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HAWAII PUBLIC INTEREST PROTECTION ACT OF 1971

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HEARINGS

BEFORE THE

MERCHANT MARINE SUBCOMMITTEE

OF THE

COMMITTEE ON COMMERCE

UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

S. 2836

TO PROVIDE MORE EFFECTIVE MEANS FOR PROTECTING THE PUBLIC INTEREST, HEALTH, AND SAFETY OF THE PEOPLE OF THE STATE OF HAWAII DURING STRIKES, LOCKOUTS, OR OTHER FORMS OF LABOR STRIFE OR DISCORD IN EITHER THE MARITIME OR LONGSHORE INDUSTRY, OR BOTH INDUSTRIES, WHICH OBSTRUCT OR CLOSE THE MAJOR SEAPORTS OF EITHER THE STATE OF HAWAII OR OF THE WEST COAST OF THE UNITED STATES, THEREBY DISRUPTING THE NORMAL FLOW OF MARITIME INTERSTATE COMMERCE BY MEANS OF SURFACE WATER TRANSPORTATION BOTH TO AND FROM THE STATE OF HAWAII

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HAWAII PUBLIC INTEREST PROTECTION ACT OF 1971

TUESDAY, JANUARY 18, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
MERCHANT MARINE SUBCOMMITTEE,
Honolulu, Hawaii.

The subcommittee met at 10 a.m. in the Pacific Ballroom, Ilikai Hotel, Hon. Daniel K. Inouye presiding.

Present: Senators Inouye and Stevens.

OPENING STATEMENT BY SENATOR INOUYE

Senator INOUYE. The hearing will come to order.

On July 1, 1971, the west coast locals of the ILWU went out on strike, bringing to a halt all ocean-borne transportation between Hawaii and the west coast mainland ports. On October 1, 1971, the ILA went on strike at the east coast and gulf ports, bringing to a total halt all ocean-going shipping between the mainland United States and Hawaii. On October 4th, the President of the United States appointed a board of inquiry to report its findings on the emergency nature of the west coast dispute. On October 9th, the west coast locals and the Pacific Maritime Association were ordered back to work, but because of continuing disputes full operation did not commence. On October 30th, the PMA and the ILWU were ordered to return to a full and normal operation of the west coast docks. On November 4th, both parties were held in contempt of court and warned of a $25,000-per-day fine on each party if they failed to resume normal operations forthwith. On December 25th, a discharge of the 80-day injunction or cooling-off period was filed, and the ILWU announced that they would continue to operate through the holiday period. Subsequently, the ILWU announced that they would continue operations first to January 10th, and then to yesterday, January 17th, of this year. Yesterday we had a resumption of the strike at west coast ports.

This is not the first labor dispute which has interrupted the free flow of commerce between the west coast and Hawaii. There have been others.

The most ruinous to date was the 1949 strike, which lasted some 6 months. As a consequence, unemployment rose to more than 15 percent and retail trade dropped off by 12½ percent from the preceding year, while the consumer price index rose by 3 percent at a time when it was declining nationally.

In 1952 we had a 63-day Pacific Maritime strike which cost the Hawaii sugar industry alone an estimated $1,785,000. And there have

Staff member assigned to these hearings: Emanuel Rouvelas.

been others. I wish to introduce into the record of the hearings at this point a list of more than 20 work stoppages which have interrupted shipping between the west coast and Hawaii since 1946, and the number of days in each case.

(The list follows:)

STRIKES INTERRUPTING SHIPPING BETWEEN HAWAII AND THE WEST COAST

Employer, union and/or occupation group involved	Beginning date	Days duration
1. Consolidated Steamship Co., Port Huenene, Calif.	Jan. 2, 1946	16
2. Employers' Association of the Pacific Longshoremen, Los Angeles, Calif.	June 17, 1946	2
3. Waterfront Employers' Association, Los Angeles, Long Beach, Calif.	July 12, 1946	2
4. Waterfront Employers' Association, Longshoremen, Seattle, Wash.	July 15, 1946	1
5. Waterfront Employers' Association, San Francisco, Los Angeles, Long Beach, Calif.	Aug. 1, 1946	1
6. Maritime strike, nationwide	Sept. 5, 1946	16
7. Maritime strike, 21 States	Oct. 1, 1946	54
8. Waterfront Employers' Association, longshore and checkers, Puget Sound area	Nov. 23, 1946	17
9. Maritime strike, 12 States	June 16, 1947	4
10. Alaska Steamship Co., Seattle, Wash.	Aug. 11, 1947	10
11. Waterfront Employers' Association, Los Angeles, Long Beach, Calif.	Oct. 1, 1947	7
12. Waterfront Employers' Association, Stevedores, San Francisco, Calif.	Nov. 7, 1947	1
13. Waterfront Employers' Association, and Pacific Shipowners' Association, and Shipowners' Association of the Pacific, ILWU, MEBA, NUMCS, ARA, Pacific Coast MROW Association.	Sept 2, 1948	96
14. Castle & Cooke Terminals; McCabe, Hamilton & Renny; Hilo Trans., and Terminal; Kahului RR.; Kauai Terminals; Mahukona Terminals [Hawaii], ILWU.	May 1, 1949	177
15. Pacific Maritime Association, American Radio Association	June 16, 1951	10
16. Pacific Maritime Association, Sailors Union of the Pacific	May 27, 1952	63
17. Pacific Maritime Association, American Radio Association	July 28, 1952	4
18. Pacific Maritime Association, Sailors Union of the Pacific	Nov. 5, 1952	6
19. Pacific Maritime Association, American Radio Association	Dec. 2, 1954	6
20. Pacific Maritime Association (?), ILWU	June 6, 1955	1
21. Kauai Consolidated; Kawaihae Terminals; McCabe, Hamilton & Renny (Maui); Castle & Cooke Terminals [Hawaii], ILWU.	Feb. 14, 1967	1-4
22. Pacific Maritime Association, ILWU	Nov. 17, 1969	35
23. Pacific Maritime Association, ILWU	July 1, 1971	----

Senator INOUYE. It is difficult to assess the exact cost of these work stoppages. One of the purposes of these hearings is to provide an opportunity to take testimony concerning the magnitude of that cost and the form such injury has taken in the case of the most recent shipping stoppage. While there will be an argument about the degree of damage, I think that all will agree that damage has occurred.

If we are to react intelligently and legislate responsibly, then it is our first duty to gather the facts. I am hopeful these hearings will, therefore, provide an opportunity to ascertain such factual information.

A number of measures have been introduced into the United States Congress dealing with emergency labor-management disputes, particularly in the transportation industries. Many deal only with railroads and airlines.

Included in that number is S. 560, the Administration proposal, which makes available one of a number of options to the President in dealing with emergency transportation disputes which continue beyond the 80-day Taft-Hartley injunction period. Also included is S. 2959, the measure introduced by Senator Taft and co-sponsored by my colleague, Senator Hiram Fong. I believe that he may have some further comments on that measure this morning.

I also wish to mention S. 594, which provides a number of tools to the President, including seizure and partial operation, mediation, and finally arbitration of disputes in any industry affecting commerce.

There are others. None, however, deals uniquely with our Hawaii problem except S. 2836, the measure which is the object of these

hearings. These are, therefore, the first hearings held by the Congress on the impact of such work stoppages on the people of Hawaii.

Like all who have introduced legislation in the past, I am aware that there is no perfect bill. I recognize that this measure, S. 2836, is not a perfect instrument. I know that some will find fault with it, and I have already discussed some changes with Governor Burns and Attorney General Pai.

There will be others brought out in the course of these hearings. Objections will be raised, and I think I can anticipate some of these.

First, there is the requirement of the "Congressional Findings of Fact." However, as most of us are aware, we have several measures which have been based on "Congressional Findings of Fact," most recently the Water Pollution Control Act. I am aware that before Congress will act, my colleagues will have to be convinced that the facts support the action provided for by this measure. The "Congressional Findings of Fact" procedure is employed in a number of statutory provisions now on the books, including the National Labof Relations Act of 1935, The Public Utility Holding Company Act or 1935, and The War Contracts Negotiation Act of 1942, among others.

Second, there is the reluctance of the Executive to be mandated to act. I realize the President, like any chief executive, does not like to be directed to act. He prefers discretionary power. Such discretionary power is probably the weakest aspect of the present Taft-Hartley Act, however, for Hawaii's health and welfare thereby depends on the acceptance of the existence of a national state of emergency by a single individual. This objection poses the possibility of presidential veto, but we cannot perform our function as a legislative body if we are to constantly avoid certain courses of action because of the possibility of a veto. It is therefore proper that we proceed.

Third, this bill calls for government charter of ships not involved in the dispute. One cannot assume that such vessels will be readily available in sufficient numbers and to secure a sufficient volume of shipping capacity will be a time-consuming process. In addition, available container ships may not be readily adaptable to the West Coast containers. Some shipping requires special handling and special ships, for example, the transport of bulk sugar from Hawaii to the Mainland, or refrigerated or reefer cargo. The necessary American-built and American-flag vessels are in short supply at this time. Some suggest, therefore, that the measure be amended to permit the use of other than American bottoms. If this were done, lots of ships would be available, but I doubt that this measure would have any hope of seeing the light of day and securing passage in the United States Congress.

But there are sound principles behind the legislation which I have introduced. Over the years, both management and labor have developed organization and techniques which have permitted them to serve their primary interests—their members—more effectively. Each has evolved means by which it can continue a dispute with least damage to its members. As a consequence, while the dispute continues, the goods to be transported pile up on the docks and in warehouses for subsequent hauling in fully-laden ships, and with overtime pay for the workers involved. While this may be solace for the parties to the dispute, it ill serves the needs of the ultimate consumer or the many businessmen and working people who are inadvertent and innocent victims of the shipping stoppage.

There are those who will suggest my bill is anti-labor. I don't believe so, and I don't think that I have to take a back seat to anyone in Hawaii in my support for the working man and for organized labor.

Sincerely, I don't think S. 2836 is anti-labor. To the contrary, I think it is a fair bill. It preserves free collective bargaining. It does not require labor to go back to work against its will, nor does it permit management involved in the dispute to continue to operate its ships short of a settlement.

I further firmly believe that no labor-management agreement, not freely arrived at by the mutual consent of the disputing parties, is going to be fully observed. If it is imposed by some third party, including the Government, then we may have a continuation of the dispute by means not unlike those which have resulted in the present contempt findings against both labor and management. A freely arrived at agreement is the only kind that can provide for the uninterrupted flow of commerce between Hawaii and the west coast. This is a prime reason for my legislative approach.

This bill was never intended to affect the current and ongoing dispute. In fact, it should be noted that hearings were first scheduled for early December, then during the holiday period, then the second week in January, and finally for this third week, in the hopes that the dispute would have been settled before we commenced with our hearings.

The committee did that in the belief that it would be best served by considering such a measure apart from a particular dispute and from the emotions such a dispute engenders. Because the dispute is still not settled, we find some who are closely involved who will not be offering their testimony at this time. And this is understandable.

I believe that S. 2836 provides not only the means for continuing service to the people of Hawaii, after a 30-day interruption, but that in so doing it also provides a very powerful stimulus to both management and labor to reach an early agreement on the issues at dispute, and it does so without taking the side of either the worker or management. Free collective bargaining is not only permitted, but encouraged, while the public is protected. And as a United States Senator, it is my sworn duty to protect the public welfare, and this I am trying to do.

Despite the motivation behind my measure, I know there will be criticism. We can all find reasons why something won't work, but I feel it is incumbent upon those who find fault with the proposed solution to come forth with better solutions and with solutions which are capable of enactment. My solution may not do, but it does provide a vehicle for the people of Hawaii to express the facts and to give their viewpoint to the United States Congress.

It is conceivable that the data gathered here will confirm the view of some that this strike did not really hurt Hawaii, that it did not constitute an emergency. There is no common agreement on what constitutes damage and what is an emergency.

However, today's strike is not like the 1949 strike. The docks in Hawaii are open and men are working them. West coast shipping is only a part of Hawaii's total surface shipping. But even with this "half-strike" there has been damage. This legislation is not directed to this strike, but to possible future stoppages which may be of even greater magnitude, moreover.

I recognize the administration in Washington is opposed to my measure. A Hawaii shipping strike, in a national setting in time of peace, may not constitute a national emergency—particularly when agreement exists for the transport of military cargoes. While it may not be a national emergency, it does constitute an emergency for the people of Hawaii, however, and it is for this reason that I proposed special legislation to deal with our special vulnerability to any work stoppage in the surface transportation lifeline between Hawaii and the west coast.

(The bill follows:)

92D CONGRESS
1ST SESSION

S. 2836

IN THE SENATE OF THE UNITED STATES

NOVEMBER 11, 1971

Mr. INOUYE introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To provide more effective means for protecting the public interest, health, and safety of the people of the State of Hawaii during strikes, lockouts, or other forms of labor strife or discord in either the maritime or longshore industry, or both industries, which obstruct or close the major seaports of either the State of Hawaii or of the west coast of the United States, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transporation both to and from the State of Hawaii.

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 "Hawaii Public Interest Protection Act of 1971".

CONGRESSIONAL FINDINGS

SEC. 2. The Congress hereby finds that the unique geographical situation of the State of Hawaii, which is physically isolated and separated by thousands of miles of water from both the noncontiguous State of Alaska and the forty-eight conterminous States of the continental United States, creates and generates unique transportation needs and requirements for the people of the State of Hawaii; that such unique transportation needs and requirements of the people of the State of Hawaii are qualitatively substantially different from the transportation needs and requirements of any and all other States of the United States; that the people of the State of Hawaii compose an economy whose very existence depends upon a continuous flow of food and the essentials of life, particularly from the major seaports of the west coast, by means of surface water transportation; that any disruption of at least thirty days duration and of the normal flow of maritime interstate commerce by means of surface water transportation, as a result of a strike, lockout, or other form of labor strife or discord in either the maritime or longshore industry, or both industries, which effectively obstructs or closes the major seaports of either the State of Hawaii or of the west coast, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State

of Hawaii, automatically imperils the health and safety of the people of the State of Hawaii; that during a maritime or longshore industry disruption of at least thirty days duration and of the kind described above, the minimum assured consequences for the people of the State of Hawaii are an inadequate supply of food, medicine, and other essentials of life, an increase in both unemployment and underemployment, price increases, business failures, a slowdown in construction, and a decline in total personal income and retail trade; that the people of the State of Hawaii have frequently been the innocent third parties and victims of and have often suffered enduring harm from disruptions in the maritime and longshore industries of the kind described above; that, because of its unique geographical situation and because there are no railroads or motor vehicle highways physically connecting the State of Hawaii to the continental United States, the people of the State of Hawaii suffer a unique type of injury that is not suffered by the people of any other State of the United States; that a maritime or longshore industry disruption of at least thirty days duration and of the kind described above, which obstructs or closes the major seaports of either the State of Hawaii or of the west coast, guarantees suffering for the people of the State of Hawaii comparable to that which the people of any other State

would suffer if an embargo were enacted against all interstate surface transportation serving that other State, thereby constructing a barrier around that other State, isolating that other State, and prohibiting both the incursion and excursion of all goods transported thereto and therefrom by rail, truck, ship, barge, and all other means of surface transportation, permitting only extremely expensive air transportation into and out of that other State; that the grave and irreparable public damage, harm, and injury caused by maritime and longshore industry disruptions of at least thirty days duration and of the kind described above, underscore the compelling need for laws that will provide the people of the State of Hawaii from suffering which they currently experience in their capacity as innocent third parties to and victims of such maritime and longshore industry disruptions; that the present emergency disputes procedures established by sections 206–210 of title II of the Labor-Management Relations Act (of June 23, 1947, ch. 120, section 1, 61 Stat. 136; 29 U.S.C. 141/197) for dealing with labor disputes which threaten the health or safety of the American people, are inadequate and have, in the case of the State of Hawaii, produced both a deterioration of the collective-bargaining process and an intensification of emergencies created by maritime and longshore industry disruptions of at least thirty days duration and of the kind de-

scribed above; that the use of present emergency disputes procedures for resolving such maritime and longshore industry disruptions has not prevented serious reductions in operations and services essential to the health and safety of the people of the State of Hawaii; that, as a result of the existing labor disputes provisions, Federal preemption of State court jurisdiction to issue injunctions in labor disputes has rendered the States of the Nation powerless to act in their own behalf during those labor emergencies which the President chooses to ignore; that these consequences of State disability due to Federal preemption are magnified in the case of the State of Hawaii because of the State of Hawaii's unique geographical situation; and that permitting prompt remedial action by the Governor of the State of Hawaii and requiring prompt remedial action by the President during maritime and longshore industry disruptions of at least thirty days duration and of the kind described above, is necessary in order to protect the health and safety of the people of the State of Hawaii and to encourage and maintain free collective bargaining.

CONGRESSIONAL PURPOSES AND POLICIES

SEC. 3. Since the original policy declaration of section 1(b) of the Labor-Management Relations Act states that employers, employees, and labor organizations must "above all recognize under law that neither party has any right in

its relations with any other to engage in acts or practices which jeopardize the public health, safety, or interest," since the above policy declaration further states in part that "it is the purpose and policy of this Act, in order to promote the full flow of commerce . . . to protect the rights of the public in connection with labor disputes affecting commerce," since the Labor-Management Relations Act's emergency disputes provisions are neither currently adequate nor sufficiently amendable to satisfactorily achieve the above policies and purposes in the unique case of the State of Hawaii, since the people of the State of Hawaii continue to suffer in their capacity as innocent third parties to and victims of maritime and longshore industry disruptions of the kind described in section 2 of this Act, and since the unique interstate and foreign commerce needs of the people of the State of Hawaii pose an extraordinary problem which requires an extraordinary remedy, the Congress hereby declares it to be the purpose and policy of this Act, consistent with the foregoing existing policy, through the exercise by Congress of its powers to regulate commerce among the several States and with foreign nations and to provide for the general welfare, to assure so far as possible, that no maritime or longshore industry disruption of the above kind will hereafter imperil the health or safety of the people of the State of Hawaii:

(a) by permitting the Governor of the State of

Hawaii, thirty days after the major seaports of either the State of Hawaii or of the west coast are obstructed or closed due to a strike or lockout or other form of labor strife or discord in either the maritime or longshore industry, or both industries, to request the President to provide such remedial assistance to the people of the State of Hawaii as is herein prescribed and required; and

(b) by then requiring that the President shall immediately comply with the request from the Governor of the State of Hawaii by both providing and operating whatever vessels, either owned or chartered by the United States Government, and by operating whatever seaport facilities the Governor deems are necessary in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii: *Provided,* That the above compliance by the President is to be conducted under those further conditions described in this Act.

DEFINITIONS

SEC. 4. For the purposes of this Act and any application thereof:

(a) The term "west coast" means those several States of the United States comprising the west coast

thereof, that is, California, Oregon, and Washington States;

(b) The term "major seaports of the State of Hawaii or of the west coast" means: (1) in the case of the State of Hawaii, the seaport of Honolulu; and (2) in the case of the west coast, the seaports of San Francisco-Oakland, Los Angeles-San Diego, Portland, and Seattle;

(c) The term "surface water transportation" means the use of ships, vessels, boats, and barges for purposes of engaging in interstate maritime commerce;

(d) The term "Governor" means the chief executive officer of the State of Hawaii; and

(e) The term "President" means the chief executive officer of the United States.

GOVERNOR'S DISCRETIONARY POWERS

SEC. 5. Commencing thirty days after the major seaports of either the State of Hawaii or of the west coast are obstructed or closed due to a strike or lockout or other form of labor strife or discord in either the maritime or longshore industry, or both industries, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii, the Governor of the State of Hawaii may at any time thereafter request the President to provide and operate whatever

vessels, either owned or chartered by the United States Government, and whatever seaport facilities the Governor deems are necessary in order to assure the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii. The Governor need not support his request to the President with any findings of emergency conditions, since the Congress peremptorily finds in section 2 of this Act that a sufficiently serious form of emergency exists in order to require remedial action by the President under the circumstances described above in the preceding sentence.

PRESIDENT'S MANDATORY POWERS

SEC. 6. (a) Upon receipt of a request for remedial action from the Governor of the State of Hawaii under those circumstances described above in section 5 of this Act, the President shall immediately comply with the request from the Governor by providing and operating whatever vessels, either owned or chartered by the United States Government, and by operating whatever seaport facilities the Governor deems are necessary in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii.

(b) If all of those vessels which the President is empowered to provide under the Merchant Marine Act of 1936

or any other statute or grant of authority are already engaged in national emergency relief or national defense, as defined under such statutes or other appropriate grants of authority, then the President shall charter whatever vessels the Governor deems are necessary in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii. Whenever the President charters such vessels, he shall remunerate their owners according to those schedules of ocean tariff rates which are in effect under the Intercoastal Shipping Act of 1933: *Provided,* That under no circumstances shall the President charter vessels which are owned by any of the parties involved in a strike, lockout, or other form of labor strife or discord in either the maritime or longshore industry, or both industries, which obstructs or closes the major seaports of either the State of Hawaii or of the west coast, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii.

(c) Whenever the President charters vessels under section 6(b) of this Act, the President shall hire whatever labor personnel are necessary for the normal and efficient operation of such vessels and of seaport facilities: *Provided,* That under no circumstances shall the President hire any

labor personnel who are members of a bargaining unit of a labor union which is engaged in a strike in either the maritime or longshore industry, or both industries, which obstructs or closes the major seaports of either the State of Hawaii or of the west coast, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii. Whenever the President hires such labor personnel, he shall remunerate them according to existing wage rates in effect for such services. If the President cannot hire sufficient labor personnel in order to operate all such vessels and seaport facilities, then the President shall provide military personnel under his authority as Commander in Chief of the Armed Forces of the United States.

(d) If the President, after exhausting all reasonable efforts to comply with section 6 (a), (b), and (c) of this Act, is unable to provide sufficient chartered vessels in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii, then the Governor shall be empowered to direct the State of Hawaii emergency agencies (for example, State of Hawaii Emergency Resources Management Agency) to outline and order priorities both for restocking the State of Hawaii and also for stockpiling goods for the people of the State of

Hawaii, and these priorities shall govern the nature of the goods transported both to and from the State of Hawaii aboard those vessels which the President shall provide.

(e) Whenever the President provides and operates vessels in the manner authorized and prescribed in this Act, the Governor shall be empowered to establish all necessary State governmental administrative machinery in order to enable the executive branch of the State government of the State of Hawaii to function as the sole legal collection agency in all commercial transactions with all shippers wishing to transport goods aboard those vessels which the President provides and operates throughout the duration of this Act. The Governor shall be empowered to charge whatever shipping rates are necessary, but in no case less than the prevailing established commercial rates for the transportation of such goods, in order to assure that the State of Hawaii shall be able to reimburse the appropriate agencies of the Federal Government for the total operational cost of providing relief assistance as authorized and prescribed in this Act.

(f) Whenever the President is notified either by the Governor, or by the parties to a maritime or longshore industry disruption of the kind described above in section 5, that a settlement to the labor dispute in the form of a binding contract has been lawfully agreed to, then the President shall terminate all Federal remedial action authorized under this

Act: *Provided,* That whatever vessels are already substantially loaded shall be permitted to deliver their cargoes as authorized under this Act.

(g) The Governor and the President, through their lawful delegates, shall prosecute any party who obstructs, directly or indirectly, the successful implementation of the above measures to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii.

SEPARABILITY

SEC. 7. If any provision of this Act, or the application of such provision to any person or circumstance, shall be held invalid, then the remainder of this Act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby, but shall remain valid and in full force.

EFFECTIVE DATE

SEC. 8. This Act shall take effect immediately upon its enactment and the legality of any above action taken thereafter shall be governed by the Act regardless of when such action is initiated.

Senator INOUYE. At this time I would like to say that I am most appreciative that Chairman Magnuson has provided the opportunity for the people of Hawaii to be heard on this matter, and I am also appreciative of my distinguished colleague, Senator Ted Stevens of Alaska and staff members of the Merchant Marine Subcommittee who have journeyed here to participate in these momentous and historic hearings.

I would like to introduce to the people of Hawaii the Honorable Ted Stevens, the Senator from the State of Alaska.

