as firms located all along the Atlantic, Gulf of Mexico, and Pacific Coasts. It should not be surprising, however, that the Conference and its inland waterway supporters have been taking an increasingly active role in the fight against higher Seaway tolls. The Great Lakes and the inland waterways have a strong mutuality of interest on this subject. Much of the Great Lakes traffic originates on the inland waterways or is consigned to destinations on the inland system. A restrictive tolls regime on the Great Lakes-St. Lawrence Seaway system, therefore, has severely adverse affects on inland waterway commerce and industry as interchanges of coal and iron ore graphically illustrate.

Despite this policy statement, the National Waterways Conference, Inc., considers St. Lawrence Seaway tolls as a threat to continued toll-free policy on inland waterways. This view is not without foundation. The Second Hoover Commission, for example, stated, "There is no distinguishing fact, theory or principle to support user charges for the Panama Canal and on the St. Lawrence Seaway which does not equally support user charges for inland waterways." [2] In a recent study for the Upper Great Lakes Regional Commission, Prof. John L. Hazard of Michigan State University observed that the Seaway "tends to be regarded as an experiment to prove waterway projects' capacity for early self-liquidation in advance of a uniform national policy."

For many years, the National Waterways Conference—whose membership is mainly composed of firms located along the Mississippi River system and on the Gulf Coast—has specifically opposed any increase in Seaway tolls and, in addition, has been working for the elimination of all tolls on the Seaway. The Conference's position in regard to the Seaway is as follows:

"The National Waterways Conference (1) while noting the provisions in the legislation authorizing the St. Lawrence Seaway for payment of costs thereof through tolls, directs attention to the report of the Public Works Committee of the House of Representatives on such legislation to the effect that provision for tolls on the Seaway, being an international waterway, should not constitute a precedent for tolls on domestic waterways; (2) opposes any increases or extensions of tolls on said Seaway and reaffirms its unalterable opposition to tolls or user charges in any form or any amount on the Great Lakes, inland waterways, harbors or other domestic waterways of the United States; and (3) condemns as improper and contrary to the clear intention of Congress any attempt to utilize toll provisions for international waterways as a precedent for such imposition on domestic waterways of the United States." [3]

Events since this policy statement was adopted by the Conference in 1966 certainly have not changed the Conference's position. In fact, the deleterious effects of tolls have been compounded since that time, placing the Seaway in a financial straitjacket that threatens the future vitality of the Great Lakes-St. Lawrence Seaway transportation system.

The Conference would thus like to applaud the author and co-sponsors of the Mondale bill and this subcommittee in particular for taking up legislation which could, in our view, be a first step toward the eventual elimination of Seaway tolls altogether. I should re-emphasize that the National Waterways Conference opposes waterway taxation in any shape or form. We believe the navigable waterways should be completely free, as our Founding Fathers intended.

But at the same time, we recognize that the immediate task at hand is the prevention of an increase in Seaway tolls, because if tolls are raised after the 1970 shipping season their eventual elimination will become even more difficult. We also recognize the need to establish some mechanism through which the financial burdens of the Seaway can be alleviated—thus leading to a reduction and finally to removal of these discriminatory taxes.

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[2] "Water Resources and Power," Vol. 1, Commission on Organization of the Executive Branch of the Government, June 1955.

[3] Resolution of the Executive Committee, National Waterways Conference, Inc., at meeting held in Little Rock, Arkansas, November 10, 1966.

Moreover, as the Subcommittee is doubtless aware, proposals to levy user charges on shallow-draft inland waterway commerce have been repeatedly advanced in recent years. While these proposals would not directly apply to the Seaway, I am sure that Seaway proponents realize the seriousness of the situation. If user charges are ever imposed on the inland waterways—thus altering national waterways policy so as to require self-liquidation—it would be next to impossible to ever do anything about Seaway tolls. They would be here to stay. In short, the Seaway and inland waterway people are in this fight together.

Mr. Chairman and members of the Subcommittee, you may be assured that the National Waterways Conference, Inc., will continue its campaign against St. Lawrence Seaway tolls. We will not be satisfied until the tolls are removed completely. And when that time comes, I think we will see a new day dawning for the great mid-Continent of the United States.

Thank you.

Statement of Adm. Chester R. Bender, Commandant, U.S. Coast Guard, Department of Transportation

Recognizing the significant benefits which accrue to the country through extension of the revenue producing season for the industrial users of the Great Lakes, the Coast Guard, working with the U.S. Army Corps of Engineers and ESSA in the their respective fields of endeavor, has extended the shipping season from 7½ months in 1943 to 9½ months in 1970. The Coast Guard's contribution to this achievement has been in the fields of icebreaking, communications, navigational aids, and ship construction, and in insuring full operational usage of icebreaking ships by careful scheduling. The latter has been possible through the cooperative efforts of the industrial users and their shipping interests.