OPENING STATEMENT BY SENATOR STEVENS

Senator STEVENS. I think it is important to emphasize what you said, Senator, about the purpose of this hearing being to gather the facts. It is most important, I think, that many of Alaska's mayors came back from the meeting of the Congress of American Cities here in Honolulu and were most interested in the proposals that your mayor had made. I have had a somewhat difficult time pointing out to some of them that Alaska does not have exactly the same problem that you have.

For instance, we have a State ferry system which has been operating despite the work stoppage. Our Alaska Highway does connect us to the mainland through Canada, and in addition we have had hydrotrains operating all during the strike. In addition to that, we have some Government vessels which serve portions of Alaska where no commercial traffic has ever been introduced, such as the *North Star* that goes to the Arctic and serves our native villages.

Despite this we have been seriously affected by the strike, and we are looking to this hearing to see what facts can be developed by the people of Hawaii to justify legislation of this type to help solve your immediate problem. I am certain that if we can assist Hawaii, there will be a spin-off effect as far as our State is concerned.

So I am most happy to be here with you and Senator Fong, and I, too, am looking forward to the facts that will be presented here.

Senator INOUYE. Thank you very much, sir.

Before proceeding with our witnesses, without objection a letter and a statement from Congressman Spark M. Matsunaga of Hawaii will be made part of the record at this point.

(The letter with enclosures follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., January 4, 1972.

The Hon. DANIEL K. INOUYE,
U.S. Senate,
Washington, D.C.

DEAR DAN: Your letter informing me of hearings in Hawaii on S. 2836, the proposed Hawaii Public Interest Protection Act of 1972, was brought to my immediate attention when I returned to the office today.

I appreciate your kind invitation for me to testify at the hearings, scheduled for January 18–20 in Honolulu. As you know, I have introduced H.R. 12362, the proposed Hawaii Ocean Commerce Protection Act of 1971, which is substantially similar to your bill. I am enclosing a copy of H.R. 12362 for your information.

I would be very pleased to submit a statement for the record of the Honolulu hearings. I would, of course, prefer to testify personally; however, the first legislative business scheduled for the House of Representatives after reconvening on January 18 is H.R. 8787, to provide nonvoting Congressional Delegates for Guam and the Virgin Islands. I believe I must be present for the debate and vote on

H.R. 8787, especially in view of the expected closeness of the vote and its importance to the territories involved.

When copies of my statement are available, I will make sure that the necessary number is forwarded to your Honolulu office.

Thank you again for your courtesy in inviting me to participate in the hearings.

Aloha and best wishes.

Sincerely,

SPARK MATSUNAGA,
Member of Congress.

Enclosure:

[H.R. 12362, 92d Cong., first sess.]

A BILL To protect the public health, safety, and welfare from the deteriorating effects of prolonged cessation or disruption of the normal flow of maritime interstate commerce between the State of Hawaii and the continental United States as the result of strikes, lockouts, or other forms of labor strife or discord in either the maritime or longshore industry

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 "Hawaii Ocean Commerce Protection Act of 1971".

CONGRESSIONAL FINDINGS

SEC. 2. The Congress hereby finds that the unique insularity of the State of Hawaii demands that there be sustained and uninterrupted surface water transportation between the State of Hawaii and the mainland United States for the protection of the health, safety, and welfare of the people of the State of Hawaii; that any cessation or reduction of such surface water transportation of more than thirty days' duration, whether as the result of a strike, lockout, or other form of strife or discord in the maritime or longshore industry, is inimical to the best interests of the people of Hawaii as well as those of the mainland United States, and creates in the State of Hawaii a rapid deterioration of the health, safety, and welfare of its people; that there is a record of frequent and prolonged cessation or reduction of such surface water transportation which has resulted in irreparable damage and harm to the people and the economy of Hawaii; that existing law is inadequate and does not provide the necessary relief to the people of Hawaii from the damaging effects of such cessation or reduction in surface water transportation between the State of Hawaii and the continental United States; that the present procedures established by sections 206–210 of title II of the Labor-Management Relations Act (of June 23, 1947, chapter 120, section 1, 61 Stat. 136; 29 U.S.C. 141/197) for dealing with labor disputes which threaten the health or safety of the American people, are inadequate and have, in the case of the State of Hawaii, produced both a deterioration of the collective-bargaining process and an intensification of emergencies created by maritime and longshore industry disruptions of more than thirty days' duration; and that new statutory authority allowing prompt remedial action by the Governor of the State of Hawaii and requiring prompt remedial action by the President of the United States following any cessation or reduction of such commerce of more than thirty days' duration, is necessary in order to protect the health, safety, and welfare of the people of Hawaii and to encourage and maintain free collective bargaining.

CONGRESSIONAL PURPOSES AND POLICIES

SEC. 3. Since the original policy declaration of section 1(b) of the Labor-Management Relations Act states that employers, employees, and labor organizations must "above all recognize under law that neither party has any right in its relations with any other to engage in acts or practices which jeopardize the public health, safety, or interest;" since the above policy declaration further states in part that "it is the purpose and policy of this Act, in order to promote the full flow of commerce . . . to protect the rights of the public in connection with labor disputes affecting commerce;" since the Labor-Management Relations Act's emergency dispute provisions are neither currently adequate nor sufficiently amendable to satisfactorily achieve the above policies and purposes in the unique case of the State of Hawaii; since the people of the State of Hawaii continue to suffer as innocent third parties as the result of maritime and longshore industry disputes causing the cessation or reduction of ocean commerce described in section 2 of this Act; and since the unique interstate commerce needs of the people of the State of Hawaii pose an extraordinary problem which requires an extraordinary

remedy, the Congress hereby declares it to be the purpose and policy of this Act, consistent with the foregoing existing policy and the power of Congress to regulate commerce among the several States, to assure insofar as possible that no maritime or longshore industry dispute of more than thirty days' duration will hereafter imperil the health, safety, or welfare of the people of the State of Hawaii:

(a) by providing that the Governor of the State of Hawaii may, thirty-one days after the major seaports of either the State of Hawaii or of the west coast are obstructed or closed due to a strike or lockout or other form of labor strife or discord in either the maritime or longshore industry, request the President to furnish such remedial assistance to the people of the State of Hawaii as is hereinafter provided, and

(b) by providing that the President shall thereupon comply with the request from the Governor of the State of Hawaii by immediately making available for public use whatever vessels, either owned or chartered by the United States Government, and whatever supporting seaport facilities as are necessary for the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii: *Provided*, That the above compliance by the President shall be conducted under those further conditions described in this Act.

DEFINITIONS

SEC. 4. For the purposes of this Act and any application thereof:

(a) The term "mainland United States" means the noncontiguous State of Alaska and the forty-eight coterminous States of the continental United States;

(b) The term "west coast" means those several States of the United States comprising the west coast thereof, that is, California, Oregon, and Washington;

(c) The term "major seaports of the State of Hawaii or of the west coast" means: (1) in the case of the State of Hawaii, the seaport of Honolulu; and (2) in the case of the west coast, the seaports of San Francisco-Oakland, Los Angeles-Wilmington, San Diego, Portland, and Seattle;

(d) The term "surface water transportation" means the use of ships, vessels, boats, and barges for purposes of engaging in interstate maritime commerce;

(e) The term "Governor" means the chief executive officer of the State of Hawaii; and

(f) The term "President" means the chief executive officer of the United States.

GOVERNOR'S DISCRETIONARY POWERS

SEC. 5. Commencing thirty-one days after the major seaports of either the State of Hawaii or of the west coast are obstructed or closed due to a strike or lockout or other form of labor strife or discord in either the maritime or longshore industry, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii, the Governor of the State of Hawaii may at any time thereafter request the President to provide and operate whatever vessels, either owned or chartered by the United States Government, and whatever supporting seaport facilities that are necessary for the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii. The Governor shall not be required to support his request to the President with any findings of emergency conditions, since the Congress peremptorily finds in section 2 of this Act that a sufficiently serious emergency exists to require remedial action by the President under the circumstances described in the immediately preceding sentence.

PRESIDENT'S MANDATORY POWERS

SEC. 6. (a) Upon receipt of a request for remedial action from the Governor of the State of Hawaii under the circumstances described in section 5 of this Act, the President shall comply with the request from the Governor by immediately providing and operating whatever vessels, either owned or chartered by the United States Government, and by operating whatever supporting seaport facilities that are necessary for the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii.

(b) If all of those vessels which the President is empowered to provide under the Merchant Marine Act of 1936 or any other statute or grant of authority are already engaged in national emergency relief or national defense, as defined under such

statutes or other appropriate grants of authority, then the President shall charter whatever vessels the Governor deems are necessary for the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii. Whenever the President charter such vessels, he shall remunerate their owners according to those schedules of ocean tariff rates which are in effect under the Intercoastal Shipping Act of 1933: *Provided*, That under no circumstances shall the President charter vessels which are owned by any of the parties involved in a strike, lockout, or other form of labor strife or discord in either the maritime or longshore industry, which obstructs or closes the major seaports of either the State of Hawaii or of the west coast.

(c) Whenever the President charters vessels under section 6(b) of this Act, the President shall hire whatever labor personnel as are necessary for the normal and efficient operation of such vessels and of supporting seaport facilities: *Provided*, That under no circumstances shall the President hire any labor personnel who are members of a bargaining unit of a labor union which is engaged in a strike in either the maritime or longshore industry, which obstructs or closes the major seaports of either the State of Hawaii or of the west coast, thereby disrupting the normal flow of maritime interstate commerce to and from the State of Hawaii. Whenever the President hires such labor personnel, he shall remunerate them according to existing wage rates in effect for such services. If the President is unable to hire sufficient labor personnel in order to operate all such vessels and seaport facilities, then the President shall provide military personnel under this authority as Commander in Chief of the Armed Forces of the United States.

(d) In the event that the President, after exhausting all reasonable efforts to comply with section 6 (a), (b), and (c) of this Act, is unable to provide sufficient chartered vessels to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii, then the Governor shall be empowered to direct the State of Hawaii emergency agencies (for example, State of Hawaii Emergency Resources Management Agency) to outline and order priorities both for restocking the State of Hawaii and also for stockpiling goods for the people of Hawaii, and these priorities shall govern the nature of the goods transported both to and from the State of Hawaii aboard those vessels which the President shall provide.

(e) Whenever the President provides and operates vessels in the manner authorized and prescribed in this Act, the Governor shall be empowered to establish all necessary State governmental administrative machinery in order to enable the executive branch of the State government of Hawaii to function as the sole legal collection agency in all commercial transactions with all shippers wishing to transport goods aboard those vessels which the President provides and operates under the provisions of this Act. The Governor shall be empowered to charge and collect whatever shipping rates as are reasonable, but in no case less than the prevailing established commercial rates for the transportation of such goods. The State of Hawaii shall reimburse the appropriate agencies of the Federal Government for the total operational cost of providing relief assistance as authorized and prescribed in this Act.

(f) Whenever the President is notified either by the Governor, or by the parties to a maritime or longshore industry disruption of the kind described above in section 5, that a settlement to the labor dispute in the form of a binding contract has been lawfully agreed to, then the President shall terminate all Federal remedial action authorized under this Act: *Provided*, That any vessel, which is substantially loaded at such time shall be permitted to continue to load and deliver its cargo as authorized under this Act.

(g) The Governor and the President, through their lawful delegates, shall prosecute any party who obstructs, directly or indirectly, the implementation of the above measures to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce both to and from the State of Hawaii.

SEPARABILITY

SEC. 7. If any provision of this Act, or the application of such provision to any person or circumstance, shall be held invalid, then the remainder of this Act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby, but shall remain valid and in full force.

EFFECTIVE DATE

SEC. 8. This Act shall take effect immediately upon its enactment and the legality of any action authorized herein and taken thereafter shall be governed by the Act regardless of when such action is initiated.

Senator INOUYE. Ladies and gentlemen, I am now very honored to present and make welcome to this committee the senior Senator from the State of Hawaii, Senator Hiram Fong.

Senator Fong.

STATEMENT OF HON. HIRAM L. FONG, U.S. SENATOR FROM HAWAII

Senator FONG. Senator Inouye and Senator Stevens: At the outset, I want to commend my colleague from Hawaii, Senator Inouye, who is chairing these hearings, and my colleague from Alaska, Senator Stevens, who has journeyed from such a distance, for holding these hearings in Hawaii. By doing so, you have given our people the opportunity to place before the Senate of the United States, through its Committee on Commerce, the plight of Hawaii, our Nation's only island State, when our sea lifeline with Mainland United States is disrupted.

As the objective of the Merchant Marine Subcommittee in these hearings is to develop facts about the economic impact of the long west coast dock strike in Hawaii and to evaluate Senator Inouye's proposals in Senate bill 2836, I hope my observations will contribute to your understanding of Hawaii's needs for emergency transportation dispute legislation.

May I say how much I personally appreciate the opportunity to testify on this urgent matter, made even more urgent by the resumption yesterday of this strike.

Knowing the further hardships ahead for Hawaii, I immediately sent a wire to President Nixon urging that the administration promptly propose special legislation to cope with the present emergency. Existing legal remedies available to the administration have been exhausted. Therefore, the President must be given new tools to resolve the situation.

I also wired Senator Harrison Williams, Chairman of the Committee on Labor and Public Welfare, urging prompt action by his committee to report out special legislation to alleviate Hawaii's plight.

This subcommittee will undoubtedly take back to Washington after these hearings a report on the urgent need to do something for Hawaii. For the inescapable, unchanging fact of life is that Hawaii's mid-Pacific location, approximately 2,500 miles from the west coast, renders our islands extremely vulnerable to disruptions of our maritime supply line, expecially the west coast route.

Other witnesses appearing before this subcommittee will, I am sure, present a detailed picture of the impact of this strike thus far on the people and economy of Hawaii and the dismal prospects for the future, now that the strike has resumed. Let me just say that ever since the strike began last July 1, I have been following developments closely and doing all that I could to lend assistance to efforts to resolve the dispute.

I have been deeply concerned about the millions of dollars in lost business and individual income, the shortened workweeks, the slowdown in construction, the business failures and the unemployment,

which in November rose to 6.4 percent, the highest level in Hawaii's history as a State. I have been particularly aware of the hundreds of individual hardships and tragedies which have been related in letters from my constituents.

I have been in frequent contract and discussions with Secretary of Labor James D. Hodgson, Director of the Federal Mediation and Conciliation Service J. Curtis Counts, and other Federal officials directly concerned with the efforts to resolve the west coast dock strike.

In addition to making suggestions and appeals to administration officials, I urged, as early as last August, that additlonal hearings be held by the Senate Labor Subcommittee on pending bills to deal with emergency labor disputes in the transportation industry.

At the same time, I joined with 23 other U.S. Senators in an appeal to Mr. Harry Bridges, president of the ILWU, and Mr. Edmund J. Flynn, president of the Pacific Maritime Association, to move promptly to the conference table.

On August 16, right after President Nixon's new economic policy went into effect, I wired Mr. Bridges to ask his cooperation with the President's request that all strikes be ended during the 90-day wage-price-rent freeze, and I again urged that talks be resumed. This was done later that month.

Acutely aware of the vital importance of maintaining the flow of essential goods for Hawaii's people and economy by air cargo and rererouted ocean freight, I contacted Secretary of the Treasury Connally and other members of the Cost of Living Council, and Director George Lincoln of the Office of Emergency Preparedness. I personally advised Governor Burns of General Lincoln's request that the State prepare a formal application for price exemption on essential goods to be sure that food and other necessities continued to arrive in sufficient quantity in Hawaii.

In mid-September, I urged Mr. Counts to take a personal role in the negotiations between the ILWU and the PMA. Soon thereafter, at the direction of the President and with my strong support, Mr. Counts went to the west coast to speed the bargaining process.

On December 1, I telegraphed both Mr. Bridges and Mr. Flynn, asking them to resume intensive negotiations before the Taft-Hartley Act was due to expire on December 26. I pointed out to them that the people of Hawaii had already suffered grievously from the effects of the 100-day work stoppage, and that a renewal of the strike would put additional thousands out of work, cause new business failures, and further cripple Hawaii's economic development.

While Local 142 of the ILWU in Hawaii, which stayed on the job during the strike under an extension of their contract, rendered invaluable assistance to the people of our State, the unfortunate fact is that not enough supplies arrived in port to serve Hawaii's needs.

I know the administration is keenly aware of the hardships suffered by the people and businesses of Hawaii, having been apprised by all members of our Hawaii Congressional delegation, our governor and his administration, our state legislators, our county officials, and the people of Hawaii themselves, the innocent parties who have borne such a heavy burden.

No one put it more succinctly than Labor Secretary Hodgson, who in his testimony in December before the Senate Labor Subcommittee, summed up as follows:

> The Island State of Hawaii was almost defenseless—a sitting duck at the mercy of a process in which it had no part. The results were traumatic.

Against this background, we of Hawaii have been searching for a solution to our dilemma, not only in the West Coast dock strike, but in future emergencies arising out of labor disputes. Senator Inouye has offered for Congressional consideration S. 2836, pending before this subcommittee. I have joined with Senator Robert A. Taft, Jr. in a different, broader approach embodied in S. 2959, pending before the Senate Labor Subcommittee.

I strongly believe that a legislative solution must be found now to protect Hawaii. I would go further to suggest that we cannot allow the basic economic health of any part of our Nation to disintegrate because of a labor dispute in the transportation industry.

Mr. Chairman, by way of preface to my remarks on proposed legislation dealing with emergency labor disputes, let me state for the record my firm commitment to the principle of collective bargaining. This is one of the cornerstones of our nation's labor-management relations. The freedom of labor and of management to bargain across the table on wages, hours, working conditions, and fringe benefits is one of the hallmarks of America's private enterprise system and distinguishes our system from that of many other nations where government controls and operates industry, both management and workers.

More than two and one-half decades ago, in 1945, as Chairman of the House Judiciary Committee in Hawaii's Territorial Legislature, I led the drive to enact the so-called Little Wagner Act giving collective bargaining rights to agricultural workers. Today, Hawaii's sugar and pineapple field workers are the highest paid in the world. Today I believe Hawaii is still the only state affording agricultural workers the right of collective bargaining.

Let me also say that I strongly believe in the right of American working men and women in private industry to strike. This is one of their most cherished rights, which national policy should continue to protect. It is important to understand that S. 2836 and S. 2959 both retain the fundamental rights to bargain collectively and to strike.

At the same time, I also have a deep commitment to the public interest, to the general welfare of our citizens. On those occasions where collective bargaining has failed to settle labor-management disputes and the normal processes for dealing with these disputes have not brought settlement, then in the public interest, for the public good, something must be done.

Mr. Chairman, as we all know only too well, it is not easy to find legislative solutions that will be enacted by Congress to protect the public interest in complex and far-reaching labor disputes such as the West Coast dock strike. Having been victims of a strike outside our State, we in Hawaii are striving to compose language that will protect Hawaii's people, safeguard the public interest and still not violate the rights of the parties to the dispute.

Neither is it easy to determine what approach has the best chance for enactment into law by Congress. Should we seek special legislation

only for Hawaii in the current crisis, or should we draft broader measures so as to get more support from Members of Congress from other states? Should we go for legislation that will resolve not only the present dispute but provide new remedies for dealing with transportation tie-ups in the future? Should our proposals be limited to a single industry? Shall we try to obtain Senate Labor Committee action or Commerce Committee action?

As things stand at present, through S. 2836 and S. 2959, Hawaii's plight has been brought to the attention of both Committees, through Labor Committee hearings last month on S. 2959 and S. 2850, the immediate forerunner to S. 2959, and through these hearings on S. 2836. I am sure the people of Hawaii expect us to work for Congressional action through whatever committees and whatever avenues are open.

As members of this Subcommittee know, S. 2836 is special remedial legislation for Hawaii alone in the case of transportation strikes, lockouts, or other labor disputes that disrupt the normal flow of maritime interstate commerce by surface transport between Hawaii and four major West Coast seaport areas.

The bill provides that 30 days after such a dispute begins, the Governor may, in his discretion, request the President to provide and operate U.S.-owned or chartered vessels and necessary support facilities in order to assure earliest possible resumption of the normal flow of maritime commerce to and from Hawaii. Immediate action by the President is mandatory under the bill.

The bill forbids the President to use ships owned by any party to the dispute or to employ any workers who are members of a bargaining unit engaged in the dispute. If other workers cannot be found, the President is mandated to provide military personnel to do the job.

If after exhausting all reasonable efforts to provide normal maritime commerce for Hawaii the President is unable to provide enough ships, then the Governor would be empowered to direct State emergency agencies to set priorities for restocking Hawaii and stockpiling goods. These priorities would govern all emergency shipments arranged by the President.

Under the bill, the President would be required to end Federal remedial action when he is notified that a binding settlement has been lawfully agreed to. Ships already substantially loaded, however, would be permitted to deliver their cargoes.

Both the Governor and the President would be required to prosecute any party who obstructed these remedial measures.

Other witnesses during these hearings will give you detailed testimony regarding the language and substance of the bill. I am sure you will want to consider carefully whether the Governor's power should be discretionary and President's power mandatory. You will want to consider whether S. 2836 should cover ports on all our Islands rather than only the Port of Honolulu on Oahu. You will want to examine the language of the findings carefully, for these would trigger the authorities under the bill.

May I just say that there can be no doubt of the correctness of the finding in S. 2836 that a disruption of the normal flow of maritime commerce to and from Hawaii for more than 30 days will imperil the health and safety of the people of this State.

Mr. Chairman, I endeavored to find out how many scheduled ships and barges, on the average, are required each month to service Ha-

waii's needs adequately. From what statistics are available, it appears about 22 Matson and Seatrain ships service Hawaii each month on a scheduled basis, while some 150 United States unscheduled ships arrive per month, many unloading varying smaller amounts. As the Matson and Seatrain freighters are large, they carry by far the largest portion of cargo needed in Hawaii. The other United States ships are much smaller, and deliver far less tonnage of goods.

Of course, ships and barges must also be available to carry Hawaii's agricultural and industrial products to mainland markets.

What is important to keep in mind is not so much the number of ships or tonnage required to serve Hawaii, but the fact that the preponderant bulk of the food, medicine, supplies, equipment, heavy appliances, automobiles, parcel post, cattle feed, industrial products, clothing—almost every item essential to modern living and our economy—arrives by sea transport.

This fact underscores the validity of the finding in S. 2836 that a 30-day disruption of maritime transportation between Hawaii and mainland United States "automatically imperils the health and safety of the people of Hawaii."

I was not surprised to note among the findings in S. 2836 the statement that the existing procedures available under Taft-Hartley are inadequate for dealing with labor disputes which threaten the health or safety of the American people. This is a fact.

The Taft-Hartley Act has proved particularly unable to facilitate settlements in the longshore and maritime industries. Of the 29 national emergency disputes now concluded which occurred since the enactment of Taft-Hartley in 1947, seven were in the longshore industry and three were maritime. Only one of the seven stevedoring strikes and two of the three maritime strikes were settled during the 80-day cooling-off period provided by a Taft-Hartley injunction. Taking the two categories together, a three-out-of-ten, or 30 percent, record of success is not in my judgment good enough. It is certainly a poor augury for Hawaii.

The results to date under Taft-Hartley have been most dismal in the longshore and maritime industries. The Act is not equal to the changing times. As we move ahead in the 1970's, there is abundant evidence in other industries as well that the success of employment contract negotiations has been rendered increasingly difficult by the rising challenge from the Common Market, from Japan, and from other sources of foreign competition, the decrease in defense spending, the sweep of technological change and many other new factors. These have reduced job opportunities for the American workingman. It is significant that the key issue in the West Coast dock strike, the jurisdictional right to strip and stuff shipping containers, derives directly from a technological improvement introduced in recent years to reduce the need for manual labor.

It has been with an awareness of these present insufficiencies of Taft-Hartley that I have sought to find a legislative means to safeguard Hawaii, as well as other parts of the Nation, in emergency labor disputes. This is why I cosponsored S. 2850 with Senator Taft and why I worked with him on a revised version, S. 2959, the Emergency Labor Disputes Act, now before the Senate Labor Subcommittee. This bill evolved from several earlier measures referred to the Subcommittee.

The thrust of our thinking is that it is necessary not only to continue shipping operations between Hawaii and mainland United States, but also to reform the Taft-Hartley Act to improve the means available to promote the resolution of emergency strikes not only in transportation, but in other industries as well. In addressing the national problem, we hope to attract widespread Congressional support.

The urgency of broad and immediate legislative action has been magnified by current conditions in which a dangerous inflation and a lagging economy forced President Nixon to institute unprecedented peacetime wage and price controls.

Our bill, S. 2959, would give the Executive Branch of the Federal Government more alternatives than it now has to deal with emergency labor disputes and make those alternatives available to meet the special needs of Hawaii or other regions of the Nation which may be specially impacted.

I call these to your attention, Mr. Chairman, so that, in your deliberations on emergency transportation legislation, you may find you can adapt some of the ideas into whatever bill you report to the Senate.

Under S. 2959, the Secretary of Labor would have four possible courses of action, which he could employ singly or in combination, when a labor dispute threatens regional or national health or safety, or deprives any section of the country, such as Hawaii, of essential transportation services. These alternatives would be:

(1) A 30-day back-to-work order to give the parties more time to pursue collective bargaining;

(2) Partial operation of the affected industry, which could, for instance, provide shipping services to Hawaii in an emergency;

(3) A final offer selection process, whereby a neutral panel selects the most reasonable, in their judgment, of the final offers submitted by the parties involved, which then becomes the contract between them unless found to be arbitrary and capricious by a three-judge Federal court; and

(4) The familiar Taft-Hartley 80-day injunction, expressly modified to strengthen its applicability to disputes such as the west coast dock strike.

I believe that these alternatives providing new flexibility would greatly benefit the public interest by facilitating the settlement of emergency labor disputes in which our citizens have high personal and economic stakes. For the workingman and his employer, the proposed changes would increase the prospect of keeping jobs alive and operations continuing while the issues in the dispute are being resolved. For the State of Hawaii, the possibility of again becoming "a sitting duck," in Secretary Hodgson's phrase, would be greatly reduced.

I will follow with close attention the actions of the Merchant Marine Subcommittee with regard to S. 2836. I share in the objective of this bill, the safeguarding of the State of Hawaii against disruptions of its flow of interstate commerce. I hope my observations have been helpful in setting forth the larger context in which this pending bill may be considered.

In closing, I plead with the members of this subcommittee to help Hawaii find a viable solution to our dilema.

Again, I thank you for the concern you are showing and for scheduling these hearings. I know my colleague, Senator Inouye, will see that other members of the subcommittee and the full Commerce

Committee are apprised of the information gathered at these hearings.

Thank you, Mr. Chairman.

Senator INOUYE. Thank you very much, Senator Fong. I appreciate your participation in these hearings this morning.

If it is possible, I am certain the people of Hawaii and the members of this subcommittee would be most appreciative if you could advise us as to what the administration may have in mind as to emergency legislation.

Senator FONG. I understand that the administration is considering a bill in line with phase II of the Economic Stabilization Act. Now, what the details are, what will be provided in the bill, I am not as yet advised.

Senator INOUYE. A major labor leader—I believe it was Mr. Meany—suggested that his organization might be in favor of selective work and selective striking. What do you think of that? Because your proposal, I think, suggests selective striking or selective shipping, does it not?

Senator FONG. Well, we have a 30-day full resumption of work. That is one of the alternatives. The second alternative is a maximum of 180 days of partial resumption. Now, what that partial resumption will be will be up to the Secretary of Labor.

Senator INOUYE. How would your final offer selection work in a jurisdictional dispute as we have had in the west coast strike?

Senator FONG. That is one question which we have not explored. That, I presume, will be one in which we will have to deal very, very specifically. I do not have the answer for that yet.

Senator INOUYE. The staff of the committee and both of us here have been trying our best to look back into history to find an answer to this question which I am about to pose:

You noted very correctly that the cooling-off period under the Taft-Hartley Law has not succeeded in the case of maritime strikes. As you said, I think, only 30 percent came out with positive results. However, the Taft-Hartley cooling-off period has had much success in other transportation industries and other areas, and I was just wondering if you have any thoughts that you can share with us as to why we have success in one area but failure in the maritime area.

Senator FONG. We have ample proof that the Taft-Hartley Act has not been successful in the maritime industry and stevedoring industry. Why it works in the other instances I do not know, but somehow it has failed as far as the maritime industry and the stevedoring industry are concerned, and we are now finding ourselves in the same plight. We have gone through the 80-day cooling-off period, and the strike has been resumed. It shows another failure.

Senator INOUYE. Senator Fong, you may be assured that your proposals will not only be given serious consideration, but we will try to see if some of the points can be incorporated.

But I am certain you understand the problem we have of jurisdiction. If we incorporate some of your proposals, this measure would eventually end up in the Labor Committee, and no one knows what will happen there.

Senator FONG. Well, I think this committee could consider these alternatives, and if you will not incorporate them in the other bill, you can incorporate them by amendment on the floor and they will not be subject to the jurisdictional problem.

Senator INOUYE. Senator Stevens.

Senator STEVENS. The last suggestion is a very wise one. I am happy you are here today, Senator Fong. I have only one question. That is: Do you believe it is possible for us to try to find a prototype for legislation that might affect regions of the nation or the entire nation itself by using this approach of dealing solely with the Hawaii problem?

Senator FONG. I am afraid if you just deal with the Hawaii problem, we will not have the support of other sections of the country. I think if you will deal with an emergency that affects certain regions, certain territories, probably we could have greater support from the Congress.

Senator INOUYE. I think at this juncture it would be well if I pointed out that I intentionally selected Hawaii for this measure. I fully realize I should have included the Virgin Islands, for example, and Puerto Rico, and Guam, and American Samoa.

Senator FONG. Even Alaska.

Senator INOUYE. But I selected Hawaii in order to focus the maximum attention on the plight of our people at this moment. As far as amendments are concerned, I am certain that at the appropriate time the committee, if it is going to consider this measure, will accept amendments to include not only these insular territories and possessions, but also Alaska, if it so wishes.

Senator FONG. Of course we do not always incorporate everything in a bill. We throw in the principal bill and hope by having hearings we will be able to refine the bill. This is what you have done. At least you have given us a vehicle on which we can speak and to which we can address ourselves so all the facts may come out, and after you have heard the facts, then you will be in a better position to refine the bill.

Senator STEVENS. Mr. Chairman, I wish you to understand I have no implied criticism of your bill. I think it could be that a bill could pass for the Federal areas. As a member of the Territory Subcommittee, I, along with my colleagues, am quite interested in the effect of this strike on the territories.

It seems to me that in Congress we have passed legislation that affected just a certain area before, or we have had experimental legislation such as the OEO along with others that have been limited solely to the purpose of getting some read-out, you might say, on what success the program had.

I am not certain that we have the ability right now to deal with the national problem as easily as we could deal with Hawaii and offshore problems. But I thank you very much for your comments, Senator Fong.

Senator INOUYE. Once again I thank you very much, Senator Fong, for your assistance this morning, and once again wish to assure you your statement will be given our most serious consideration.

Senator FONG. Once again, Mr. Chairman, I wish to thank you and the subcommittee for coming to Hawaii and giving us an opportunity to address ourselves to the very important problems of our State.

Senator INOUYE. Thank you very much, sir.

Our next witness is Dr. Shelley Mark, Director of the Department of Planning and Economic Development of the State of Hawaii.

Welcome to the committee, Dr. Mark.

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STATEMENT OF DR. SHELLEY MARK, DIRECTOR, DEPARTMENT OF PLANNING AND ECONOMIC DEVELOPMENT, STATE OF HAWAII

Dr. MARK. Thank you very much.

Mr. Chairman, Senator Stevens: My name is Shelley M. Mark. I am Director of the Department of Planning and Economic Development of the State of Hawaii. I have served in this capacity in the cabinet of Gov. John A. Burns since December 1962. My principal responsibilities are to prepare and implement a long-range, comprehensive plan for the future physical and economic development of the state and to make broad policy determinations with respect to economic development in the state.

The rest of my testimony on the first page goes into my academic and private and public service background.

The decision to hold hearings in Hawaii on S. 2836 is a welcomed one. The State of Hawaii is very concerned about the impact of shipping strikes on the economy of Hawaii and would like to find ways to avert future strikes or to minimize their adverse impacts. Because of Hawaii's unique geographical situation, it is highly dependent upon external trade. Any cessation in the flow of goods to and from the islands produces inconveniences and can potentially disrupt the economy.

I understand that the committee is seeking testimony to develop facts about the current West Coast shipping strike upon Hawaii, and to determine the value of S. 2836 as a solution to the grave economic hardships inflicted. My purpose this morning is to focus primarily on the performance of the economy of Hawaii during the strike, so as to estimate its economic impact.

Let me begin by saying that the impact of a shipping strike on the economy depends on a number of factors. The first is whether all ports are closed down, or only West Coast ports, and whether or not Hawaii's ports remain open. Second is the availability of alternative modes of transporting cargo, for example, air freight. The third factor is the state of the economy, both in Hawaii and the Mainland, when the strike began. Finally, the duration of the strike must be considered.

Compared with previous occurrences, especially the 1949 dock strike, the effects of last year's West Coast tie-up were less severe. Although West Coast ports were closed, Hawaii's harbor remained open to receive cargo from Eastern and Gulf Coast ports, from Vancouver, Canada, and Asia. Also, Island merchants were able to make more extensive use of air cargo.

This is seen by examining the volume of cargo handled at Honolulu International Airport. Incoming air cargo to Honolulu International Airport increased from an average of about 13,500,000 pounds during the first two quarters of the year to a level of 53,393,000 pounds during the third quarter. Outgoing cargo increased from an average of 20,000,000 pounds during the first two quarters of the year to 77,000,000 pounds during the third quarter. These upward trends in the use of air cargo also continued into the fourth quarter of 1971.

While some of this increase may be attributed to the Christmas season, it may be that many businesses, after trying air cargo out of necessity, have developed a preference for it. In contrast to maritime shipping, air cargo moves faster, involves less handling costs, and cuts down on the need to maintain larger inventories.

Now, when the West Coast dock strike began, the Hawaiian economy was still in a period of growth, although the rate of expansion was definitely slowing down. Unemployment was at a level of 4.6 percent in contrast to 4 percent a year ago. Construction for the first 6 months of the year was $352 million, down from the $386 million level of the previous year; and the visitor industry was only holding its own. In contrast, when the 1949 strike began, the United States economy was in a state of recession, while in Hawaii unemployment was 7 percent.

In examining the impact of the strike, therefore, we find that the economy held up well most likely because it was in good shape when the strike began. The strike did cause some unemployment and some prices to increase. It produced slowdowns in industries where there were shortages of key supplies or where is was not possible to import or export by air. Many small businesses that did not or could not use air cargo were particularly hard hit.

In the case of sugar, pineapple, and diversified agriculture, the opportunity to switch from surface to air cargo was unavailable because of the cost factors involved. Firms in both industries had difficulty in getting their products to the Mainland.

The dock strike came during the peak canning season, and the industry was unable to ship its products to the Mainland markets until October. Thus, most of the production for the year had to be stored in Hawaii for a couple of months, at additional cost to pineapple firms.

Consumers had to pay higher prices for food during June, July, and August of 1971 than in the same months during 1970. However, part of the increase in the Consumer Price Index for food may be traced to inflationary factors and to severe droughts on the Mainland and in Maui. The national wage-price freeze, which was in effect during the strike, also helped keep prices down. Only in the case of raw agricultural produce were merchants allowed to raise prices.

While the economy was hurt in these specific areas, its overall performance remained smooth. Looking at major economic indicators for the state, we find that the total state personal income climbed to an estimated $3.8 billion in 1971, up 9.1 percent from a year before, while the value of retail sales rose to $2.2 billion, representing an 8.7 percent gain over the previous year.

The economic indicators of various tax bases generally showed an increase in 1971 over 1970. During the strike period, the seasonally adjusted tax base figures for services were greater in each month of 1971 than for the corresponding month in 1970. These figures tended to increase between June 1971 and October 1971, with a slight drop in September. This suggests that on an aggregative basis the strike did not cause any drop in revenues to the services industries, although it is understandable that individual businesses can be adversely affected in the process.

For the same period, the seasonally adjusted tax base figures for retailing also showed an increase in 1971 over 1970 on a month-by-month basis. There is one exception. The July 1971 figure is considerably below those for June and August of that year, as well as being below the figure for July 1970. This drop in retail revenues might well have been caused in some way by the strike, although it is doubtful that the dock strike could have had an immediate impact

during the first month and that this impact would then disappear for the remainder of the strike.

The seasonally adjusted tax base figures for construction between May 1971 and November 1971 were below those for the same comparable months in 1970, indicating that construction activity in 1971 was below that of 1970. This was due to an overall slump in the construction industry.

During the dock strike, unemployment and the unemployment rate increased. Part of this increase was caused by the slowdown in the economy that occurred during 1971. If only the dock strike was having an adverse effect on the economy, there should have been a noticeably sharp increase in the unemployment rate, and the number of unemployed, during the strike, and decreases once the strike was over. This did not happen.

During 1971, both the seasonally adjusted unemployment rate and the seasonally adjusted number of unemployed rose steadily and more or less evenly. There was no extraordinary increase in either figure between July and October, which was the period of the strike. In July the seasonally adjusted unemployment rate was 4.7 percent in contrast to 3.7 percent in 1970. By October it was 6 per cent in contrast to 4 percent in 1970. However, in November, after the strike was temporarily suspended, the seasonally adjusted rate remained the same, at 6 percent, suggesting that recessionary factors were operating in the labor market.

Considering these factors, we see that the Hawaiian economy was able to endure the adverse impact of the strike. Most businesses were able to make the necessary adjustments to carry on operations: for example, use air cargo, find new sources of supply or distribution, shorten the work week, or have employees take their vacations sooner. However, many small enterprises who could not make the switch to air cargo did experience difficulty.

The cooling-off of the economy that occurred during the year may be related to recessionary factors that were beginning to operate in the economy during the first half of the year, as well as to the advent of the strike. These include the slow-down in the Mainland economy, the decline in R&R visitors, slow-down in the Japanese economy, uncertainty in the business investment climate due to changes in national economic policy, and a fall in the stock market. The strike probably accelerated the advent of the turning point of this slowdown.

Hawaii's food and feed requirements, which are virtually dependent on United States Mainland suppliers for food and animal feed needs, were also affected. Hawaii produces less than one-half of her meat, poultry, pork, and fruit and vegetable requirements, and virtually no animal feeds. Rice, a major staple item in Hawaii, and all canned meats and canned and frozen fruits and vegetables must be imported into the State.

Under normal circumstances, Hawaii's suppliers maintain average inventories of four to six week's supply. In situations where a transportation disruption is expected, suppliers attempt to build up a three-month inventory.

Transportation disruptions, or even fear of a disruption, causes hoarding of major food and feed items. This situation creates a serious imbalance in food and feed distribution, with a resulting rapid decline

in available supplies during the early days of a transportation disruption.

The dependence of Hawaii on outside sources for food and feed is a problem for which no solution is forthcoming. The State is aggressively pursuing plans and programs to diversify the agricultural base of the economy. It is our intent to make Hawaii less dependent on the United States Mainland, and even foreign suppliers, for our food and feed needs. However, it is reasonable to expect that Hawaii can never be fully self-sufficient in meeting all her needs.

Now, maritime shipping strikes can severely disrupt the economy and inflict hardships on particular sectors of the economy. When of long duration, they can even lead to a complete slowdown of the economy, resulting in intolerable rates of unemployment and serious losses in revenues, incomes, and profits. Obviously, everything that can be done to prevent strikes should be tried. Yet, despite their adverse impact, it is important that the principle of collective bargaining be left intact. The operation of a private enterprise economy requires that decisions be made in the marketplace and/or at the bargaining table, and that no side, neither labor nor management, be forced to accept terms that are unfavorable or have a settlement imposed because the power or possibility of a strike is diluted through immediate, direct Federal intervention.

Federal executive power should be used to its full extent. This includes presidential influence, jawboning, and other forms of pressure on the parties involved. However, in going beyond the use of indirect methods of settlement, the circumstances of the strike must be considered. So long as there is not a complete shutdown of all ports, there is probably no need for more drastic measures until after the third month. The recent experience indicates that key shortages of crucial items do not appear until well into the third month. In the future, this period will probably be longer, given the changes in technology that are expected to occur in air transportation which will lower air freight costs.

Some of the adverse impact of a strike could be ameliorated through methods that do not necessarily prevent a strike from occurring or do not allow it to last for more than a month. Businesses that cannot make the switch to air cargo can be helped by a more extensive emergency loan system. Both the State and Federal governments could develop a system of strike insurance for firms that require an uninterrupted flow of sea cargo. This would be particularly applicable for Hawaii's agricultural industries. The rise in prices that accompanies a strike is unfortunate. This could be dealt with through wage-price controls. The unemployed could be helped by increased benefits.

It should also be pointed out that Hawaii's past experiences with governmental intervention in maritime strikes have not been too successful. During the recent strike, the State chartered a ship and attempted to bring supplies in from Vancouver, Canada. Many difficulties and delays were experienced because of scheduling problems and inadequate loading facilities in the Canadian port. The State-chartered ship spent about a month in Vancouver being loaded, and reached Hawaii shortly before ships arrived from San Francisco and other West Coast ports after the Taft-Hartley injunction was invoked.

In view of the State's recent experience in chartering a ship, even with union approval and cooperation, it is debatable that Federal

Government intervention will have any great success, since it is very likely that the unions will actively oppose intervention.

In conclusion, it is hoped that based upon these facts, as well as the testimony of other witnesses in these hearings, solutions can be worked out which will mitigate the inconveniences and disruptions resulting from a maritime shipping strike. These hearings provide an excellent opportunity to provide background information and to pinpoint specific problem areas.

Senator INOUYE. Thank you very much, Dr. Mark.

As you pointed out, and as I tried to in my opening remarks, this is not a full strike. This is what I call a half-strike. But yet I am certain you are aware that the city of Honolulu has the distinction of being considered the most expensive city in the United States for its size. The cost of living, I gather, is the highest in Honolulu—higher than any other city of its size, not only in the United States, but I believe in the world.

Now, isn't the matter of increased costs something that should be of serious concern to all of us, something that alone may be a factor in considering an emergency to exist here?

Dr. MARK. Yes, sir, I believe that everything should be done to hold down any cost increases that might occur.

Senator INOUYE. I noted in your testimony that, in arguing that the economy was healthy, you cited that retail sales during the early weeks of the strike had increased. But is it not possible that the increased sales were brought about to some degree by citizens who were concerned about an extended strike, and therefore went out purchasing and hoarding?

Dr. MARK. Yes, there was some of that going on. What I was trying to do in citing those overall figures was to look at the total situation.

Certainly individual industries, individual businesses, are likely to suffer and may not be as well equipped to cope with sudden changes as other firms are. But overall we think that the economy did hold up relatively well, although perhaps things would have been better without the disruption. These things are hard to foretell.

Senator INOUYE. You have indicated that most of our businesses maintain inventory for 4 to 6 weeks, and that, in anticipation of a dispute of this nature, might begin storing inventory for about 3 months.

When an industry does that, does it not involve an increase in money being tied up, an increase in the cost of storage?

Dr. MARK. There is no question that those costs would rise, and that there is a strain on the existing storage facilities. There is no question of that.

Senator INOUYE. And eventually the consumer will be the one to pick up the tab; isn't that right?

Dr. MARK. That is the usual occurrence, yes.

Senator INOUYE. You have indicated that only in the case of sugar, pineapple, and diversified agriculture was the opportunity to switch to air unavailable, and this because of the cost factor involved.

Does not the cost and volume capability preclude many other items, such as salt and rice and toilet tissue and construction materials, from air shipment?

Dr. MARK. Some of those would be in the diversified agricultural sector. I think at that point I was referring to our export industries.

In terms of imports, certainly rice and these other items that you mentioned were in short supply, and the cost did go up, although the wage-price freeze did apply during part of that period.

Senator INOUYE. In your statement you use the phrase "intolerable rates of unemployment." As an economist, what would you consider to be an intolerable rate of unemployment?

Dr. MARK. I would say the current rate of unemployment, both nationwide as well as locally, is not tolerable, which is roughly 6 percent.

Senator INOUYE. Therefore, you are suggesting that something should be done?

Dr. MARK. Very definitely, both in terms of alleviating unemployment as well as any disruptions caused by maritime disputes.

Senator INOUYE. Do you think that the time has come for drastic measures to be taken?

Dr. MARK. Mr. Chairman, it would depend upon the definition of "drastic."

Senator INOUYE. I am using your phraseology, because you spoke of taking drastic measures after the strike has gone on for 3 months.

Dr. MARK. Well, if you say 3 months, if we accept that as being sort of the limit of tolerance, then certainly measures beyond those that now are available would be in order.

Senator INOUYE. What sort of steps would you propose? Because I gather at this stage presidential influence, jawboning, and pressures would have failed, obviously. We have had to date a lot of jawboning. a lot of pressure, and a lot of presidential influence. But we have factors involved in this dispute which do respond very well within this type of solution. The Taft-Hartley Act has not been a solution. What would you provide, sir?

I ask because you have indicated strike insurance, but here again, doesn't it all end up in increased cost to the consumer? Because I gather someone will have to pay for these insurance premiums.

Dr. MARK. Well, in the case of a public insurance program, these would be dispersed over a broader range of people generally. There is no question that any disruption, any major disruption, will lead to either increasing costs of doing business, or increasing costs to consumers. Yet I think many of us do believe that to maintain the sort of private enterprise situation and collective bargaining system under which we operate, there are costs and inconveniences that have to be borne.

I think it is a matter of the choice that one has to make in this particular area.

Senator INOUYE. I gather from your suggestion that this strike insurance would be government insurance.

Dr. MARK. Yes.

Senator INOUYE. Because I cannot think of a private carrier offering strike insurance. And if the nature of the strike insurance is the type that you suggest, very likely it would be operative only in the Hawaii situation, where the impact of the strike would be catastrophic.

If you have a trucking strike in the city of Des Moines, Iowa, you still have the rail and private automobiles. Even if you tied up rail, trucks, and air, you would still have private automobiles, so it might not be as catastrophic as in Hawaii.

My question is: Does this not, in effect, add up to subsidizing a strike involving Hawaii?

Dr. MARK. Well, there would be an element of subsidy involved, but it would still be up to the individual business to take up the insurance. I mean, the opportunity would be made available to all firms, and I think it would be the individual firms' decision as to the extent of the coverage.

Senator INOUYE. You are suggesting that this insurance be set up in such a way that the premium payments would be sufficient to cover the payouts?

Dr. MARK. Well, I am not an actuary, and I do not have that sort of expertise, Mr. Chairman.

I think there are other public insurance programs that are available for a number of other purposes, and my feeling is that this would follow the principle of other public insurance programs, to which there is, I am sure, a subsidy element.

Senator INOUYE. So you think as a matter of policy it would be appropriate to subsidize a strike of this sort?

Dr. MARK. I would not consider it in those large terms. I would not consider these smaller proposals as being a subsidy of the strike or the effects of a strike. I would say they would be one approach, or one of a number of methods, including those that will be developed by this committee, to solve these very grave problems that do confront us.

Senator INOUYE. Will your office be able to provide this committee statistics on additional costs resulting from an actual maritime disruption, or even a potential one? Because, as you indicated, a threat would be sufficient to cause many of our industries to begin storing up for 90 days. Now, I would like to have, if possible, from your office, figures bringing out these additional costs: interest on money tied up as a result of warehousing or the cost of extra storage, overtime payments before and after the disruption, the loss of revenue to the State as a result of loss of income. I would like to know what the increase in cost would be resulting from air freight under present technology. You spoke of future technology, but today we are coping with what we have, and I would like to know what it adds up to.

Do you have, as an economist, any standard that you would apply as to what would constitute an emergency in the area of increased cost?

Let me give you a hypothetical example.

Let us say that the cost of living is such that it would require a family of husband, wife, and two children $500 a month to live like decent human beings—not like affluent human beings, but just decent living. What would you consider would be an intolerable increase in this cost of living? $600? $700? $800?

Dr. MARK. Well, Mr. Chairman, I don't think I would be able to give a very precise reply to that. However, I would say generally that there can be some criteria established that people, I think, can agree on, that should there be an increase in overall unemployment of X percent, or should there be an increase in welfare payments of X million dollars, or should there be a drain on the unemployment compensation funds of such an amount—I think such figures could be developed and might find some consensus, but at the moment I wouldn't have these at hand.

To your earlier question, Mr. Senator, we have some figures we have developed on the additional costs of doing business, and we would be pleased to also work on these further and to supply you and the committee with such information as we might have available.