Examples of such cooperation are:

(a) *Fall Closing.* Icebreaking assistance is provided to ships from the first ice formation in December until the ice becomes too heavy for most commercial ships to penetrate, usually early to mid-January.

(b) *Mid-winter Operations.* "Operation Oil Can" provides icebreaking assistance to oil tankers carrying fuel from ports in lower Lake Michigan to communities on the shores of that lake. "Operation Coal Shovel" assists colliers operating between Detroit and Toledo.

(c) *Spring Opening.* When the ice begins to weaken in mid-March icebreaking concentrates in the upper lakes area (Straits of Mackinac, St. Mary's River, Whitefish Bay) until the ice dissipates sufficiently for commercial vessels to proceed unassisted. Then icebreaking is concentrated in eastern Lake Erie which is jammed with broken ice from other areas.

Records over the last four years indicate that through the existing icebreaking resources of the U.S. Coast Guard, Great Lakes shipping has been assisted as follows:

Fiscal year	Miles of track broken	Tons of cargo assisted
1967	[1] 5,000	[1] 525,000
1968	[1] 5,000	[1] 789,000
1969	5,939	2,939,418
1970	4,743	2,030,773

[1] Estimated.

Coast Guard icebreaking ships on the Great Lakes are currently operating at full capacity, and significant expansion of operations can not be expected without the introduction of additional equipment.

Coast Guard resources used for icebreaking on the Great Lakes include one large icebreaker (MACKINAW), six ice reinforced buoy tenders, and five ice reinforced harbor tugs. In addition, a polar icebreaker is sometimes assigned to assist in the spring opening of Buffalo, New York. Of the facilities dedicated fully to the Great Lakes only MACKINAW is capable of year round operation.

The Coast Guard performs domestic icebreaking under authority granted by Executive Order 7521 dated 21 December 1936. The Coast Guard initially provided icebreaking only in areas where navigation did not normally cease in the winter. This policy has been expanded to include any area where it is shown to be beneficial to the public. On the Great Lakes, commercial ships are encouraged to proceed independently as much as possible, and are given icebreaker assistance when the ice is too heavy for them to penetrate unaided.

In the area of research and development, the many years of Coast Guard experience in icebreaking are being brought to bear on the goal of year-round navigation on the Great Lakes. In addition to the practical operational experience of many ex-icebreaker captains, Coast Guard engineers have just designed, and plan to build what we expect will be the most capable icebreaker in the world. This is all applicable to the problems of icebreaking on the Great Lakes. In fact, much of the experimental background work for the large icebreaker design was achieved on the Great Lakes. Full scale experiments with the Canadian "Alexbow" were conducted in 1967. The Coast Guard Cutter RARITAN, a 110′ Harbor tug with good icebreaking capability was fully instrumented for power and resistance tests.

Current research efforts are directed towards development of a more efficient means to break and clear a channel in lake ice. Three innovative concepts are being engineered and will be evaluated in comparison with conventional icebreakers. The evaluation will be analytical, possibly incorporating some experimentation, and is scheduled for late this ('71) fiscal year. One concept is an explosive device employing high pressure gasses of combustion vented under ice; this concept has been developed into a prototype earth moving machine, Repetitive Explosive Device for Soil Displacement, for the Corps of Engineers. Another concept employs the technology of materials handling. The upward breaking bow, equipped with a fracture assist device, forces the broken ice onto a conveyor system which deposits the ice on top of the shore fast ice at the edge of the channel. The third concept employs ultra high pressure water cannons to fracture the ice and a carefully designed bow to force the ice under the shore fast ice at the edge of the channel.

Coast Guard R&D will continue to search for the most efficient method to break ice. It is possible that a large scale model or a prototype will be ready for testing on the lakes during the winter 1971–1972.

Plans for the immediate future include instrumentation of a commercial ship during the season extension this winter. This will be a joint effort with other agencies with the objective of obtaining ice loads for structural design and resistance information. In close concert Coast Guard ice parties will collect ice strength and other data. Also the Coast Guard will be participating in an ice central information system, a refinement of ESSA's Weather Bureau Ice Advisories.

The Coast Guard plans to determine the Aids to Navigation requirements for winter operation in the Great Lakes. The existing Loran-C coverage will be verified and evaluated in its ability to meet the users' requirements. An experimental system, differential Omega, will be tested to validate the principle upon which it is based and to compare it with Loran-C. Preliminary experiments using hydroacoustic techniques and underwater (under ice) buoys are also planned for this winter.

Research with possibilities for payoff further in the future will be continued by the Coast Guard. New ideas will be searched out and evaluated. Prototypes of promising concepts will be built for evaluation in the actual ice in the Great Lakes. The Coast Guard will work with the Corps of Engineers and other agencies in Action Plans and Studies to determine the economic feasibility of Year Round Navigation on the Great Lakes. The environment will be studied both to determine its effect on winter navigation and the effects of winter navigation on it.

All of these projects are part of the Coast Guard R&D plan to support Year Round Navigation on the Great Lakes.

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