Senator INOUYE. I gather that the State of Hawaii is experiencing a shortage in anticipated revenues. As a result, I believe the legislature will have to take steps to cut down some of the services, or bring about some drastic austerity programs.

Can you indicate to the committee the extent of the shortage in anticipated funds?

Dr. MARK. Well, Mr. Chairman, I think this shortage was based on earlier projections that were made, let's say, a year and a half back, when things appeared to be a lot more optimistic.

I don't have the latest figures as to what the budget deficit might be, because the Governor, as you know, is taking and has taken very definite steps to reduce various expenditures, and the fullest impact of this is not presently known.

There is a shortage or a deficiency in terms of what was expected, say 18 months back.

My earlier point in the testimony was that the overall recession situation, the overall national recession, which has more recently included Hawaii, certainly accounted for a slowdown in terms of anticipated revenues. Although our growth is still continuing, it is not continuing at the fast rate of the 1960's.

Senator INOUYE. Has your office made any study as to the possible impact of these maritime strikes on the willingness of an investor to invest in Hawaii?

Dr. MARK. No, Mr. Chairman, I do not think specific studies of that nature have been made.

Senator INOUYE. Do you think that these strikes would have any impact on another American's plans to invest in Hawaii?

Dr. MARK. I think, taking the broad approach to this, certainly unfavorable labor relationships would have an impact on investment decisions.

Looking at it the other way, the very favorable labor and industrial relations that the State has had in the past have also abetted our investment-seeking efforts.

Senator INOUYE. Does your office have any figures on the impact these strikes have had upon the alternative sources of supply for Hawaii, for example, from Japan?

Dr. MARK. Mr. Chairman, I think these can be developed. We do not have these available at this moment, but I think these may be developed.

Senator INOUYE. You have indicated in your statement that the high unemployment rate continued after the strike was ended, when the cooling-off period went into effect, and thereby suggested that the strike was not essentially responsible for this unemployment.

I ask this question because I recall statistics indicating that after the 1949 strike the unemployment figures suddenly went up almost double, that the so-called 15 percent unemployment rate did not occur during the strike, but it occurred after the strike.

Dr. MARK. I think you may recall, Senator, that in 1949 we did have some large layoffs at Pearl Harbor, attributed to changes in our military situation, military posture.

In the more current situation, I indicated that I thought that the national recessionary factors had started to take hold, and that they would be the primary factor responsible for the continuance of unemployment at the 6 percent rate.

Senator INOUYE. Dr. Mark, if I may, I would like to submit to you and your office a series of questions, most of them rather technical, concerning figures and statistics, and if you would favor us, we would be most pleased if you could supply us with the answers to our inquiry.

Furthermore, it would be most helpful if you could study the statement to be issued by Dr. Thomas Hitch of the First Hawaiian Bank. I have seen the statement, and his statement does not parallel yours in many ways, and I would like to have your comments as to Dr. Hitch's contentions as to the impact of these strikes. I think such a dialog would be very helpful to the members of this committee.

Senator Stevens.

Senator STEVENS. Dr. Mark, I have discerned from your statement that the State has not taken a position on this bill.

Dr. MARK. I think that is an accurate observation, Mr. Senator.

Senator STEVENS. Could you tell me this: On reading the morning paper, I see Mr. Bridges has indicated that the Hawaiian ports too might close, in time. If that happens, would your statement accurately reflect the position of the State, which is that the State still would not take a position on this bill?

Dr. MARK. Well, Senator Stevens, we prepared this testimony based on the situation as we best could assess it. Certainly, if this additional factor did occur, I think the testimony would be revised.

Senator STEVENS. I understand your position. I have been in your position—we all have, at some time or other. I just want to know, as Senator Inouye says, if we have a half-strike continuing—as I read your statement, you feel that the State of Hawaii can endure that, as it did the last one, but if there is a full strike, could you give us the impact of what it would mean to Hawaii?

Dr. MARK. Well, we could develop further information along those lines.

Senator STEVENS. For instance, I think the committee should know the number of ships and the tonnage that is required to transport food and agricultural products to and from Hawaii. In other words, how many ships would be needed if this bill passed and the Governor called on the President to exercise the authority under it. I do not see that mentioned in the record.

Would it be all right if we got that, Mr. Chairman?

Senator INOUYE. Yes.

Senator STEVENS. I noticed your reference to the State charter of this vessel during the last strike. Could you tell me when that charter was made and how many months the strike had been underway before that action was taken?

Dr. MARK. I think the discussions leading to that action had taken place shortly after the strike. But the actual consummation of the charter did not occur until, I believe it was, September.

Senator STEVENS. You referred to the Vancouver loading facilities, which we use quite often in Alaska. It was almost a 100-day strike and the ship was back just 2 or 3 days before the strike was over. Thus, it must have been done halfway or two-thirds of the way through the strike; is that right?

Dr. MARK. I am not sure as to the exact timing of that. It may be closer to halfway than two-thirds.

Senator STEVENS. What I am trying to determine is: How much time had passed by before the State felt that it should take action of that type?

This is related to this bill, which says 30 days. Did you wait 30 days, 50 days, 60 days, before that occurred; do you know?

Dr. MARK. I think, as I said, it was that the discussions leading to that took place—I was not a party to those discussions, but they did take place pior to the 30-day period. I do not think there was any definite deadline or any target date. I think immediate discussions and immediate deliberations had commenced. It just took the additional time necessary to complete the actual chartering process, to make the arrangements.

Senator STEVENS. You mentioned the hoarding aspect of buying after a strike like this commences. Now we are in a second phase, you might say, of the strike period. Do you anticipate this hoarding is going to occur again?

Dr. MARK. Well, I expect some of this may have already started, although I have not seen or read of any shortages of any specific commodities as of the last week or so.

Senator STEVENS. I think Senator Inouye was getting at the same point I am trying to get at now. It would seem to me that those people who are living on the borderline of the economy, who are living right up to their current income, cannot afford either hoarding or an increase in prices. By definition they will automatically be in an area requiring public assistance if that happens. Do you have any statistics on how many people in Hawaii are in the borderline sector of the economy?

Dr. MARK. Well, Senator, we do not have the most recent statistics on that. At the time the Economic Opportunity Act was passed in Congress, I believe 5 or 6 years ago, I think Hawaii's income level was somewhat higher than the national cutoff level for those who would qualify for Economic Opportunity assistance.

Senator STEVENS. As I read your statement this bill seems to be viewed more in terms of what is going to happen to business, suppliers, or shippers. I think the importance that both this bill and the bills pending before Congress affecting the Nation as a whole, or regions of the Nation, is a public-interest concept. The individual who is less able to afford the increases that come about because of a situation like this is the one that we are primarily trying to assist.

That is why I think we ought to know how many of your people are in the economic brackets that will be most drastically affected by either a change in pricing or the requirement to purchase ahead. By this group I refer to those who have less ability to buy an inventory and keep it in their own home. Can you give us those income statistics for Hawaii? Do you have current ones for 1971?

Dr. MARK. Well, Senator, we can make that information available to the committee very shortly.

I would say that we are concerned, and fundamentally concerned, with the consumer. I perhaps did not give it the necessary stress in this testimony, but we are concerned about the plight of the consumer, and we are also concerned with the maintaining of the free collective bargaining process.

Senator STEVENS. You mentioned the insurance possibility and I assume you are referring to insurance programs on the Federal level, such as the flood and disaster insurance concepts, both of which involve fixed losses and compensation for fixed losses. Have you investigated the problems of strike insurance, which would involve speculative losses, and be quite similar to business interruption insurance. I invite you to take a look at the premiums on that. As one who used to carry it on my law office, I would say the premiums in relation to the coverage are rather unique, to say the least.

I wonder if you have done any research at all into this concept of strike insurance. There is no way to cover strike insurance as you would the results of a flood or disaster, as it would be entirely speculative. What would be the income and what would be the outgo in the normal period following a strike? I would be very interested in seeing some figures developed along that line if you can supply us with any that might come out of your experience here in Hawaii. It might be very helpful to Congress if we decide to examine that possibility. I have never heard that suggested as being a remedy for this type of situation, but I would be interested in some figures that might shore it up.

Dr. MARK. Yes, Senator, we have not made this detailed investigation, but if we do come across some useful information along these lines, we will make it available to the committee.

Senator STEVENS. I have one last question, and that is: You have come through a 100-day strike and you say the State has endured it. We are now in another strike, and no one can predict the duration. What is the status of your inventories in Hawaii now?

Dr. MARK. I think they have been replenished, and I think they would be up to at least the 90-day level.

Senator STEVENS. In reading through the statements from other people, I have gained an advantage that you do not have. Some of them suggest that the business community here has over-borrowed, and the loans outstanding mean that the business community does not have the ability now to carry through a prolonged strike as it did in the past, because of the losses it incurred during the last portion of the strike, and also because of the necessity to replenish inventories immediately after the strike was over.

Does your department have a listing of statistics on loans outstanding now, as compared to loans outstanding at the beginning of the original 100-day strike?

Dr. MARK. Well, Senator, we will try to obtain that sort of information. I did not want to leave the impression with the committee that we are looking forward to another 100-day strike. If the strike could be ended today or tomorrow, and if we can assist the committee in any way to find that solution, we are certainly at your disposal.

Senator STEVENS. I am sure we share your optimism. We would like to see it ended tomorrow. I thought perhaps when the announcement was made that the Teamsters would consider consolidating with the ILWU that we had found a way out of this, because we in Alaska have had great experience with the Teamsters, and I can't ever remember a Teamster's strike that was very prolonged in Alaska. I can't particularly remember them being involved in a jurisdictional strike that lasted this long.

Incidentally—I said it was going to be my last comment, Mr. Chairman, but I want to add this. Your statement assumes this is totally an economic strike, whereas the jurisdictional aspects of it are entirely beyond the realm of the business community and the Government at the present time. Would you take the same position if it was solely a jurisdictional strike, that you would still not comment on the necessity to take action to terminate it?

Dr. MARK. Senator, my intention was to address myself to the economic aspects of the strike. I do not feel competent to discuss the various jurisdictional aspects.

Senator STEVENS. All right. Thank you very much.

Thank you, Mr. Chairman.

Senator INOUYE. I have just one final question.

You have indicated in your statement that you would like to see collective bargaining remain uninjured in our law books, and I agree with you. Do you consider the bill we are considering today, S. 2836, to be one that would injure American collective bargaining?

Dr. MARK. I would not say that the bill as conceived, and as might be developed further, would necessarily injure American collective bargaining in the total sense, no.

Senator INOUYE. Do you think, then, that this measure will permit collective bargaining to proceed unhampered?

Dr. MARK. I am sure the intent of the legislation, as you have expressed, is to maintain the collective bargaining process.

Senator INOUYE. Once again, Dr. Mark, I thank you very much for your assistance this morning.

As I indicated earlier, we will be submitting to you a series of questions which I hope you will respond to. Your answers will be very helpful to this committee.

I thank you very much, sir.

Dr. MARK. Thank you, Senator.

Our next witness is Dr. Thomas K. Hitch, the Senior Vice President and Chairman for Research of the First Hawaiian Bank, and Dr. Hitch will be testifying on behalf of the Chamber of Commerce of Hawaii.

Dr. Hitch. Welcome to the committee, sir.

STATEMENT OF DR. THOMAS K. HITCH, SENIOR VICE PRESIDENT AND CHAIRMAN FOR RESEARCH, FIRST HAWAIIAN BANK, TESTIFYING FOR THE CHAMBER OF COMMERCE OF HAWAII

Dr. HITCH. Thank you, Senator Inouye and Senator Stevens. For the benefit of our distinguished visitor from Alaska, I might mention that the Chamber of Commerce of Hawaii has some 1,700 business firm members, plus well over 1,000 additional members of an individual status, and the Chamber of Commerce of Hawaii also has associated with it the other 11 Chambers of Commerce in Hawaii, with each of them having at least one representative on our Board of Directors.

You have my full testimony, which runs much longer than the time you would like to have me talk. I will, therefore, cover several sections of my testimony in this oral presentation and only make quick reference to several other sections, which you can read at your leisure.

Senator INOUYE. Without objection, your full statement will be incorporated and made part of the record.

Dr. HITCH. Thank you, sir.

The worst spell of unemployment in Hawaii's modern history followed the longest dock strike in Hawaii's history. The 177-day strike of the ILWU longshoremen in Hawaii in 1949 was followed by unemployment that was estimated at over 32,000 workers which at that time accounted for nearly 17 percent of the labor force in the Territory.

The second worst spell of unemployment in Hawaii's modern history followed the second-longest dock strike. The 99-day West Coast dock strike from July 1 through the first week in October 1971 was followed in November with estimated unemployment of over 23,000 workers, which represented 6.4 percent of the State's labor force. With the national unemployment rate in November at 6 percent, our rate of 6.4 percent is higher than the national average—the first time that that has been the case since 1957.

The 1949 dock strike was not only longer than the 1971 strike, but it was more complete, as has already been brought out. The 1971 strike only stopped ships from coming from the West Coast for the 99 days; foreign ships were not involved, and the East and Gulf Coast ports were not closed until a week before Taft-Hartley action sent the West Coast longshoremen back to work. By contrast, the 1949 strike of Hawaii's longshoremen affected all ships destined for Hawaii's ports. The proper nomenclature then should perhaps be that the 1949 strike was devastating because it was complete, while the 1971 strike was seriously damaging because, to use your words, sir, it was sort of a half-strike.

The devastating 1949 strike resulted in a 3 percent rise in prices from May to October, as many vital commodities were in short supply or actually disappeared from the shelves, and a 12 percent decline in retail sales. Total construction activity declined by one-third, the number of visitors declined by 5.5 percent, total wages and salaries paid out declined by 9 percent, and employment declines by industry from the fourth quarter of 1948 to the fourth quarter of 1949 were as follows: Construction was down 23.3 percent; manufacturing was down 1 percent; services were down 3 percent; wholesale and retail trades were down 3.6 percent; sugar was down 3.3 percent; and pineapple was down 9.7 percent.

As a result of lost employment opportunities, some 23,000 persons, net, migrated from Hawaii between mid-1949 and mid-1950.

The 1949 strike was particularly devastating because of two factors: first, 1949 was a recession year on the Mainland and some of the impact of that recession would have been felt in Hawaii in any case; and, second, Hawaii entered the strike in anything but a prosperous condition. Unemployment at the beginning of 1949 was in excess of 7 percent and would have been higher except for sizeable net out-migration in the preceding several years.

By contrast, when the West Coast dock strike started on the first of July 1971, Hawaii was still in an overall prosperous economic condition—not growing as fast in the first half of 1971 as in the earlier years, but still considerably more prosperous than the country as a whole, and vastly better off than the West Coast. This is indicated by the fact that the average unemployment rate for Hawaii in the first half of 1971 was only 4.6 percent, while for the country as a whole the rate averaged 5.9 percent. The impact of the 99-day 1971 West

Coast dock strike, then, was to slow Hawaii's growth very appreciably overall, rather than to turn the whole economy down—although some sectors did, in fact, register an absolute decline.

This slowing-down is shown dramatically by comparing the growth in total State civilian employment from November to November for the last 8 years:

November to November, 1963–64 was up 5 percent.
November to November, 1964–65 was up 5.6 percent.
November to November, 1965–66 was up 3.5 percent.
November to November, 1966–67 was up 5 percent.
November to November, 1967–68 was up 5.2 percent.
November to November, 1968–69 was up 6.8 percent.
November to November, 1969–70 was up 4.1 percent.
November to November, 1970–71 was up .5 percent.

From November 1970 to November 1971, employment in the following sectors of the Hawaii economy declined:

Sugar, down 2.1 percent.
Pineapple, down 13.3 percent.

Diversified manufacturing was down 5.0 percent, of which durable goods were down 13.6 percent and non-durable goods were down 1.3 percent.

Construction was down 13.9 percent.
Transportation was down 4.4 percent.
Wholesale trade was down 1.2 percent.
Hotel services on Maui were down 1.6 percent.
Hotel services on Kauai were down 8.7 percent.

The only areas in which employment increased by more than a couple of percentage points were hotel services on Oahu and Hawaii, finance, insurance, real estate, and State and county government.

The impact of the 1971 strike on prices is clouded by the price freeze of August 15, which took place midway in the strike. However, the freeze did not apply to unprocessed agricultural commodities, and the "fresh fruits and vegetables" component of the Honolulu Consumer Price Index rose by 10 percent from June to October, whereas in prior years there was normally a seasonal decline during the late summer and early fall for this component.

The following categories of tax revenue statistics from the State Department of Taxation show the possible impact of the 1971 strike.

The next slightly over a page is an analysis of the probable impact of the strike on State revenues in the form of taxes collected by various categories, and I have analyzed that, so I will skip that.

Then I refer to the fact that after we got your letter asking us to appear before this hearing, the Chamber of Commerce, with the cooperation of some of our 11 associated Chambers, conducted a survey among the business membership, and we got about 250 responses from member firms. These responses are analyzed by different sectors, including retailing, wholesaling and distribution, transportation, construction, diversified manufacturing, hotels and restaurants, finance, and miscellaneous services.

There is not time to go over the results of this survey, but I hope that you gentlemen will have the opportunity to read these pages, because this is the information that was developed as a result of this survey in the first week of January of this year.

Now let me turn to a subject that has not been touched upon so far in this testimony, which I think is perhaps far more important than the immediate and direct impact of shipping interruptions to an island community like Hawaii.

Let me turn to the long-range, indirect effects of shipping strikes on Hawaii. And here, if you will forgive me, I would like to explain that I think I speak from many years of experience in a number of capacities: as vice chairman of the Territorial Economic and Planning Coordination Authority from 1959 to 1960, as vice chairman of the State Board of Economic Development from 1960 to 1962, as chairman of the Governor's Advisory Committee on Financing from 1958 to 1962, as chairman of the Mayor's Advisory Committee on Financing from 1960 to 1969, and as senior vice president and chairman of the Research Division of the First Hawaiian Bank for the last 12 years. I have also participated in many trips around the mainland, trying to sell investors on Hawaii, speaking to groups and talking with investors on many occasions in New York, Boston, Hartford, Chicago, Dallas, Los Angeles, Houston, San Francisco, Seattle, and Portland.

The primary long-range impact of strikes that interrupt shipping to Hawaii is to make it more difficult to attract investment capital to Hawaii.

For the past 20 or more years, the economic growth of Hawaii has been financed in large measure by capital attracted from outside of Hawaii. This is necessarily true for three reasons:

The first is that even if most savings of Hawaii residents were kept in liquid form and invested locally, our rate of economic growth has been such that the funds would be inadequate.

The second reason is that more and more savings of residents of Hawaii are channeled into institutions located on the Mainland, such as insurance companies, mutual funds, the stock and bond market, and so on.

The third reason is that more and more of business enterprise in Hawaii is owned by non-Hawaiian parent corporations, so that profits made locally are not left here for local investment but are channeled to head offices in New York, Boston, Chicago, San Francisco, and so on.

There are some 2,000 foreign firms—by "foreign" I mean non-Hawaiian firms—registered to do business in Hawaii. They include the Kaiser cement plant and property development on Oahu; Standard Oil Company of California's oil refinery; Weyerhaeuser's and Fibreboard's cardboard container manufacturing; hotel chains such as Hilton, Sheraton, Western International, Holiday Inn, and Cinerama; and Boise Cascade in retailing and land development.

Now engaged in business in Hawaii are all the major oil companies, Shell, Phillips, Union, Texaco, and Standard; all the major insurance companies; airlines such as Pan American, United, Northwest, Western, Continental, Braniff, American, TWA, and a host of supplemental air carriers; major van lines like Bekins, Martin, Dean, Smyth; major milk and milk-products distributors, Foremost and Beatrice Foods; leading retailers such as Sears, Penney, Kress, Woolworth, Hartfield, Roos-Atkins, Parkview-Gem, Long's Drug; the major U-drives, Hertz, Avis, and National; two major bakery chains, Continental and Ward Foods; a brewery, Schlitz; and a supermarket chain, Safeway.

In addition to such major foreign firms, a large number of traditionally local firms are now owned outside of Hawaii: Hawaiian Telephone Co., C. Brewer, Honiron, HC&D, First Insurance Co., et cetera, et cetera.

The result is that personal savings and business profits tend to flow out of the State, and that economic development hinges in large measure upon our ability to attract outside investment funds into the State. Our ability to attract such funds is always given a serious setback by any strike that interrupts shipping.

In 1960 I wrote a 24-page pamphlet entitled "A Brief Review of Hawaii for the Businessman" and toward the end of it I dealt with four subjects which I had found caused the Mainland investor the greatest concern: taxes, land tenure, cost of living, and strikes. In the pages devoted to these four subjects, I felt it necessary to devote half the entire space to the last subject, because I knew from experience that that subject was of most critical concern, even though, as of 1960, we had not had a significant interruption to shipping since 1952.

My bank alone services more than $125 million of mortgages that it has sold to Mainland investors, and the greatest concern of my colleagues arising from last year's strike is that it will be vastly more difficult to sell mortgages to Mainland investors in the future than it has been in the past. For a rhetorical question: Would you invest money in Hawaii, or Florida or any other part of the country, for that matter, if that area were subject to being cut off from the rest of the world by all means of transportation, including ships, cars, buses, trucks, railroads, and airlines? Obviously the answer is no.

And Hawaii, unlike any other part of the country, is served only by ships and airlines, and while we have never had a simultaneous shutdown of both, even that is a possibility. Even a strike of one of our two methods of physical contact with the rest of the world is enough to scare most investors out of their wits—and that is precisely what a strike does. I would suggest that a recurrence of the dock strike for three or four months or more in 1972 would set Hawaii back economically for a whole decade. And I make this statement advisedly, after much thought and experience.

Another long-range impact of a strike interrupting shipping is that it weakens the entire fabric of the Hawaii business community. Many firms that were strong become weak, many that were weak become marginal, many that were marginal become submarginal, many that were submarginal become defunct. Those that survive such a strike emerge in a weaker condition than before, and are therefore more subject to any adverse condition that might develop in the future.

A final long-range impact of such strikes is the permanent loss of markets by our export industries. Other witnesses will document this fact, I am sure, but we know from long experience that when Hawaiian products are not available, purchasers shift to other sources of supply, and such shifting is very difficult if not impossible, to reverse.

The conclusion to be drawn from these last comments is that Hawaii will suffer from the 99-day 1971 dock strike for years to come, just as she suffered from the 177-day 1949 dock strike for many years. In fact, it was not until about 1955 that Hawaii's economy began to turn upward after the 1949 strike. The final conclusion of

all testimony can be summed up by reminding you that shipping is still Hawaii's lifeline, and that a severed artery bleeds profusely.

I think it is obvious from what I have said that the Chamber of Commerce of Hawaii will support strongly any legislation that will make a major contribution to protecting Hawaii from shipping interruptions. We believe that with certain modifications, S. 2836 would make a significant contribution to achieving this objective.

There are two modifications that we would recommend:

First, we think the option given to the Governor of Hawaii to trigger the mechanics of S. 2836 should start immediately with the beginning of the strike instead of waiting 30 days, because, first, the Governor should know by then whether or not there is a likelihood of a settlement in the near future, and then second, at best no ships would be serving Hawaii for at least a month or perhaps two months or more after the mechanics are put in motion. Should he wait until the strike was already 30 days or more old, Hawaii might not see any ships under steam until the strike had lasted two and one-half or three months, or even longer.

Second, we seriously doubt that there would be anything like an adequate supply of available American ships not involved in the dispute to do any good. The solution to this it seems to us, is twofold. One solution would be to write into the bill a temporary suspension of the Jones Act for the duration of the strike, so that foreign ships could be used in the Hawaii-Mainland trade. The second solution would be to use ships of companies involved in the dispute, but to use them under some terms that did not, in fact, remove the economic pressure on them to settle the strike. We are not enough of marine accounting specialists to suggest how this could be done, but we feel sure that it could.

Could I digress for a moment and make a comment or two about temporary lifting of the Jones Act restrictions?

Senator INOUYE. Please proceed, sir.

Dr. HITCH. This has been done at least a dozen times in the past that I have been able to document.

On August 7, 1956, an act permitted Canadian vessels to transport coal for approximately a year from Great Lakes points, from American Great Lakes points, to Ogdensburg, N.Y.

Another law, passed July 11, 1957, permitted Canadian vessels to transport passengers and merchandise between Alaskan points and the United States Mainland for approximately a year. That was the ninth time that Congress had granted temporary relief from the Jones Act.

In 1962, Congress approved a temporary suspension of the Jones Act to permit the transport of lumber from the Pacific Northwest to Puerto Rico in Japanese ships for a period of approximately two years.

I think there are sufficient precedents, Senators, to take this suggestion with some degree of seriousness.

Senator STEVENS. Do you have a listing of all those there?

Dr. HITCH. I do not have a listing of all of them. I will get to you all the information I can get on the subject.

Senator STEVENS. It would be most helpful to me in another matter if you would put that in the record.

Senator INOUYE. He has a bill to suspend the Jones Act also.

Dr. HITCH. I will be happy to insert this after the fifth line on page 20, and copies can be made to add to all the other copies of my testimony.

Senator INOUYE. Without objection, it will be so done.

Senator STEVENS. Thank you.

Dr. HITCH. Aside from the merits of S. 2836, let me strongly urge this subcommittee to do everything it can to put the United States Senate on record as recognizing that interruptions to shipping constitute a dire emergency to the State of Hawaii. Certainly any legislation designed to protect this island community must move from the base of a recognized problem that must be solved. As far as Hawaii is concerned, we must make a break with the thinking that says that no part of the nation is in jeopardy until the entire nation is in jeopardy, and that therefore the only emergency that merits action is a national emergency.

I feel that I have demonstrated today, particularly in a good bit of my testimony that is in the record but which I did not read, that a shipping or dock strike that severs Hawaii's lifeline is in fact a threat to the life of one of the 50 States of the Nation. The only remaining question to me is: Will the Congress tolerate a situation that can effectively destroy one of the States of the Union? I sincerely hope that the answer is "No," and that this subcommittee will make a major contribution to persuading the entire Congress to say "No."

Senator INOUYE. Thank you very much, Dr. Hitch, for your very exhaustive presentation. You may be assured that your statement will be studied very carefully and will be given very serious consideration, especially your recommendations as to amendments.

If I may, I would like to go on from your last page.

In the first paragraph, you speak of a second solution in using ships of companies involved in a dispute, but to use them under some terms.

Could you suggest to us what some of these terms could be?

Dr. HITCH. I could suggest; I could not recommend.

It seems to me that it would be possible to use such ships on chartered or commandeered terms that would not remove the economic pressure on the company to continue to try to reach a settlement. In other words, they would be left in the same economic position as a shipping company, even though the ships were at sea, that they would have been were the ships tied up at the dock

As I say, I am not a marine accounting specialist, but I am sure something like that can be worked out. I shouldn't say I am sure it could be, but I would say I think it could be.

Senator INOUYE. If some member of your organization could assist us in this question, it would be most helpful to us. Could you do that within your organization?

Dr. HITCH. We will do what we can on this.

Senator INOUYE. In your testimony you mention the potential crisis in health care in Hawaii as a result of a maritime strike. Can you elaborate on this?

Dr. HITCH. The Hospital Association of Hawaii was one of the respondents to our questionnaire, and they reported that heavy reliance on disposable items within recent years presents a potential crisis in health care without adequate and steady shipments of supplies from the Mainland, because you don't launder the stuff and disinfect it and use it again, but use it and throw it away—disposable items.

They reported that many hospitals found themselves very short of all kinds of plastic containers and disposable paper products, such as patient drapes, bed pads for the chronically ill, and towels.

This is the response we had to the questionnaire from the Hospital Association of Hawaii.

Senator INOUYE. Have you any indication as to whether we had any shortage in drugs?

Dr. HITCH. Not that I know of. Drugs are, generally speaking, I think, something that can move pretty well by air, in contrast to structural steel and other things.

Senator INOUYE. We have in Hawaii, as we find in all other parts of the country, men, women, and children on welfare, or men and women who are labeled as the working poor, who work and eat from hand to mouth, and everything they make is consumed. And as Senator Stevens suggested in his inquiry, apparently these members of that category will not be able to absorb the increased cost of living brought about by a strike of this nature.

What would you consider to be an intolerable level of increase in the cost of living?

Dr. HITCH. I would say that the condition of the people that you refer to is intolerable to start with, and any increase would be intolerable.

Senator INOUYE. For the average citizen, what would be an intolerable rate of increase?

Dr. HITCH. I think in Hawaii when we speak of an average citizen we are talking about someone with a family income in the range of $10,000, if my memory is correct—somewhere in that range. And with that family income, thinking of a family of four people, with the cost of living in Hawaii such as it is today, I think any further increase in the cost of living would constitute a severe hardship.

Now, "intolerable" might be too tough a word, because "intolerable" means something you simply cannot tolerate, and people can tolerate things that constitute an extreme hardship, you know.

Senator INOUYE. Dr. Mark spoke of the intolerable rate of unemployment. What would you consider to be an intolerable rate of unemployment?

Dr. HITCH. I think the rate of unemployment we have today is certainly intolerable.

Senator INOUYE. The 6.4 percent?

Dr. HITCH. I have always felt—I don't know if I can say "always" because one changes one's mind over the years as conditions change—but by and large I have tended to think of 5 percent as being pretty much the demarcation line between an adequate unemployment situation, a tolerable unemployment situation, and one that should trigger some kind of special action into being in order to try to get it down to at least 5 percent.

Senator INOUYE. You say—and I quote:

> I would suggest that a recurrence of the dock strike for three or four months or more in 1972 would set Hawaii back economically for a decade.

Can you elaborate on this?

Dr. HITCH. Yes. I am thinking in terms of the long-range impact on the willingness of Mainland investors to invest in Hawaii.

I think that after Hawaii's being pretty well cut off for over three months last fall, if again in the spring of this year we were pretty well

cut off, all the companies that I mentioned—practically all except the airlines, because they got a lot of business as a result of the strike; this was very beneficial to them, as has already been pointed out. But all of these Mainland firms that I mentioned that are doing business in Hawaii today, that constitute such a big part of our economy, are going to think twice before their chief financial officers and their boards of directors are going to say, "Let's not put any more money into Hawaii."

Senator INOUYE. Have decisions of this nature been made as a result of this strike? Are you aware of any?

Dr. HITCH. No, I am not aware of any. I have not been back to the Mainland since the strike started.

Senator INOUYE. Could you give further elaboration to your suggestion that this bill be amended, that the Governor of Hawaii be given an option to request Presidential relief at the very beginning, instead of after the expiration of 30 days?

Dr. HITCH. Well, it was evident in 1949 that Hawaii was in for a long, long strike, from everything I heard—I came out here in February of 1950—that is was just a foregone conclusion that this was going to be a long, long strike, just as it was evident—and I remember this very personally and definitely in the spring of 1958—that the sugar strike was not going to be over in a week or two or three, but it was going to stretch out for a number of months at the minimum, and it actually lasted four months.

And my suggestion here is that the Governor probably would have a pretty good feeling at the beginning of the strike whether there was a settlement that might be in the offing in the next few weeks or month or month and a half, or whether we were in for a prolonged strike. And if he were to decide we were in for a prolonged strike, then I think the mechanics of your bill should be started in motion at the earliest possible opportunity, rather than tying his hands for 30 days, in view of the fact that it would probably take a minimum of another 30, or perhaps 60 days before we would have any ships under steam.

That was my thought.

Senator INOUYE. Were you able to predict, on July 1, that this strike would have gone on for, say, 99 days?

Dr. HITCH. I wouldn't claim that ability, but I would imagine that the Governor, with all of his sources of information, would be in a position to have had a feeling that it was going to be a fairly long one.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. Coming from a State that has 14 percent unemployment right now, I appreciate your comment. I am well aware of what you are talking about in terms of the increased unemployment.

We have some figures, Mr. Chairman, supplied by the Department of Labor concerning economic data for Hawaii and Honolulu. They indicate that in September of 1970 you had 12,700 unemployed in Hawaii, or 3.6 percent of the work force, and of that, Honolulu had 10,300, which is also 3.6 percent; and by November of last year, it had risen to 23,200, or 6.4 percent for Hawaii as a whole, and 18,200, or 6.2 percent of the Honolulu work force.

Dr. Mark made the point he thought there should have been a sharper impact.

What effect did the price and wage freeze of Phase I have on this? Do you believe that by virtue of the fact that businesses were not able to raise their prices and pass them on to consumers, that resulted in higher unemployment; the impact of the lid being put on the economy in fact caused unemployment here?

Dr. HITCH. I am aware of one or two isolated examples of that, but I think the tremendous jump from September to November you simply have to ascribe to the strike itself.

Senator STEVENS. This shows the wholesale and retail trade percentage of the employment was 31 percent. It also indicates your consumer price index, which went up considerably, from 114.9 to 121.4 in that same period.

Dr. HITCH. Which period is that, sir?

Senator STEVENS. September 1970 to September 1971, an increase of almost 7 percent.

I am sort of taken by your statistics as to the 1949 strike, though, and I would like to ask you this: Do you predict that there is going to be a sustained period of reaction from the 100-day strike? Are you telling us that even if there wasn't a dock strike right now, there would still be a period of the effects of that 100-day strike being felt on the economy here?

Dr. HITCH. I wanted to emphasize in my testimony the importance of the long-range impact of a strike.

Now, sure, this strike last fall was barely more than half as long as the one in 1949, and it was nowhere as complete, so the impact, short-range and long-range, is not nearly as great. But I do want to emphasize that there is more to a strike in Hawaii, a shipping strike in Hawaii, than just the immediate inability to get rice or toilet paper, or the immediate failure of some marginal firm, or a temporary rise in unemployment. There are lasting effects which stem primarily from the attitude of investors.

Senator STEVENS. If that is right, there will be a redundant effect now that this strike is back in force while Hawaii is still feeling the effects of the 100-day strike. In other words, the impact of this strike now on Hawaii is going to be, in all probability, worse than the 100-day strike as it proceeds.

Dr. HITCH. That is right, and from all the information that I have been able to gather, very few, if any, businessmen in Hawaii have been able to build back their inventories up to now to anywhere near where they were on the 1st of July of last year. In other words, we are going into this present strike today in a far more difficult situation than we were last July 1.

Senator STEVENS. One of your figures gives me a little bit of trouble. You have general fund revenues growing at 9 percent for the past year, and yet I have just heard testimony here that there is a serious deficit apparently coming in Hawaii revenues.

Am I to take it that that general fund is, in fact, the general fund of the State?

Dr. HITCH. Yes, that is the general fund of the State.

Senator STEVENS. And despite an increase of 9 percent there is still a projected deficit in your State for this next fiscal year?

Dr. HITCH. There is a continuing increase in governmental expenditures at the State and local level, even without any increase in program, as you well know, generally referred to as workload increase, you

know. There are just more students in the schools; there are just more people on relief. You know that even with the same programs in existence, government gets more and more expensive.

So here we have a situation in the first five months of this present fiscal year where we had a 2.8 percent increase in general fund revenues, compared to the first five months of fiscal 1971, at a time when almost regardless of what you do, you are going to have an increase in government expenditures.

I think that is the answer to the budget situation.

Senator STEVENS. Thank you very much. I want to commend you on all the statistics you have gathered. I think they will be very helpful to the committee as we review the problem.

Senator INOUYE. I would like to join my colleague in thanking you, Dr. Hitch, for your assistance this morning.

Dr. HITCH. Thank you.

Senator INOUYE. You may be assured that your statement will be given our very careful study, and if we may, we would like to call upon you in the following weeks for further information.

Dr. HITCH. At any time I can be of any help to you, I will be very happy to, and I will do what I can with respect to the questions you have asked me.

Senator STEVENS. Alaska has a very nice ferry we would be happy to send you. It is called the *Wickersham*. We need a suspension of the Jones Act to use it.

(Laughter.)

Dr. HITCH. You are talking to the wrong person, sir. I am not in the market for a surface ferry.

Senator STEVENS. Mr. Chairman, I would like to insert in the record at this point the Department of Labor figures I quoted from.

Senator INOUYE. Without objection, they will be made a part of the record.

(The statement and document follow:)

STATEMENT OF DR. THOMAS K. HITCH, CHAIRMAN OF THE BOARD, CHAMBER OF COMMERCE OF HAWAII

The worst spell of unemployment in Hawaii's modern history followed the longest dock strike in Hawaii's history. The 177-day strike of the ILWU longshoremen in Hawaii in 1949 was followed by unemployment that was estimated at over 32,000 workers which at that time accounted for nearly 17 percent of the labor force in the Territory.

The second worst spell of unemployment in Hawaii's modern history followed the second longest dock strike. The 99-day West Coast dock strike from July 1 through the first week in October 1971 was followed in November with estimated unemployment of over 23,000 workers, which represented 6.4 percent of the State's labor force. With the national unemployment rate in November at 6.0 percent, our rate of 6.4 percent is higher than the national average—the first time that that has been the case since 1957.

The 1949 dock strike was not only longer than the 1971 strike, but it was more complete. The 1971 strike only stopped ships from coming from the West Coast for the 99 days; foreign ships were not involved and the East and Gulf Coast ports were not closed until a week before Taft-Hartley action sent the West Coast longshoremen back to work. By contrast, the 1949 strike of Hawaii's longshoremen affected all ships destined for Hawaii's ports. The proper nomenclature then should perhaps be that the 1949 strike was devastating, while the 1971 strike was seriously damaging.

The devastating 1949 strike resulted in a 3 percent rise in prices from May to October as many vital commodities were in short supply or actually disappeared from the shelves and a 12 percent decline in retail sales. Total construction activity declined by one-third, the number of visitors declined by 5.5 percent,

total wages and salaries declined by 9 percent, and employment declines by industry from the fourth quarter of 1948 to the fourth quarter of 1949 were as follows:

	Percent
Construction	−23. 3
Manufacturing	−1. 0
Services	−3. 0
Wholesale and retail trades	−3. 6
Sugar (field)	−3. 3
Pineapple (field)	−9. 7

As a result of lost employment opportunities, some 23,000 persons (net) migrated from Hawaii between mid-1949 and mid-1950.

The 1949 strike was particularly devastating because of two factors: first, 1949 was a recession year on the Mainland and some of the impact of that recession would have been felt in Hawaii in any case and second, Hawaii entered the strike in anything but a prosperous condition. Unemployment at the beginning of 1949 was in excess of 7 percent and would have been higher except for sizable net outmigration in the preceding two years.

By contrast, when the West Coast dock strike started on the first of July 1971, Hawaii was still in an overall prosperous economic condition—not growing as fast in the first half of 1971 as in the earlier years, but still considerably more prosperous than the country as a whole and vastly better off than the West Coast. This is indicated by the fact that the average unemployment rate for Hawaii in the first half of 1971 was only 4.6 percent while for the country as a whole the rate was 5.9 percent. The impact of the 99-day 1971 West Coast dock strike, then, was to slow Hawaii's growth very appreciably overall, rather than to turn the whole economy down—although some sectors did in fact register an absolute decline.

This is shown dramatically by comparing the growth in total State civilian employment from November to November for the last eight years:

	Percent		*Percent*
1963–64	5. 0	1967–68	5. 2
1964–65	5. 6	1968–69	6. 8
1965–66	3. 5	1969–70	4. 1
1966–67	5. 0	1970–71	0. 5

From November 1970 to November 1971 employment in the following sectors of the Hawaii economy declined:

	Percent		*Percent*
Sugar (mill and field)	−2. 1	Construction	−13. 9
Pineapple (cannery and field)	−13. 3	Transportation	−4. 4
Diversified manufacturing	−5. 0	Wholesale trade	−1. 2
Durable goods	−13. 6	Hotel services, Maui	−1. 6
Non-durable goods	−1. 3	Hotel services, Kauai	−8. 7

The only areas in which employment increased by more than a couple of percentage points were hotel services on Oahu and Hawaii, finance, and State and County government.

The impact of the 1971 strike on prices is clouded by the price freeze of August 15 which took place midway in the strike. However, the freeze did not apply to unprocessed agricultural commodities, and the "fresh fruits and vegetables" component of the Honolulu Consumer Price Index rose by 10 percent from June to October, whereas in prior years there was normally a seasonal decline during the late summer and early fall.

The following categories of tax revenue statistics from the State Department of Taxation show the possible impact of the 1971 strike.

GENERAL FUND REVENUES

For fiscal 1971, revenues increased 9 percent, with June 1971 growing at 9.9 percent over June 1970. For the first five months of fiscal 1972, the growth declined to 2.8 percent as compared with the same period a year ago.

CONTRACTING

The tax base grew 40.5 percent in fiscal 1970, but slowed to a growth of 2.1 percent in fiscal 1971, very close to the estimate made by the Tax Department.

For the first five months of fiscal 1972, the tax base total was 12.4 percent below the prior year figure, approximately four times more than the rate of decline that had been estimated. This leads to a conclusion that the dock strike accelerated the decline.

RETAILING

Increase in gross sales for fiscal 1971 was 12.2 percent, with June 1971 recording a 22 percent increase. For the first five months of fiscal 1972, increase in gross sales was 4.4 percent, most of which was inflation in the form of higher prices to pay for expensive air freight shipment of goods.

HOTEL RENTS

For May 1971, the increase was 18.1 percent over May 1970. For June 1971, the increase was 24.3 percent over the previous June. For the first five months of fiscal 1972, rents were down 3.3 percent from the same period a year earlier.

SALARIES

For fiscal 1971, salaries paid increased by 11.8 percent over fiscal 1970, with June 1971 growing by the same percentage. For the first five months of fiscal 1972, the growth rate shrank to 3.3 percent from the same period a year ago.

AVIATION FUEL CONSUMPTION

For fiscal 1971, consumption was down 1.5 percent from fiscal 1970. For June 1971, it was up 6.7 percent. But for the first five months of fiscal 1972, consumption was up 16.2 percent, largely due to the substantial increase in air freight movement between the West Coast and Hawaii.

PINEAPPLE

The tax base for the first four months of fiscal 1972 was $42 million vs. $63.2 million for the same period in fiscal 1971. For November 1971, the tax base figure was $8.7 million vs. $3.9 million for November 1970, showing the pickup in shipments since Taft-Hartley.

The Chamber of Commerce of Hawaii conducted a survey in the closing days of December among its business members to get a clearer picture of the impact of the 99-day dock strike. I would like to present to this Subcommittee some of the results of this survey, divided by industries, and certain quotations that illustrate the vulnerability of business and the uncertainty and utter helplessness that result when the lifeline to the only insular state of our nation is cut. Over 250 member firms responded to the questionnaire.

We have divided the responses into the different sectors of business as follows: retailing, wholesaling and distribution, transportation, construction, diversified manufacturing, hotel and restaurants, finance, and miscellaneous services.

RETAILING

Of the firms that reported the strike's impact on sales, declines from normal levels ranged from 3 to 17 percent. In profits before taxes, the decrease from normal levels was much more pronounced. Here are some random figures: A domestic car dealer—down 200 percent, meaning a loss; a foreign car dealer—down 50 percent; an appliance furniture dealer, down 52.9 percent; a paper products dealer—down 138.81 percent, which apparently means a loss; a housewares retailer, down 25 percent; a large department store, down 5 percent; a drug store, down 18.7 percent. Employment was cut by some retailers—the severest being about 15 percent—but most retained their staff during the strike—some by cutting average weekly hours and others by taking a trimming in profits.

Here is a comment by a dry goods store manager: "Because of the air of uncertainty during the strike, orders for holiday goods were not placed until October after the (Taft-Hartley) injunction was issued. Some of these goods arrived in early December in time for the holiday season. The bulk arrived too late, the week of Christmas and later.

"Several December promotions were canceled because merchandise purchased specifically for them did not arrive.

"The prospect of the strike being resumed has caused more problems. We have had to stock up again and have brought in more merchandise than usual for this time of year.

"We have been fortunate in that many of our suppliers extended longer terms during this period. However, what of the many other firms that were not as fortunate?"

A florist (Pua Lani Florist) said: "We were unable to receive Christmas merchandise for resale, we were unable to receive supplies necessary to maintain our quality standards, we were unable to receive normal supply of materials needed for flower arrangements. Our fresh cut flower shipments via air cargo were delayed due to excessive air shipments normally shipped by sea freight . . . we lost two shipments completely, reducing two weeks income by 90 percent."

Hawaiian Motors Ltd., normally a very successful Dodge agency, reported that its profits before taxes between August 1 and December 31 dropped 200 percent from what it considers normal into a loss position.

"The strike prevented arrival of 350 1971 model cars and delayed introduction of 1972 models by 60 days which we estimate to have cost us another 200 sales for a total loss of 550 new car sales.

"Due to the lack of cars, we had to close down five branch operations," the company said.

Another automobile dealer said: "The worst effect has been the terrible uncertainty as to job security which adversely affects decisions by consumers on major purchases."

A furniture dealer said: "The inability to receive regular shipments has resulted in our firm having to either purchase excessive inventories or run out of stock, with substantial losses from operations. The expense of increased inventories, storage, etc., has taken away a substantial portion of our normal profits for the year."

A paper products dealer, commenting on the impact of the strike, said his firm, lost markets, lost key personnel from lay-offs, morale suffered during the strike and cash flow suffered as smaller customers had difficulty meeting payments.

An exporter and importer of agricultural products said a $7,200 shipment of ginger root to the West Coast was a total loss due to the strike. "Our Christmas sales orders were not delivered until the holiday season was over. When they started to arrive, they came truck after truck until all storage space was gone. But because of a threat of a resumption of the strike, we placed extra heavy orders for which we were forced to borrow money. We have never experienced such damaging effects in our operations in the past."

A gift and card shop owner: "If somebody built a fence around the State of Iowa making inter-state commerce impossible, troops would be called out. Many of our friends, and we ourselves, are making plans to move back to the Mainland. This is a ridiculous situation."

TRANSPORTATION

An automotive leasing firm said it has been forced to stiffen terms because of delinquency in payments. This has damaged relations even with good customers, and "it will take several years to regain their good will."

A tour company said parts for its tour buses had to be flown in and it had to bear the higher costs. Some of the parts are extremely heavy and higher costs will undoubtedly be passed on to customers.

HOTELS AND RESTAURANTS

A linen supply firm said its sales were down 6.8 percent from normal, and profits before taxes were down 60 percent in August.

The Napili Kai Beach Club on Maui said food costs for its restaurant increased by $12,000 during the strike. "Delay of construction materials from the Mainland forced delay in the opening of a new wing from December 1, 1971, to April 1, 1972, which will result in lost sales of $120,000."

Hana Ranch Inc. built up its inventories in anticipation of a long strike, tieing up valuable capital. "It seems the more remote you are, the greater the effect of a strike," the company said.

CONSTRUCTION

Reporting declines in sales and profit before taxes (from what they consider normal) were:

A construction materials supplier.—Sales down 25 percent, profits down 225 percent, which is a substantial loss.

Lillie-Continental Mechanical Corp.—Sales down 25 to 30 percent; profit down 20 percent.

A painting contractor.—Sales down 5 percent; profit down 10 percent.

A concrete accessories firm.—Sales down 35 percent; profit down 28 percent.

A general contracting firm.—Sales down 20 percent; profit down 20 percent.

A large firm with a large construction division reported that the strike caused lost revenues of $18 million and lost profits of $1.5 million, plus $10 million in lost wages and $3.8 million in lost taxes.

Wimberly, Whisenand, Allison & Tong, architectural and engineering design firm, said a strike like the one on the West Coast docks last summer "delays construction of buildings in progress and increases cost; it also makes developers hesitant about placing new projects out for bids."

A prefab home manufacturer said his output was reduced about 50 percent from July to October, with payroll which normally runs around $600,000 annually cut 25 percent during that period, and losses amounting to more than $100,000. "Materials ordered in late April for delivery before June 30 arrived in late December. If another strike is called," he said, "we will close down at the first sign of a production slow-down due to lack of materials."

Sika Chemical Corp. said increasing inventories before the strike increased its warehouse costs by 35 percent. Then when the East Coast docks were struck, it had to move freight from its New Jersey factory by rail to the West Coast for shipment to Hawaii, which increased transportation costs 115 percent. Now with the threat of a resumption of the West Coast strike, it is increasing its inventories again at substantially higher cost than normal, to protect its customers.

An electrical contractor said the strike delayed new construction projects, forced it to stockpile materials, hurt its cash flow, increased its interest expense, increased costs of warehousing and handling, decreased sales, and increased transportation costs because air freight was required.

Mililani Town Inc., major land developer, said interrupted flow of materials caused layoffs, decreased efficiency of operation and cut into profits. "A major expense is interest that must be paid by the company and by purchasers of partially completed homes where construction has been delayed."

DIVERSIFIED MANUFACTURING

Many small manufacturers suffered heavy losses in sales and profit during and after the strike.

A snack food manufacturer reported sales dropped 25 percent during the final month of the strike due to increased costs in alternate means of transportation of materials from the Mainland.

A canner whose supplies are almost all shipped in and the finished product shipped out found it difficult to get supplies from East Coast sources even at much higher cost. The company said, "Shipping strikes which occur with regularity in Hawaii will have to be considered as an additional cost of doing business. Management will think twice before expanding operations in areas where strikes can tie up business for three to six months at a time."

Crossroads Press Inc., a publishing firm, reported what numerous small businesses experienced during the strike—slowing down in collection of receivables. "In the five months since the strike started, we sent five times the amount in receivables to a collection agency than in the previous three years combined." Employment was cut by 5 percent, sales dropped 18 percent from normal and profit before taxes was down 35 percent. "December business, reflecting the strike, is estimated to be 15 percent below normal, and advance orders for January are discouraging," the company said.

Hilo Meat Co. Ltd., a meat packing firm based in Hilo, Hawaii, said "the meat industry averages less than a penny profit per dollar of sales and we are no exception.

"Consequently the added cost of obtaining raw materials from the East Coast, by air, and from Vancouver, British Columbia, turned a profitable operation into a loss. (Profits before taxes for November and December were 105 percent below normal or in the red.)

"The price freeze prevented raising prices. But even without the freeze, unless the entire industry raises prices, a small segment such as ours can rapidly become non-competitive if we alone do so."

A large manufacturer of gases and other industrial supplies increased inventories before the strike to keep its operations going normally. But competition was so keen for shipping space after the strike that it could get only enough raw material to operate its largest plant at one-third capacity.

FINANCE

Banks, like other businesses, experienced an increase in delinquent loans due to the strike. Coins were a problem as their inventory declined, and one bank received a supply from the East at additional cost, but it would be prohibitive to fly them in.

Jerry Hay Inc., an insurance agency, said "premium payments began to lag in the second month of the strike. We had to advance premiums in those cases. A resumption of the strike will force us to borrow money because we have used up our surplus."

Avco Financial Services reported that the major impact of the strike on its business "was the inability of many customers to make payments. We had to grant an abnormal number of requests for extensions. Our delinquency rate rose substantially—in loans in July and August and sales contracts in October. Volume of business dropped in August, September, and October.

"Potential customers are hesitant to obligate themselves on time payment debts, afraid their income may be affected," it said.

WHOLESALING AND DISTRIBUTION

Wholesalers, distributors, food brokers, and manufacturer's representative appear to have suffered large loss of sales and in profits because the nature of their business requires shipment of goods from the Mainland.

A distributor of electrical equipment reported that in the three months since August 1 sales were down 15.6 percent from normal, profit before taxes was down 57.4 percent, employment was down 25 percent and average weekly hours worked down 20 percent.

Another electrical supplier reported sales down 12 percent and profit before taxes down 30 percent because manufacturers absorbed air freight expense to help keep projects going. "But they will not absorb such costs in the future and they are just going to forget the Hawaii market."

Hawaiian Magazine Distributors, largest such distributor in Hawaii, reported it chartered thirteen 707-jets at a cost of $108,000 to bring over its perishable magazines that have to be delivered on a current basis. It is an 82-employee firm and suffered a $12,246 loss in profit before taxes between August 1 and November 20. If the strike resumes, the firm will consider discontinuing all distribution for the duration.

J. A. MacCosham & Co. Ltd., a meat wholesaler, said it invested an extra quarter million dollars in inventory for the strike, but by September, it had to fly in new supplies, and sustained losses for September and October. "Air freighting of food becomes a necessity in a strike, and every family in Hawaii is hurt by the higher costs."

A wholesale distributor of petroleum products tripled its inventory above normal levels in anticipation of the strike but by mid-September its stock was so low that it had difficulty supplying its customers. As a result, it has lost a number of accounts, including a large one. Between August 15 and November 15, its sales dropped 30 percent and profit before taxes showed a loss, 132 percent below its normal profit level.

Thom Equipment Co. Inc., an industrial distributor, reported that sales in the three months of the strike were down 33 percent from normal levels, and profit before taxes disappeared—down 200 percent from normal profit levels. Because it cannot quote firm delivery schedules due to the uncertainty of the labor situation, military and government agencies are sending their requisitions directly to Mainland supply depots, and local purchases are down by 50 percent.

South Seas Record Distributors Inc. reported that due to poor retail sales in records in the five months since the strike started, its sales to retailers dropped 15 percent and losses were substantial—262 percent below normal profit before tax levels.

Athletic Supply of Hawaii Ltd. reported that stockpiling in anticipation of the strike reduced the impact on its business, but only for a month. "Then we began to feel the impact and it is continuing to this day as we have been unable to rebuild our stocks. There has not been sufficient shipping space available.

"During the latter part of the strike we were using air freight and our cost increased greatly. The worst effect, however, was the fact that much of our merchandise cannot be airfreighted as the differential between ocean and air freight is too great. This applies to toys because of their bulk as against their cost, and it applies to sporting goods such as barbell sets, pool tables, table tennis, playground equipment, and gymnasium equipment.

"Until the shipping situation can be cleared up by Federal law, we see nothing but continued losses for business in the State of Hawaii and a continual increase in cost for the consumer."

Eastman Kodak Co. said it had supplied its dealers by air even at substantially higher cost and that it has absorbed that cost.

"Some products, such as X-ray supplies, are required for health and safety," the company said. "Many of the chemicals needed in radiography are considered hazardous and cannot be shipped via air. They must come by water transportation.

"Although we have tried to build sufficient stocks to satisfy local needs, we lack warehouse space and any extended shutdown of shipping could jeopardize the health and safety of our people in Hawaii."

Quality Wiping Rag Co. Inc. reported that lack of shipments forced it to cut employment by 40 percent for four months beginning in late July, and average weekly hours were down also by 40 percent and as high as 73 percent in the worst three weeks beginning in late October.

"We depend on raw materials from the Mainland for production of industrial rags for our local customers and to fulfill the General Services Administration contracts, which we have not been able to fill completely.

"As a business which supplies military agencies, we must be able to assure deliveries or local suppliers would be bypassed by the military which would purchase their supplies from Mainland sources and have them shipped in military vessels," it said. The company reported substantial losses during the four months through November 15, with profits before taxes down 137 percent.

SERVICES

Western Girl Inc., temporary office help agency, reported that a few customers went out of business. Most, however, just tightened their belts and didn't hire except where absolutely necessary. During the three months beginning September 1, its sales were down 35 percent from normal levels and the business showed a loss.

Pacific Broadcasting Co. Inc. lost much of its fall business and had only 25 percent of its anticipated business under contract for January due to the uncertainty of the labor situation. During September and October, sales were down 18 percent from normal, profits before taxes down 52 percent, and employment down 40 percent.

Hospital Association of Hawaii reported that heavy reliance on disposable items within recent years presents a potential crisis in health care without adequate and steady shipments of supplies from the Mainland. During November, many hospitals found themselves very short of all kinds of plastic containers and disposable paper products such as patient drapes, bed pads for the chronically ill, and towels.

An advertising agency reported its billing for September, October, and November was down 28 percent from 1970. The October billing was less than half its October 1970 billing. "Accounts with no merchandise to sell don't advertise," it said.

A firm providing professional service to business said the biggest impact of the strike on its business was the serious delinquency problems on receivables as well as dramatic increase in credit losses. "We are certain the full impact of the strike has not yet been fully demonstrated. We believe it will continue for at least four months even in the absence of a resumption of the strike."

Wally Rucket & Co., an advertising agency, reported the impact from the strike was worst between October 1 and December 31. when sales dropped 53 percent from normal, profit before taxes dropped 85 percent, employment was decreased 33 percent.

Now let me turn to the long-range, indirect effect of shipping strikes on Hawaii. Here I can speak from many years of experience as vice chairman of the Territorial Economic and Planning Coordination Authority from 1959 to 1960, as vice chairman of the State Board of Economic Development from 1960 to 1962, as chairman of the Governor's Advisory Committee on Financing from 1958 to 1962, as chairman of the Mayor's Advisory Committee on Financing from 1960 to 1969, and as senior vice president and chairman of the Research Division of the First Hawaiian Bank for the last twelve years. I have also participated in many trips around the Mainland trying to sell investors on Hawaii, speaking to groups and talking with investors on many occasions in New York, Boston, Hartford, Chicago, Dallas, Los Angeles, Houston, San Francisco, Seattle, and Portland.

The primary long-range impact of strikes that interrupt shipping to Hawaii is to make it more difficult to attract investment capital to Hawaii.

For the last 20 or more years, the economic growth of Hawaii has been financed in large measure by capital attracted from outside of Hawaii. This is necessarily true for three reasons. The first is that even if most savings of Hawaii residents were kept in liquid form and invested locally, our rate of economic growth has been such that the funds would be inadequate. The second reason is that more and more savings of residents of Hawaii are channeled into institutions located on the Mainland—such as insurance companies, mutual funds, the stock and bond market, etc. The third reason is that more and more of business enterprise in Hawaii is owned by non-Hawaiian parent corporations, so that profits made locally are not left here for local investment but are channeled to head offices in New York, Boston, Chicago, San Francisco, etc. There are some 2,000 foreign firms registered to do business in Hawaii. They include the Kaiser cement plant and property development on Oahu; Standard Oil Co. of California's oil refinery; Weyerhaeuser's and Fibreboard's cardboard container manufacturing; hotel chains such as Hilton, Sheraton, Western International, Holiday Inn, and Cinerama; and Boise Cascade in retailing and land development. Now engaged in business in Hawaii are all the major oil companies (Shell, Phillips, Union, Texaco, and Standard); all the major insurance companies; airlines such as Pan American, United, Northwest, Western, Continental, Braniff, American, TWA, and a host of supplemental air carriers; major van lines (Bekins, Martin, Dean, Smyth); major milk and milk-products distributors (Foremost and Beatrice Foods): leading retailers (Sears, Penney, Kress, Woolworth, Hartfield, Roos-Atkins, Parkview-Gem, Longs Drug); the major U-drives (Hertz, Avis, National); two major bakery chains (Continental and Ward Foods); a brewery (Schlitz); and a supermarket chain (Safeway). In addition to such major foreign firms, a large number of traditionally local firms are now owned outside of Hawaii (Hawaiian Telephone Co., C. Brewer, Honiron, HC&D, First Insurance Co., etc., etc.).

The result is that personal savings and business profits tend to flow out of the State, and that economic development hinges in large measure upon our ability to attract outside investment funds into the State. Our ability to attract such funds is always given a serious setback by any strike that interrupts shipping. In 1960 I wrote a 24-page pamphlet entitled "A Brief Review of Hawaii for the Businessman" and toward the end of it, I dealt with four subjects which I had found caused the Mainland investor the greatest concern—taxes, land tenure, cost of living and strikes. In the pages devoted to these four subjects, I felt it necessary to devote half the entire space to the last subject—because I knew from experience that that subject was of most critical concern—even though we had not had a significant interruption to shipping since 1952.

My bank alone services more than $125 million of mortgages that it has sold to Mainland investors, and the greatest concern of my colleagues arising from last year's strike is that it will be vastly more difficult to sell mortgages to Mainland investors in the future than it has been in the past. Would you invest money in Hawaii (or Florida, or any other part of the country) if that area were subject to being cut off from the rest of the world by all means of transportation—including ships, cars, buses, trucks, railroads and airlines? Hawaii, unlike any other part of the country, is served only by ships and airlines, and while we have never had a simultaneous shutdown of both, even that is a possibility. Even a strike of one of our two methods of physical contact with the rest of the world is enough to scare most investors out of their wits—and that is precisely what a strike does. I would suggest that a recurrence of the dock strike for three or four months or more in 1972 would set Hawaii back economically for a decade. I make this statement advisedly after much thought and experience.

Another long-range impact of a strike interrupting shipping is that it weakens the entire fabric of the Hawaii business community. Many firms that were strong become weak, many that were weak become marginal, many that were marginal become submarginal, many that were submarginal become defunct. Those that survive such a strike emerge in a weaker condition than before and are therefore more subject to any adverse condition that might develop in the future.

A final long-range impact of such strikes is the permanent loss of markets by our export industries. Other witnesses will document this fact, but we know from long experience that when Hawaiian products are not available, purchasers shift to other sources of supply and such shifting is very difficult if not impossible to reverse.

The conclusion to be drawn from these last comments is that Hawaii will suffer from the 99-day 1971 dock strike for years to come, just as she suffered from the 177-day 1949 dock strike for many years. In fact, it was not until about 1955 that Hawaii's economy began to turn upward after the 1949 strike. The final conclusion of all my testimony can be summed up by reminding you that shipping is still Hawaii's life line, and that a severed artery bleeds profusely.

I think it is obvious from what I have said that the Chamber of Commerce of Hawaii will support strongly any legislation that will make a major contribution to protecting Hawaii from shipping interruptions. We believe that with certain modifications, S. 2836 would make a significant contribution to achieving this objective.

There are two modifications that we would recommend. First, we think the option given to the Governor of Hawaii to trigger the mechanics of S. 2836 should start immediately with the beginning of the strike instead of waiting 30 days, because (1) the governor should know by then whether or not there is a likelihood of a settlement in the near future and (2) at best no ships would be serving Hawaii for at least a month or perhaps two months or more after the mechanics are put in motion. Should he wait until the strike was already 30 days or more old, Hawaii might not see any ships under steam util the strike had lasted two-and-one-half or three months or even longer.

Second, we seriously doubt that there would be anything like an adequate supply of available American ships not involved in the dispute to do any good. The solution to this is twofold. One solution would be to write into the bill a temporary suspension of the Jones Act for the duration of the strike so that foreign ships could be used in the Hawaii-Mainland trade.

Suspension of the Jones Act would not set a precedent as Congress has many times in the past waived the act temporarily in times of great need for the public good.

An act on August 7, 1956 (c. 1028, 70 Stat. 1090) permitted Canadian vessels to transport coal for approximately a year from Great Lakes points to Ogdensburg, New York. Another law passed July 11, 1957, permitted Canadian vessels to transport passengers and merchandise between Alaskan points and the U.S. Mainland for approximately a year. This was the ninth time that such a temporary relief had been granted by Congress, and since then the Alaska relief has been passed as an amendment and became part of the Jones Act.

There were many other instances where Congressional action permitted Canadian vessels to transport iron ore and grain between points in the United States.

In more recent years, Congress approved a temporary suspension of the Act in 1962 to permit the transport of lumber from the Pacific Northwest to Puerto Rico in Japanese ships for a period of approximately two years.

There have been other instances where Congress has taken similar action where it felt the public interest would be served.

The second solution would be to use ships of companies involved in the dispute but to use them under some terms that did not in fact remove the economic pressure on them to settle the strike. We are not enough of marine accounting specialists to suggest how this could be done, but we feel sure that it could.

Aside from the merits of S. 2836, let me strongly urge this Subcommittee to do everything it can to put the U.S. Senate on record as recognizing that interruptions to shipping constitute a dire emergency to the State of Hawaii. Certainly any legislation designed to protect this island community must move from the base of a recognized problem that must be solved. As far as Hawaii is concerned, we *must* make a break with the thinking that says that no part of the nation is in jeopardy until the entire nation is in jeopardy and that therefore the only emergency that merits action is a national emergency.

I feel that I have demonstrated today that a shipping or dock strike that severs Hawaii's life line is in fact a threat to the life of one of the 50 states of the nation. The only remaining question is: Will the Congress tolerate a situation that can effectively destroy one of the states of the Union? I sincerely hope that the answer is "No," and that this Subcommittee will make a major contribution to persuading the entire Congress to say "No."

SELECTED ECONOMIC DATA FOR HAWAII AND HONOLULU

UNEMPLOYMENT

Year and month	Hawaii		Honolulu	
	Number unemployed	Percent of labor force	Number unemployed	Percent of labor force
1970: September	12,700	3.6	10,300	3.6
1971:				
January	16,500	4.7	13,200	4.6
February	16,800	4.8	13,200	4.6
March	15,500	4.4	12,500	4.3
April	15,000	4.3	12,100	4.2
May	15,700	4.4	12,700	4.4
June	19,400	5.3	15,500	5.2
July	18,700	5.0	14,800	4.9
August	19,600	5.3	15,900	5.3
September	21,500	6.0	17,500	6.0
October	21,100	5.9	16,600	5.7
November	23,200	6.4	18,200	6.2

EMPLOYMENT

Total number of employees on non-agricultural payrolls in the State of Hawaii was approximately 310,000 in July 1971. The most recent data, compiled in 1969, indicates that employment in all industries was distributed as follows:

Industry	*Percent of employment*
Wholesale and retail trade	31
Services	25
Manufacturing	13
Transportation and public utilities	11
Contract construction	10
Finance, insurance and real estate	8
State and local government	1
Agricultural and forestry	1
Mining	(1)

[1] Less than 0.5 percent.

CONSUMER PRICE INDEX FOR HONOLULU

Month and year	All items	Food
1970:		
September	114.9	115.2
1971:		
January	(1)	114.7
February	(1)	115.4
March	116.7	116.2
April	(1)	116.8
May	(1)	116.7
June	118.5	116.6
July	(1)	116.5
August	(1)	119.6
September	121.2	121.4
October	(1)	121.8
November	(1)	120.4

[1] Indexes for all items are computed only once every 3 months for Honolulu.

Source: Bureau of Labor Statistics.

Senator INOUYE. Our next witness is Professor John Ferguson, Director of the Industrial Relations Center of the University of Hawaii.

Welcome to the committee, sir, and please proceed.

STATEMENT OF DR. JOHN B. FERGUSON, DIRECTOR, INDUSTRIAL RELATIONS CENTER, UNIVERSITY OF HAWAII

Dr. FERGUSON. Thank you very much, Senator Inouye, Senator Stevens, and gentlemen, for permitting me to testify. You already have my written testimony, which itself is fairly short, and if I may, let me shorten it even further by simply telling you about the thoughts I had when I developed the testimony.

In the first place, I would like to let you know that I am in favor of this kind of a bill that, as I read it, provides for protection to Hawaii in the case of maritime strikes which Hawaii had no part in starting, and would have very little effect upon their resolution.

It seems to me, however, there are a couple of essentials for any bill that you gentlemen would introduce. One is: Will it pass? And the other is: Will it be effective after it is passed?

And for a collective bargaining bill especially, you must take into account whether it will place either of the parties in the dispute at any kind of disadvantage. I think the attempt here has been to prevent placing any party at a disadvantage.

I do have some questions, however, on the question of: Will it pass?

I must confess that I will have to defer to your expertise because you gentlemen are in the Senate and I am not, and you probably have a much better idea than I do of what will pass. But I find some things a little disturbing in S. 2836.

Among them, on page 9, lines 1 to 19, you have, in effect, a provision for a governor of a State to dictate to the President of the United States. This may be good law, but I don't think it is very good policy. I have some suggestions as to how one might get around that. They are contained in the other testimony.

On that same page, you have the President taking the unsupported word of a governor that any emergency exists. This, I think, needs some correction. Either the governor's word ought to be supported by some findings, or else there should be provision for the President to make findings of his own.

Senator INOUYE. If I may interject at this point so that there will be some clarification of intent, this bill does not intend to have the Governor of this State dictate to the President of the United States. All he serves as is a trigger. And as far as the Governor acting unsupported, that may be so, but the finding of fact will be done by the Congress, as the Congress has done on many occasions, such as the Water Pollution Control Act. The Congress found, after hearings, that pollution is bad for the water; therefore we shall have laws.

During the 1950's we had congressional findings of fact that Communism was no good for the United States; therefore we should have laws.

We will find from testimony, I hope, that if the strike does proceed and affects the State of Hawaii for any given period, an emergency will exist, and therefore the Governor, acting as the trigger—he will not be mandating the President; the mandate comes from the Congress of the United States, and we have ample precedents where the Congress of the United States tells the President what to do, just as much as he tells us what to do.

Dr. FERGUSON. Well, to come to my third point under this, I find that the provision on page 9 for peremptory Congressional finding of emergency on a magic figure of 30 days is a bit disturbing, and I think it is more in line with probably good practice, at least, to provide some support to that, rather than making a peremptory decision that 30 days produces an emergency period.

I believe, if I understand Dr. Mark's testimony correctly—and this doesn't follow along with Dr. Hitch's testimony—that there is a difference between our position right now, at least with respect to a continuation of the strike, than there was at the beginning of this strike earlier last year. So it is possible that conditions might change out from under you, and the 30-day period could either be too long or too short.

My only objection to that section is that you do set up an automatic 30 days in there, and I think if this bill is to be lasting, this is somewhat unwise.

Senator INOUYE. If I may enter into a colloquy at this point, the 30 days was placed in there arbitrarily, as you say, because we had no testimony to back it up. This was a vehicle for discussions by the people of Hawaii.

Dr. FERGUSON. I understand that, sir.

Senator INOUYE. It could be 60 days, or 45, or as Dr. Hitch suggested, zero days. But the bill does provide some discretion on the part of the Governor. He can decide, even after the magic 30 days has expired, that an emergency does not exist, and he can go on until 90 days before he does trigger the action.

The Governor of Hawaii is not mandated to call upon the President upon the expiration of 30 days. He can wait for 100 days. But he may have to answer to the people of Hawaii.

Dr. FERGUSON. Correct.

Senator STEVENS. May I interject there?

Senator INOUYE. Please do so.

Senator STEVENS. It seems that you have a different situation in that section 5 covers both the State of Hawaii and the west coast and would give the Governor power to trigger this procedure.

From my understanding of the testimony, a strike in Hawaii would have more immediate effect on Hawaii than would a strike on the West Coast. I think that you have to look at both provisions. It says:

> Commencing thirty days after the major seaports of either the State of Hawaii or of the West Coast are obstructed or closed due to a strike or lockout or other form of labor strife or discord . . .

Thus I think you must look at the combination. Certainly a strike on the West Coast, I think, would not have as immediate an impact on the State as one in Hawaii.

Would you agree with that?

Dr. FERGUSON. I think there would be a much greater effect on Hawaii if there were a strike in Hawaii. A strike on the West Coast would have less effect if there were no strike on the Gulf Coast or East Coast and we could divert shipping from there.

So you can't say—well, if you had a strike on the entire Mainland, as I guess we are very close to having right now, this would mean we would get nothing in from Mainland United States.

Senator INOUYE. Hopefully, that isn't so as I get the reports.

Dr. FERGUSON. That's good.

Senator STEVENS. But I am calling your attention to the 30 days as being a minimum period. Then there are circumstances—the Hawaii circumstance might be more drastic, a strike in Hawaii rather than just on the West Coast, and as Senator Inouye says, it is just a 30-day period built into this as a minimum before the Governor's powers come into effect. I gather that you are suggesting that we ought to change that 30-day period.

Dr. FERGUSON. I am suggesting you might look at the 30-day period, and in the same connection, under the President's mandatory powers, you have the Governor telling the President which facilities are necessary in order to accomplish the earliest possible resumption of normal flow, and so forth.

That is on about lines 19 and 20 of page 9.

What I am suggesting is that perhaps the President ought to have the authority to operate the facilities that he deems are necessary, rather than the Governor of the State telling the President that he needs facilities on the West Coast of a certain nature.

Senator INOUYE. Well, we decided to take the step we took because of the weakness in the Taft-Hartley Law, where the President of the United States has the authority to decide.

Dr. FERGUSON. Correct.

Senator INOUYE. And we have had a few experiences on what the presidential decision can mean to the people of Hawaii. Therefore, this bill is a drastic step. It is controversial. The Congress, not the Governor, will be mandating the President of the United States——

Dr. FERGUSON. Through the Governor?

Senator INOUYE (continuing). So at the moment it is not involved. And there is ample precedent for this.

And since the President of the United States and the Congress have always indicated a matter of equality between themselves, if he can order us to do something, I am sure Congress can order him to do something else.

Dr. FERGUSON. Very well, sir. My only observation is that I wonder—and I have no knowledge on this—had this bill been in effect in the existing strike, would there have been action taken by the Governor of the State? I'll leave it at that.

Now, to carry on: Will the bill be effective?

I think there are some few points needing clarification. For example, on page 9, once again, the Governor is to request the President to not only provide ships but operate whatever seaport facilities the Governor deems are necessary in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii.

My question is: Did you have in mind also that these would be U.S. Government owned and operated facilities? If not, then you will need, I think, something in the bill, some provision to obtain such facilities.

Senator INOUYE. The Attorney General for Hawaii has suggested amendments to carry out just what you have suggested, and these suggestions are valid, and I am certain if this measure is to be considered seriously, those amendments will be incorporated.

Dr. FERGUSON. I had not consulted with the Attorney General, but just reading through this it appeared to be necessary.

Now, another point under there—this is page 10; we are off page 9 finally—this is page 10, lines 9 to 14:

> That under no circumstances shall the President charter vessels which are owned by any of the parties involved in a strike, lockout, or other form of labor strife or discord . . .

But I assume the Federal Government charters vessels rather regularly. Suppose a vessel is already under charter that belongs to one of these people involved in the strike. Then do you intend that the Federal Government would not be able to use that ship or would be able to use that ship in support of the activity proposed? This I don't know, but I think it is something that requires looking into.

Senator INOUYE. I think if it is already chartered—although the bill has not been clarified—it has to be in order to be able to use it.

Dr. FERGUSON. Then, in line with something Dr. Hitch suggested, on page 11, lines 15 to 25, the bill speaks of not chartering any vessels which are owned by any party to the dispute, but you might come to a case where, let's say, there is a nationwide strike on the water front, and let's say for some other reason, some other emergency elsewhere, all Government-owned or chartered ships are not available. Then, there is some provision in the act for setting up a series of—oh, a kind of rationing scheme, which apparently would operate without very many ships, I would think.

And it seems to me in this case you would be well advised to think about lifting restrictions of the Jones Act or whatever act it is that prohibits the use of foreign bottoms, and also perhaps think about temporary lifting of the restriction against imports from other countries, such as, say, Australia and New Zealand, for certain things that we can use.

This, then, would provide us here with the necessities which we would not be able to get if there were no ships available from the United States.

Senator INOUYE. These, may I assure you, will be seriously considered, but the bill itself is sufficiently controversial.

Dr. FERGUSON. Yes.

Senator INOUYE. It was felt if we made a provision to suspend the provisions of the Jones Act in this measure, we would not be conducting hearings this morning. And I wanted very much to have these hearings. In fact, amendments have been drafted that would incorporate what you have suggested. So these matters have been considered very seriously.

Dr. FERGUSON. I have two more minor points.

One is that the Governor is empowered—I don't know which page now; 12, I guess—to establish State government machinery to act as an agent to collect fees from shippers, and that sort of thing, and I am merely wondering if the Governor doesn't already have this authority, without authorization of Congress. It is necessary for Congress to authorize the Governor of the State to do that which he already may do?

This is on page 12, section (c).

And likewise, on page 13 there are penalties discussed, but not mentioned. There are no penalties stated. Perhaps reference to other laws is required on this, or perhaps a specification of penalties.

Also I find that it is a little bit vague, "* * * any party who obstructs, directly or indirectly * * *" as to exactly what this means. And I think that this would be something that ought to be looked at also.

Senator INOUYE. Here again it was purposely left vague because we didn't want to get into a jurisdictional dispute with the Committee on the Judiciary.

Senator STEVENS. And the general laws provide adequate criminal penalties. We are tending away from putting criminal penalties in each and every bill, and moving more toward providing general criminal codes that cover all bills of the Federal Government.

Dr. FERGUSON. That concludes my remarks.

Senator STEVENS. A previous witness, I think Dr. Mark, suggested there would be a necessity for seizure authority to obtain enough vessels to handle this matter in the event there was a national dispute. Do you believe that is necessary?

Dr. FERGUSON. I am not sure it would be necessary except in some rather unusual circumstances. If it were the case of a nationwide dock strike which would affect every shipper in the United States, and you did have to have ships and you were unwilling to lift the restrictions of the Jones Act, then you might have to provide for seizure of ships.

Then you run into, of course, the problem of seizures generally, and how do you reimburse the owner of a ship without putting the striking waterfront people at a disadvantage, because there would be an income involved.

Senator STEVENS. Thank you.

Senator INOUYE. I have just one question. You are the Director of the Industrial Relations Center, and therefore very much concerned about labor-management relations.

Dr. FERGUSON. Yes, sir.

Senator INOUYE. And like Dr. Mark, I am very much concerned about the continuation of the American system of collective bargaining.

Do you consider this measure to be anti-collective bargaining?

Dr. FERGUSON. No, sir, I do not. I will have to qualify that a little bit and say that to the best of my knowledge, this is unique in that it does remove both parties, as far as possible as we can tell now, from any benefit or penalty based on use of facilities.

There may be ramifications that we can't see on this and some benefit that does come to one of the parties because of this, but I fail to see that. I don't think this bill does influence collective bargaining as far as I am able to see. It separates the activities from the parties and lets them reach a solution as best they can, unimpeded.

It does have one problem, however, and that is you may find yourself in the business of running ships for a good, long time, given some rather headstrong parties.

Senator INOUYE. If the emergency is great enough, I think we will have to get into that business.

I would like to join my colleague in thanking you, Professor Ferguson, for your presence this morning. Your suggestions have been very valid, and you may be assured that they will be considered if and when this matter is taken up by the full committee.

Dr. FERGUSON. Thank you very much.

Senator INOUYE. Thank you, sir.

At this point, without objection, I would like to place into the record a letter from the Attorney General of Hawaii, Mr. George Pai, and his suggested amendments to the bill.

(The letter follows:)

JANUARY 4, 1972.

Hon. DANIEL K. INOUYE,
Senate, U.S.,
Senate Office Building,
Washington, D.C.

DEAR SENATOR INOUYE: As advised by Governor Burns, I am transmitting herein proposed detailed amendments to your Hawaii Public Interest Protection Act of 1971 to resolve problems raised in Governor Burns' letter of December 21, 1971 relating to the said Act. Please feel free to make such changes in the proposed language as your judgment or circumstances may dictate.

1. To provide for the remuneration to owners/lessees of seaport facilities utilized under the Act, the following sentence should be added at the end of Sec. 6(a) of the Act:

"Whenever seaport facilities are operated pursuant to this Act, the President shall renumerate the owners/lessees thereof according to the existing rates in effect for the use of such facilities."

2. To include tariff schedules on file with the Federal Maritime Commission for the West Coast/Hawaii trade should charters of private vessels become necessary, and to retain some flexibility to adjust rates as the circumstances may dictate for such charter of private vessels, the second full sentence of Sec. 6(b) of the Act should be amended as follows (the Ramseyer method is employed for your convenience):

"Whenever the President charters such vessels, he shall remunerate their owners according to those schedules of ocean tariff rates which are in effect under the Intercoastal Shipping Act of 1933 [,] *or the Shipping Act of 1916, provided that if such schedules of ocean tariff rates are remuneratively inequitable due to circumstances not contemplated or accounted for in the establishing of such rates, the charter rates shall be adjusted accordingly so as to be equitably remunerative:* Provided *further* that under no circumstances shall the President charter vessels which are owned by any of the parties involved in a strike, lockout, or other form of labor strife or discord in either the maritime or longshore industry, or both industries, which obstructs or closes the major seaports of either the State of Hawaii or of the West Coast, thereby disrupting the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii."

3. Express waiver of tariff filing requirement for rates to be charged by the State can be provided by adding the following at the end of Sec. 6(e) of the Act:

"The Governor shall not be required to file tariffs or schedules of such shipping rates with the Federal Maritime Commission."

If I can be of any further assistance to you or your staff in aiding the passage of the Hawaii Public Interest Protection Act of 1971, please do not hesitate in requesting such assistance.

Yours very truly,

GEORGE PAI, *Attorney General.*

Senator INOUYE. Our final witness for this morning is Mr. William H. Cravens, the Director of the Development Planning Office of the Government of American Samoa.

Mr. Cravens, on behalf of the committee, I welcome you, sir.

STATEMENT OF WILLIAM H. CRAVENS, DIRECTOR, DEVELOPMENT PLANNING OFFICE, GOVERNMENT OF AMERICAN SAMOA

Mr. CRAVENS. Thank you, sir.

Senator Inouye and Senator Stevens, I am William H. Cravens, Director of the Development Planning Office of the Government of American Samoa. I will testify on behalf of the Government of American Samoa on the crippling impact of extended work stoppages at U.S. West Coast ports on the territory of American Samoa. I will

express the position of the Government of American Samoa which is to support efforts which would provide for special relief to Hawaii, American Samoa, and other Pacific territories of the United States during periods of strike or lock-out at U.S. West Coast ports.

By way of background, I would like to explain that American Samoa is an unincorporated insular possession of the United States, governed by an appointed Governor, and an elected Legislature, acting under authority granted them by the Secretary of the Interior, who in turn has been delegated his authority by the President, to whom Congress granted authority over Samoa in the Act of February 20, 1929.

The Samoan archipelago is a group of 14 volcanic tropical islands in the South Pacific Ocean at Latitude 14 degrees South. The islands of the group east of Longitude 171 degrees West, together with Swains Island, constitute the territory of American Samoa. The islands west of the Meridian comprise the independent state of Western Samoa. American Samoa is 2,300 air mile southwest of Honolulu and 1,600 air miles northeast of Auckland, New Zealand.

The population of the territory of American Samoa in 1970 was 27,159. Average per capita cash income is approximately $600 annually.

The territory's economy is dominated by a tuna fish canning industry and a growing tourist industry. Because of the area's size—75 square miles—and under-development, the Government of American Samoa provides all of the normal civil functions of government and a large number of activities which would be performed by private enterprise in larger and more fully developed parts of the United States, including medical care, radio and television communications, public transportation, telephone and overseas communications, ship repair for the cannery operations, and various other functions. These conditions make the people of the territory much more dependent upon government than is the case in other parts of the United States.

As an insular possession in the South Pacific, American Samoa is almost exclusively dependent upon imports for consumer goods, construction materials, and equipment and supplies of all types. Very little is produced in America Samoa for local consumption. Of the imports to American Samoa, 70.8 percent are from the West Coast ports. The remaining 29.2 percent comes from New Zealand, Japan, and other parts of the world. The ships serving American Samoa from the West Coast ports also handle their cargo from Australia to American Samoa.

We have reviewed with keen interest the bill introduced by Senator Inouye known as the "Hawaii Public Interest Protection Act of 1971," S. 2836. We are in full accord with the findings stated in that bill and state further that all of the deleterious effects of the West Coast dock strike on the State of Hawaii are equally applicable to American Samoa.

American Samoa is physically isolated and separated by thousands of miles of water from the continental United States, and has very different transportation requirements than other parts of the United States where water-borne commerce is only one of several modes of transport for inter-regional trade such as rail and truck which are not available to American Samoa. The people of American Samoa compose an economy whose very existence depends upon a continuous flow of food and the essentials of life, particularly from the major seaports of the West Coast by means of surface water transportation.

The health and safety of the people of American Samoa is imperiled by any disruption of at least 30 days' duration of the normal flow of maritime interstate commerce by means of surface water transportation as a result of a work stoppage on U.S. West Coast docks.

During such disruptions, the minimum assured consequences to the people of American Samoa are an inadequate supply of food, medicine, and other essentials of life, an increase in both unemployment and underemployment, price increases, business failures, slow-down in construction and a decline of total personal income and retail trade.

The people of America Samoa have frequently been the innocent third-party victims and have often suffered enduring harm from disruptions in the maritime and longshore industries.

The states and territories of the United States do not suffer equally from the effects of labor disputes in the maritime or longshore industries. The port states are affected, but it is really in the insular State of Hawaii and the territories where the real emergencies occur. It has been pointed out in Senate Bill 2836 that what happens during West Coast port disputes to the territories and the State of Hawaii is in many respects equivalent to constructing a barrier around a state, isolating that state, and prohibiting both the incursion and the excursion of goods by rail, truck, ship, barge, and all other means of surface transportation, permitting only extremely expensive air transportation into and out of that State.

Following are some examples of the effects of such work stoppages in American Samoa.

After a period of 30 days, shortages of various kinds of goods begin to appear in the retail sector, and price increases begin to occur. After prolonged periods, there is some relief, but only at the expense of importing goods from other countries. Retail prices are already excessive in American Samoa. They are approximately 50 percent higher than U.S. Mainland levels. Additional increases are particularly burdensome to the people of American Samoa, whose average per capita income and standard of living are so much below the stateside norm.

As I mentioned at the outset, the Government performs many of the services in American Samoa that in more developed parts of the United States are performed by a private enterprise. Total employment within the territory is approximately 6,500. Fifty-four percent or 3,500 people are employed by the Government. Forty-eight per cent of the wages paid in the territory are paid by the Government When we refer to the logistics problems of the Government of American Samoa, we are for the most part talking about the entity responsible for medical care, education and food for school children, capital improvements of all kinds, particularly in water, sewer, school, and industrial-commercial construction projects. Our main industry, fish canneries, has three weeks' production-warehousing. When there is no place to put their product, they are forced to close down.

Although precise figures are not available, it has been estimated that our freight costs increased 37 percent due to strikes when it was possible to ship goods from Vancouver, British Columbia. However, there is no guarantee that we will be able to do this with any regularity. Our Procurement Officer indicates that through our contracts in the United States, we are able to enjoy cost savings of about 35 percent on purchases of $39,000 per month. If the Government is

forced to purchase these items in foreign countries, the cost on these purchases could increase about $10,000 per month. In all, it is estimated that if the West Coast dock strike resumes, it could cost the Government of American Samoa $45,000 per month.

During the recent walk-out by the West Coast longshoremen, we were also able to bring supplies from the Gulf and East Coast ports, but pending union negotiations may combine West, East, and Gulf Coast longshoremen into one union.

American Samoa for the first time has a full-scale economic development program with a very large capital improvements program under way in the improvement of land for industrial-commercial use. If the West Coast dock strike resumes for any period of time, all of these programs would be indefinitely delayed, and the people of American Samoa, as well as those in Hawaii and other insular possessions of the Pacific, will suffer a genuine regional emergency and, as Senator Inouye has pointed out, will become a third party victim to a dispute in which they have very little voice or influence.

The Government of American Samoa places its full support behind Senator Inouye's bill and requests that American Samoa be included in this bill. We are prepared to support this or other measures intended to give relief to American territories in the Pacific during West Coast dock strikes which exceed thirty days.

Senator INOUYE. Mr. Cravens, I thank you very much for your testimony this morning.

I have a few questions I would like to ask at this point.

You have indicated in your statement that the effect of the strike, this present strike, was to require American Samoa to rely more heavily upon foreign suppliers. Do you believe this situation might become permanent, reliance upon foreign suppliers?

Mr. CRAVENS. Well, a portion of it might become more permanent. We try to operate under the "Buy American" act as a great portion of the income we have in the Islands is federally appropriated, even after buying from foreign ports, we would probably switch back to U.S. supplies if the strike ended.

One aspect of this, that dealing with a territory such as American Samoa, being so far away, American businessmen are more ready to do business in our territory than, say, some of their foreign counterparts. And in fact, they offer better deals than we can get from foreign sources, in spite of what some people think of low-cost foreign products.

We have found that American businessmen are very competitive pricewise. They deliver a little better than the foreign people. But the difference is in the shipping costs. Foreign shipping versus American shipping is substantially different, and the competitive price structure of American prices on food products, for instance, is quite competitive with foreign ports. It is the shipping that makes the difference.

Senator INOUYE. Can you give this committee some estimate as to the number of vessel calls or the tonnage movements to and from Samoa and Mainland United States?

Mr. CRAVENS. We have, let's see, four shipping lines, that move approximately seven ships between the U.S. and Samoa. So we have ships calling from the United States or from West Coast ports, coming to American Samoa approximately every 25 to 30 days, and that is basically what our merchants and government rely on for supplies.

In fact, we cannot maintain very big inventories in foodstuffs for long periods of time because of high spoilage in the tropics. That is one reason why industries and the canneries have limited inventories.

Senator INOUYE. To what extent were you able to substitute service from the East or Gulf ports or Canada during the strike?

Mr. CRAVENS. It was a hassle, if I may use that term. They had to re-route goods coming from all suppliers in the United States. We had to re-route supplies either to Vancouver or down to the Gulf ports. It was very difficult, time consuming and costly. Truck freight rates are very high, and it disrupted our normal channels that come in to the West Coast.

And by the time we did receive goods, after they were re-routed, the Taft-Hartley Act was used and it was approximately 20 days later that the Taft-Hartley Act was put into effect by the President. That is how long it took us to really start moving on that. It is a very difficult thing.

Then, when the ports themselves, like the Gulf ports and Vancouver, start backing up, it is a real nightmare for those forwarding agents as well as the people trying to get their goods.

Senator INOYE. Thank you very much.

Senator STEVENS. You have presented a very fine statement and I commend you for it. I am sure we will be looking forward to some greater statistics, if you can give them to us, on the tonnages and the number of vessels that are coming in.

Mr. CRAVENS. All right.

Senator INOUYE. I would like to say while you are here that we intended to include Samoa and the other insular possessions of the United States in this measure, but Hawaii was singled out for one specific purpose, and that was to focus all the effort, dramatic and otherwise, upon the plight of this state. It is my hope that if this measure is considered by the committee, the committee will also look with favor upon an amendment to cover other territories and possessions.

So please assure your Governor that American Samoa was not forgotten.

Mr. CRAVENS. Thank you.

Senator INOUYE. Thank you very much for your participation this morning, and I thank you for traveling all these many miles to be with us.

Mr. CRAVENS. Thank you very much.

Senator INOUYE. The hearing will be in recess until 1:30 this afternoon.

(The following information was subsequently received for the record:)

GOVERNMENT OF AMERICAN SAMOA—IMPORTS FROM ALL COUNTRIES

[In tons]

	1970	1971	Percent increase (decrease)
January	1,852	12,870	594.9
February	15,781	13,452	(14.8)
March	19,269	12,635	(34.4)
April	9,880	14,946	51.3
May	19,279	16,805	(12.8)
June	5,094	14,430	183.2
July	18,848	13,705	(27.3)
August	15,747	14,369	(8.8)
September	26,502	11,857	(55.3)
October	11,087	15,170	36.8
November	15,256	20,298	33.0
December	10,746	17,883	66.4
Total	159,341	191,290	20.0

Source: Custom Office, Port Administration, Government of American Samoa.

AFTERNOON SESSION

Senator INOUYE. The hearing will come to order.

Before proceeding with this afternoon's session, I would like to place into the record a letter from the President of the Senate of the State of Hawaii, the Honorable David C. McClung.

Without objection, it will be so ordered.

(The letter follows:)

THE SENATE,
STATE OF HAWAII,
January 18, 1972.

Hon. DANIEL K. INOUYE,
Subcommittee on the Merchant Marine,
U.S. Senate Committee on Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to place on the record the views of the majority members of the Senate, State of Hawaii, with respect to the legislation pending before your Senate Subcommittee and before other committees of the U.S. Congress.

Passage of new legislation to prevent the type of strike currently in progress on the West Coast is absolutely essential. We are not in a position to tell you exactly what form that legislation should have. We do know that labor management disputes such as the current one make the people of Hawaii the victim.

We do believe that whatever legislation is passed should strengthen the collective bargaining process. It should be clear by now that the 80-day cooling-off injunctive procedures under the Taft-Hartley Act are not, standing alone, an effective means of resolving this kind of dispute.

As you know, our State Legislature convenes Wednesday, January 19, 1972. As President of the Senate, I will direct the Senate Committee on Human Resources and/or the Committee on Economic Development to hold hearings on the subject. At the conclusion of those hearings, I will forward to you more specific recommendations.

I might point out that on several occasions during the course of this dispute I have urged the President to personally intervene so that a settlement can be brought about. He instead has chosen to sit back and leave it to the ordinary mediation process and the injunctive process of the Taft-Hartley Act. I am still hopeful that pending passage of effective legislation the President will use the power and prestige of his office to bring about a resolution of the dispute. As you are aware, Governor Burns has used that technique very successfully during his nine years as Governor of this State with the result that no major strike has taken place during that time.

Thank you for your consideration of our views. We hope for early passage of effective legislation.

Sincerely,

DAVID C. MCCLUNG.

Senator INOUYE. The first witness this afternoon is the Honorable Frank Fasi, mayor of the city and county of Honolulu.

Mayor Fasi. Welcome to the committee, sir.

STATEMENT OF HON. FRANK F. FASI, MAYOR, CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

Mayor FASI. Thank you, sir.

Senator Inouye, Senator Stevens, committee members of the Merchant Marine Subcommittee of the Senate Commerce Committee: I am here today to testify in favor of S. 2836, which I regard as the single most important congressional bill affecting the people of Hawaii since statehood.

I will not discuss any other legislation before Congress that may help Hawaii in its present dilemma; namely, S. 560 and S. 594, for it is my understanding that we are here to consider only S. 2836 and to hear testimony for or against it.

The issue is the survival of the economy of the State of Hawaii in the face of continuing shipping stoppages. I say "continuing shipping stoppages" and not "shipping strikes" to emphasize that the problem is not the exclusive fault of either labor or management. And it is neither the prerogative of labor nor of management that we wish to proscribe. Quite the contrary. I have deep and abiding faith in the American system of collective bargaining which is at a record high tide in Hawaii today. So let us not have anyone confusing the issue or my stand on it by saying otherwise. I am for open and unfettered collective bargaining. What I am against is making the economy and the people of Hawaii the hostages—the innocent victims of a stalemate in collective bargaining that forces a prolonged disablement of our shipping lifeline.

On November 8 of last year, just before Senator Daniel K. Inouye introduced his historic bill, the Hawaii Public Interest Protection Act, I had the privilege of presenting testimony to a fact-finding committee here and to the Subcommittee on Labor of the Senate Committee on Labor and Public Welfare. My testimony at that time illustrated the hardship brought about in Hawaii by the then 130-day-old west coast dock strike. I wish to reiterate what I said at that time and bring the lingering but burning issue up to date for you.

I said in November and I say again: The impact of the strike on Hawaii has been and will continue to be profound and long-range in its effect. And it can not be over-emphasized that this present shipping stoppage is not an isolated incident which, once dealt with, will not plague us again. Unless we do something now to protect the public interest during a shipping stoppage, Hawaii will receive one crippling blow after another to its transportation lifeline, the effect of which will be a long-term loss of confidence in the viability of our state economy. And when we speak of the effect upon the economy, we are not talking only about protecting the profits of the businessman. We are talking about people, their jobs, their standard of living, and their entire quality of life—all these things that are dependent upon a well-nourished economy.

There is a saying that all of us know, that half a loaf is better than none.

But why should the people of Hawaii settle for a half-loaf economy when it is within the power of their government to insure the whole loaf through legislation such as Senator Inouye's Public Interest Protection Act?

The present record-high unemployment in Hawaii is a direct result of the protracted shipping difficulties we have been experiencing since last July. And this is by no means the first time our group of islands has been devastated by a shipping stoppage.

I would also like to point out that we have an emergency employment effort going on presently in the City and County of Honolulu and the State of Hawaii. We have approximately $1 million to create some 300 jobs in the City and County. This is Federal money that we are spending for 300 jobs. Yet this one strike probably has made it possible for ten times that number to lose their jobs. So on the one hand, the Federal Government gives us money to create jobs, and on the other hand the Federal Government hasn't done anything to stop the elimination of jobs, which to me is even more important.

From 1946 through 1952, four major strikes closed down West Coast and/or Hawaii ports for a total of 390 days:

A West Coast strike starting in October of 1946 continued for 54 days. A similar strike starting in September of 1948 continued for 96 days. Then came the devastating 177-day ILWU Hawaii Dock Strike from May 1 through October 24, 1949. The fourth shipping stoppage was by the Sailors Union of the Pacific, closing ports for 63 days in 1952.

Briefer work stoppages on the West Coast and in Hawaii, ranging from one day to 17 days, cost another 142 days of idleness in shipping.

In 1962, after 22 days of total paralysis, and after the Governor of Hawaii declared a state of emergency, President Kennedy invoked provisions of the Taft-Hartley Act and the matter was resolved during the imposed cooling-off period.

Since 1962, Hawaii has been relatively free of shipping stoppages and slowdowns. Nevertheless, brief flurries in 1969, minor in consequence, were harbingers of problems to come.

The roots of the present jurisdictional dispute on the West Coast docks may be found in the disagreements which brought about the minor stoppages of 1969. The issue of whether the ILWU or the Teamsters has the right to stuff and unstuff containers has never been resolved and appears to be a major cause of the pernicious shipping stoppages which continue to threaten Hawaii's economy. This is a chronic illness.

On November 2, 1971 I said I was not optimistic that the issue could be resolved before the 80-day cooling-off period expired. That is one prediction which, I regret to say, was correct.

Let me restate what one of Hawaii's leading economists, Dr. Thomas K. Hitch, had to say several months ago about such prolonged shipping problems:

> During past maritime strikes of two months or longer, the effects locally have been a slowdown in construction; increase in unemployment and underemployment; declines in total personal income, retail trade, and tourist arrivals; price increases; and business failures. Much of the same pattern is developing in the present shutdown.

That is what Dr. Hitch said.

I submit that the record high unemployment rate of nearly 6½ percent alone points out that the pattern has developed far beyond the bounds of what can be tolerated in the public interest.

I might also point out that in 1969 the unemployment rate for the State of Hawaii was around 3.1 percent as compared to 4.5 percent nationally. Today you will find that we are above the national average.

In 1969, when I took office, the unemployment rate in Honolulu was 2.9 percent, the lowest unemployment rate for cities of 500,000 population or more, and way below the then national unemployment rate of 3.7 percent. But today we have an entirely different picture. Honolulu's unemployment rate is 6.4 percent and climbing, while the national unemployment rate is 6.1 percent.

For the record, I submit the attached copies of newspaper articles indicating not only the all-time high in unemployment, but also all the other disastrous effects of the present shipping stoppage as reported in our Honolulu press. These bad effects include the many businesses on the verge of failure, the astronomical rise of up to 50 percent in some cases of produce prices, as well as many others that mainly affect the average little guy.

The little restaurant down on Liliuokalani—I stopped in for dinner one night and asked the manager how the strike was affecting him at the time. He said, "Our produce costs are high. I used to buy a case of lettuce for a little over $7.00 a case, and it is now costing me $21.00 a case."

And he can't pass the higher cost along to the customers because of the wage-price freeze. That's what it means.

Reading these articles cannot help but convince you of the need to bring an immediate and permanent method of relief to our Island State.

With the documentation of the crisis situation and with full knowledge that the situation would worsen during September, as it did, I declared a State of Emergency in the City and County of Honolulu on August 23, 1971.

My State of Emergency Declaration came nearly two months after the West Coast dock strike commenced, and only after its crippling effects were seriously felt by our economy and our people.

As Dr. Hitch stated, two months is the very most Hawaii can bear of a shipping stoppage before the disastrous pattern of unemployment and business failure becomes acute.

Since my Declaration of Emergency in August, I have worked continuously to bring about some sort of relief, legislative or otherwise, to our present shipping dilemma. In some areas I have not gotten to first base. In others I have met with tremendous enthusiasm and success.

I tried but failed in my personal efforts on behalf of the people of Hawaii when I journeyed to San Francisco to intercede with labor and management in the present dock dispute. It was obvious that present laws are inadequate to bring us the relief we need when we need it during a shipping stoppage, so the personal appeal was the only hope at the time.

Taft-Hartley was finally invoked to bring us temporary relief. But this was done only after a national emergency was found to have existed as required by the law.

Obviously what is needed is new legislation to recognize that there need not be an emergency of national scale for an offshore, non-contiguous part of the country such as Hawaii to be in very serious trouble.

I have met what I consider to be tremendous success in my efforts toward encouraging new legislation at the federal level. When the 48th Congress of Cities convened in Honolulu a month and a half ago, my resolution to urge legislation by Congress was greeted with enthusiastic and overwhelming response by the nation's mayors. The mayors have been communicating their support of legislation to prohibit prolonged shipping stoppages against Hawaii and similar U.S. possessions. Many letters from the mayors are being sent to Congress every day urging that legislation such as S. 2836 be enacted.

My resolution, passed by the Congress of Cities, is attached for the record. It recognizes Hawaii's unique insular, non-contiguous geographical location in relation to the other 49 states, and its overwhelming reliance on continuous surface shipping.

The resolution further points out that only the Congress of the United States has the power to enact the remedial legislation we require.

I would like to point out at this time that amongst the number of letters and copies of resolutions that I have received from many cities throughout the mainland, I received this one which I found quite interesting, because it was written by a labor leader. The letter comes from Hugh W. Ruckdeshel, Business Manager, International Brotherhood of Electrical Workers, Local Union 308, who happens to be a councilman of the City of St. Petersburg. He says:

> I appreciate your letter of January 24—it must be June 24—and a copy of your signed ordinance.
>
> I am enclosing photocopies of letters from Senator Childs and Congressman Young. Both are aware that being a city councilman is only part of my interest in Senator Inouye's Public Protection Act of 1971, Senate Bill 2836. I am sure the responsiveness also comes from their knowledge that I am the business manager of the International Brotherhood of Electrical Workers, Local Union 308, President of the Pinellas County Building Trades Council, and President of the Pinellas County Central Labor Union. Therefore I feel Senator Inouye's bill has their full support.
>
> If I can be of further service to you and the people in Hawaii, you have only to ask..

I thought it was of interest to receive this letter from a labor leader in St. Petersburg.

To get back to my testimony:

To emphasize the need for federal legislation at the earliest possible date, I will briefly describe for you how dependent Hawaii is on surface shipping, as opposed to other types of transportation serving cities on the mainland.

Because of its geographical location in the middle of the Pacific Ocean, over 2,000 miles from the nearest port, Hawaii can be reached only by ship or airplane. Shipping is the only means of surface transportation, and the only economical means of bringing in most items. The cost of air freight, up to ten times the per-ton cost of surface shipping, makes this type of transportation feasible in only a relatively few selected situations.

For all practical purposes, Hawaii's umbilical cord to the rest of the world is surface shipping. Cut off or squeeze this lifeline and

Hawaii will wither. As I said in November, this is a cruel, unjust, and unnecessary blow to nearly 800,000 innocent bystanders to a dispute centered more than 2,000 miles from here on the West Coast.

The State of Hawaii presently depends on an average of 18 scheduled cargo vessels and five barges a month for its food, parcel post, medical supplies, cattle feed, industrial products, heavy appliances, cars, clothing, and almost every type of product necessary to modern living. In the opposite direction, these ships and barges carry out agricultural products to Mainland markets.

In the short run, we feel the lack of shipping from the West Coast to Hawaii immediately. In the long run, the inability to ship and sell our product is even more damaging.

In addition to scheduled carriers, Hawaii plays host to numerous other ships, including cruise ships, unscheduled cargo ships, petroleum carriers, military vessels, and other freighters that stop in Hawaii but which do not discharge cargoes. Whether these unscheduled ships are operating is of some consequence—especially the petroleum carriers—but in the history of West Coast-Hawaii shipping stoppages, these tramp steamers have not deeply affected the economy or welfare of the State of Hawaii one way or the other.

While urging this subcommittee to pass S. 2836, I must reiterate what I said at the outset, that I do not wish to give the impression I am opposed to collective bargaining. In most situations, collective bargaining—inconvenient and costly as it sometimes is—should be allowed to proceed to its logical conclusion, including strikes—provided, however, that the process does not endanger national security or the health and welfare of citizens, as in the case of the present strike. You may hear some testimony to the contrary from some labor leaders. But just ask these few labor leaders to answer honestly what their rank and file and their dependents feel about the results of the strike we have had. And what do they feel about the likelihood of the resumption of the strike which is presently threatening once again to strangle our State? It gets to the point where nobody benefits and the public interest goes begging.

You already have a pretty good pulse of the people who are distantly related to the dispute. They loathe it and its detrimental effect on our daily life and happiness.

I think you can best imagine how we feel by visualizing your home cities completely isolated except by air. If all trucks, buses, autos, railroad trains, barges, and ships were stopped from going in or out of New York City, or the State of New York, or any of your home States, I am certain that you would demand immediate action by the Congress. A general surface transportation strike would be unthinkable for a mainland city. Yet, when Hawaii's only surface transportation, its shipping, is cut off, that is exactly what happens here.

You know, it is tantamount to building a wall around the City of Washington, D.C. and telling everybody, "You can not come in or out of Washington—nobody, nothing—except by air." And you and I know that that situation wouldn't be allowed to exist for more than 24 hours before something would happen. Well, that is what happens to Hawaii when we have a shipping strike.

When I testified in November I said:

> I think additional legislation should be proposed by your subcommittee giving the President the authority, funds, and responsibility to institute emergency

shipping of an essential nature after all other means fail, such transportation of basic essentials to be continued between the West Coast and Hawaii until the strike is resolved and ships are again moving.

I outlined several alternative means of accomplishing this which might be used individually or in concert. They included:

1. Authorizing the President to seize the shipping lines and to operate them with military personnel until the stoppage is resolved.

2. Authorizing the President to use military transport to carry civilian goods.

S. 2836, introduced by Senator Inouye of Hawaii, accomplishes what I proposed. For this reason, rather than asking that other legislation or amendments be brought forth, I strongly support the earliest possible passage of the Hawaii Public Interest Protection Act. It would do just what the title of the bill implies, protect the public interest—not the interest of labor, management, or any other parties, but the public, which includes all of the people we are elected to serve. At the same time, it has the feature of not interfering with collective bargaining.

It is high time that the Congress of the United States recognize our plight and give Hawaii the same protections to its surface transportation systems as other United States cities and States enjoy. We are not second-class citizens, and we will not stand still while we are denied equal rights and protection under the law.

We are not asking for protection just for the 800,000 people of Hawaii, but also for the many hundreds of thousands of Americans and their dependents living in other offshore, non-contiguous possessions of the United States. There are also the citizens of Puerto Rico, Guam, and the Pacific Trust Territories, for whom the Congress is responsible.

Think of us the same way that you think of the people from your own home State and city. You couldn't let them down in a situation like this. So don't let us down either.

I know I speak for the people of the City and County of Honolulu and the State of Hawaii when I urge you to give favorable consideration to S. 2836 at the earliest possible time. I say the earliest possible time because Hawaii has just picked itself off the canvas, thanks to the mandatory 80-day count of Taft-Hartley. But we simply can not hold up as well should this strike deal us another telling blow. Our economy has rubbery legs. And there are no more 80-day reprieves. It may take us years to recover from the next shipping stoppage, which began yesterday.

Please don't let this happen to us. Pass Senate Bill 2836 this session to protect our lifeline.

Thank you.

Senator INOUYE. Mayor Fasi, on behalf of the committee I thank you very much for your presentation this afternoon.

Without objection, the attachments you have submitted will be made part of the record.

Mayor Fasi, do you have any estimate of the cost of the strike to your government, the government of the City and County of Honolulu, including, say, time spent by city employees who deal with strike-related problems?

Mayor FASI. No, I don't have an exact figure. First of all, I think that the cost of the City and County has to be reflected in the cost

of the State, in view of the fact that if the State economy suffers, our grants-in-aid from the state government will suffer. In other words, if they are not getting the taxes from healthy businesses, we are going to get less in grants-in-aid from the State government.

We don't know how much that is going to be. I think it is going to be less than it has been in the past. I hope it is not.

We don't have the figure, and it is very difficult to determine this soon as to what effect it would have on the real property taxes. I think there will be some effect.

In other words, whenever the economy is hurt, I think it just follows that tax revenues drop, unemployment rises, and as a result we don't have the revenue coming in to the City and County from all the sources we are used to getting revenue from.

Senator INOUYE. Have you had to curtail any of the services as a result of this?

Mayor FASI. No, we have not.

Senator INOUYE. As you may be aware, Mayor Kimura has provided this subcommittee with a week-by-week civil defense report of shortages and conditions in the County of Hawaii.

Mayor FASI. We have that

Senator INOUYE. Do you have comparable material?

Mayor FASI. We have comparable material.

Senator INOUYE. It would be most helpful to this committee if you could submit that to us for our files.

Mayor FASI. Yes.

Senator INOUYE. Without objection, your report will be made part of the record.

Senator INOUYE. May I thank you once more, Mayor Fasi, for your very helpful statement. You may be assured that I am also concerned about the effect of shipping strikes and disputes of this nature, and it is because of this we hope this committee can in some way provide legislative assistance to the people of Hawaii.

Senator Stevens.

Senator STEVENS. Mr. Mayor, I have heard from several Alaskan mayors who wrote to me after they heard from you. Tell me, exactly what were you able to accomplish with this declaration of emergency that you made?

Mayor FASI. We had it passed by the members in convention unanimously. We had some debate. A couple of labor councilmen objected to it, saying it appeared to be anti-labor, which it is not.

But the resolution had the effect of having many of the mayors and councilmen write to Congressmen and Senators, telling them of the Senator's bill and asking them for their support.

Senator STEVENS. I am talking about the declaration of emergency that you made. I understand the resolution. What did the declaration of emergency you made on August 23 enable you to do as Mayor?

Mayor FASI. I think it enabled me to bring to the attention of the President of the United States the situation as it existed here in the City and County of Honolulu. That was the prime purpose of the declaration of that emergency.

Senator STEVENS. I guess what I am really asking is: Are there any laws in the State——

Mayor FASI. I have no power, as Mayor of the City and County, to do anything——

Senator STEVENS. I see.

Mayor FASI (continuing). Except to say there is an emergency.

Senator STEVENS. That was the 23rd day of August. I forget when that started. When did it start? July 1?

In other words, you found an emergency after some 50-odd days; is that correct?

Mayor FASI. That is correct, from the reports I got from my Civil Defense Administrator and staff people as to the unemployment situation, under-employment, and the fact that some of the small businesses were coming in and telling us they were going out of business because they couldn't get materials from the West Coast.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you very much.

Following Senator Stevens' question, as you are aware this measure calls for a 30-day expiration date before the Governor of Hawaii can trigger the action on the part of the President. Do you think 30 days is a reasonable length?

Mayor FASI. I think it is reasonable. I think if we know that there is legislation that following a 30-day period some remedial action will take place immediately thereon, I think we could live with 30 days.

Senator INOUYE. Once again, thank you very much, Mayor Fasi.

Mayor FASI. Thank you.

(The material referred to follows:)

OFFICE OF THE MAYOR,
CITY AND COUNTY OF HONOLULU,
Honolulu, Hawaii, September 25, 1971.

Memorandum to: Hon. Frank F. Fasi, Mayor.
From: James L. Loomis, Director, Office of Information and Complaint.
Subject: Post-Strike Sailings from West Coast.

Attached is a report prepared by Ben Cochrane indicating what kind of a recovery schedule we can expect once the strike ends. A capsule summary of Ben's report follows:

On the third day after the end of the strike, the first ships can sail from West Coast ports, reach Honolulu in four to five days, and commodities can be placed on supermarket shelves in another two days. In short, commodities will be available to Honolulu consumers within nine to ten days after the strike ends.

There is a difference of nearly one day in sailing time between Matson and Seatrain lines; Matson vessels take from 3½ to four days while Seatrain ships require five days. The first ships (of Matson and Seatrain) will carry 2,265 containers of cargo totaling 37,000 tons. The containers are now reported to be ready for loading in San Francisco and Los Angeles.

After the arrival of these first ships, approximately 50,000 tons of cargo will arrive in Honolulu on an average of every four days until the initial surge and backlog are caught up. Based on this rate, shipping will return to normal in 40 to 50 days after the end of the strike.

Respectfully,

JAMES L. LOOMIS,
Director, Office of Information and Complaint.

Enclosures:

SEPTEMBER 21, 1971.

Memo to: James Loomis, Director, Information and Complaints.
From: Benton H. Cochrane, Administrator, Oahu Civil Defense Agency.
Subject: Post-Strike Sailings From West Coast.

SEATRAIN LINES

Vessel	San Francisco Bay area sails (day)	Honolulu arrives (day)	Sails (day)
Transoneida	3d	9th	10th.
Seatrain Georgia	6th		
Transchamplain	8th	14th	15th.
Transontario	13th	19th	20th.
Transoneida	18th	24th	25th.
Seatrain Louisiana	20th		
Transchamplain	23d	29th	30th.
Transontario	28th	34th	35th.

Note: Above days are days after strike ends.

Only one ship the SS Transoneida is strikebound in the Bay Area, all others are operating under government contract. On hand in the Bay dock area are approximately 750 loaded containers awaiting immediate loading to ship. This will constitute the initial forwardings at end of strike.

There will be five ships in the Hawaii turn around service and each ship will carry an average of 435 containers.

You will note the schedule indicates the first ship will arrive and containers on the street in Honolulu on the 10th day after the strike ends. Subsequent sailings are bunched from 3 to 5 day departures. Crossing requires 5 days and turn around time including unloading and loading requires 24 hours in port.

One possible slowdown may occur later in the program due to container balance as they may not have enough containers to allow port holdovers between some sailings, however they anticipate this to be of only short duration until the ships are back in normal schedule rotation.

Matson.—The following ships are now strikebound in ports as follows:

	Container capacity
S. F. = Oakland Port:	
SS *Enterprise*	1, 130
SS *Progress*	1, 130
SS *Hawaiian*	500
SS *Citizen*	456
SS *Motorest*	[1] 226
Los Angeles Port:	
SS *Monarch*	700
SS *Queen*	700
SS *Legislator*	[2] 300
Vancouver Port:	
SS *California* [3]	500

[1] Plus 360 autos.
[2] Plus 400 autos.
[3] Not strikebound under charter to Hawaii State

In the ports of San Francisco-Oakland they have on hand sufficient loads to immediately load the first two ships at each port.

From the Bay Area the first ship with 1130 containers will sail on the third day after strike ends. Sailing time to Honolulu will be from 3½ to 4 days and Matson officials say these containers will be available to Honolulu customers on the seventh day after strike ends.

Two ships will be worked with the arrival from Los Angeles of a 700 capacity ship, which will require an additional 24 hours in transit time.

It is Matson's intention to move the ships as fast as cargo is available until the backlog is removed.

Turn around time for the Enterprise and Progress will require 54 hours in port for discharge and reloading, other ships in related time, such as the 700 container ships require 36 hours, 456 containers 24 hours, etc.

In the overall, the direct ship's port to port will turn around every 12th to 14th day.

Summary.—Results of this survey indicates that Honolulu customers will have in their possession on the tenth day following strike's end a total of 2,265 container loads of miscellaneous freight with an estimated total of 37,000 tons.

On the 14th day, this will be repeated bringing in a total of 74,000 tons of freight or 4,530 containers.

After that, on an average of every four days approximately 50,000 tons will arrive in Honolulu until the initial surge and backlog is consumed. The carriers estimate they will resume normal shipping patterns approximately 40 to 50 days following strike's end.

Contrary to published reports of a 30 to 45 day delay, goods will start appearing on shelves within ten days of the end of the strike.

However, this memo does not take into consideration the effects of the strike on industry, and in particularly the little guy. While shipping service may return to normal within two months, it's a cinch that the economy will not respond so soon.

BENTON H. COCHRANE,
Administrator.

AUGUST 23, 1971.

Memorandum to: Hon. Frank F. Fasi, Mayor.
From: James L. Loomis, Director, Office of Information and Complaint.
Subject: Economic Effect of the Dock Strike.

At your request my staff and I have been collecting information as to the current economic status on the Island relating to the West Coast dock strike. What follows are my general impressions from talking to numerous people and from reviewing reports given to me by members of my staff.

State agencies from whom we solicited information have been less than cooperative. Labor Department, Agriculture Department (Emergency Committee), Division of Milk Control, etc. Labor Department statistics show LOW unemployment. Do not count those cut back to two and three-day work weeks.

Chamber of Commerce.—Spokesman says the Governor's Committee is NOT acting. They do not realize how serious things are. Says "They're waiting until we're dead before they speak up: They ought to scream before we die."

Trucking Industry.—Over 1,000 unemployed in this industry since end of June. They project another 600 unemployed by middle of September.

Small Business Management Association.—No statistics yet available, but small businessmen are generally "scared to death". In many cases, lay-offs have already occurred. Shorter work week in other cases.

Dairy Industry.—Milk producers running out of certain feed ingredients, but generally not a problem yet. Hopaco will not be able to provide egg cartons when present supply runs out.

Construction Industry.—General Contractors Association says unemployment up to about 1,600 men now. Expect another 2,000 to be unemployed if strike goes very far into September. Project 20 percent unemployment in their industry. Basically, because they're running out of building materials.

Wholesalers.—This whole area is in bad shape. Wholesale distributors aren't receiving goods to supply to retailers. Several I spoke to said they have stocks for only another two to four weeks. After that, close down for duration or drastic lay-offs.

Auto Parts.—Some layoffs as most popular auto parts are used up. Can fly in parts from coast, but due to the demand, things are clogged up there. They say that in another month they will "have to cut back drastically if something isn't done."

Restaurants.—Cannot increase menu prices, but are required to fly in most of their food. Big outfits (hotels, Spencecliff, etc.) are OK but guy I talked to says that a continuation of the strike could close down the marginal operations. Additional factor: As unemployment increases, people have less "discretionary money" and don't go out to eat as much.

Civil Service.—There has been a considerable increase in applicants for City/County jobs. Wally says this is a good indicator that unemployment situation is getting very severe.

Advertising.—Not much of an effect yet, although I note that the dailies are running much fewer pages. My impression is that they have cut way back on editorial space (not advertising) in an effort to conserve newsprint. Advertising agencies say that it's not bad now, but that another three weeks they will begin to lose thousands of dollars since clients won't have anything to sell.

This report does not purport to be complete—rather to give you an overview to the present and impending situation.

Respectfully,

JAMES L. LOOMIS,
Director, Office of Information and Complaint.

DECLARATION OF EMERGENCY

Whereas, from the 1st day of July, 1971, the City and County of Honolulu has been effectively without the services of ocean-going transportation of essential commodities necessary to public health, safety and welfare from the West Coast mainland United States due to the shutdown of ports and harbors along the West Coast of the United States; and

Whereas, other than the shipment of essential commodities by air freight from the mainland United States and from Eastern and Gulf seaports to the City and County of Honolulu, there is no other means of shipping such items to the City and County of Honolulu because of our physical separation from the mainland United States; and

Whereas, such physical separation of the City and County of Honolulu, together with all other jurisdictions within the State of Hawaii, is unique in the entire United States; and

Whereas, the shutdown of the West Coast seaports hits the City and County of Honolulu the hardest because it is the most populated island in the State of Hawaii with approximately 630,000 persons or 83 percent of the population of the entire state living thereon, and the demand for essential commodities is the largest; and

Whereas, on the 15 day of August, 1971 the President of the United States of America declared a "freeze" on all prices and wages; and

Whereas, such declaration applies to the pricing of essential commodities, including, among others, staple and all other foodstuffs, thereby leaving the local importers thereof with the impractical choice of importing such items by air freight or from Eastern and Gulf seaports and absorbing the additional shipping costs thereof or not importing such items at all during the period that West Coast ocean shipping is unavailable; and

Whereas, surveys made of local supplies of essential commodities, including staple and all other foodstuffs essential to the maintenance of public health and welfare, indicate the same to be perilously low; and

Whereas, in addition to the endangering of public health and safety due to the perilously low supplies of essential commodities, including foodstuffs, there is the further danger to property due to private business failures in growing numbers arising out of and related to the lack of West Coast ocean shipment of cargo to the City and County of Honolulu as aforesaid; and

Whereas, the effects of such business failures have affected the citizens of the City and County of Honolulu whereby they have become unemployed and will continue to become unemployed in greater numbers, having immediate and long-lasting effects on the property, health, safety and morals and general well-being of the community; and

Whereas, the City and County of Honolulu itself has been forced to suspend construction on important public works projects, thereby delaying completion of necessary public improvements; and

Whereas, pursuant to Section 12–108 of the Charter of the City and County of Honolulu, the Mayor may declare emergencies when the peace, property, health, safety or morals of the community are endangered; Now, therefore,

I, Frank F. Fasi, Mayor of the City and County of Honolulu, pursuant to the powers granted under Section 12–108 of the Charter of the City and County of Honolulu, do hereby

Declare, That an emergency exists in the City and County of Honolulu due to the practical inability to ship into the City and County of Honolulu essential cargo, including, but not limited to, foodstuffs and other materials and supplies to supplement the existing perilously low supplies thereof, and that such inability has endangered and will continue to endanger the peace, property, health and safety of the residents of the City and County aforesaid and the community at large.

Done at Honolulu, Hawaii, this 23rd day of August, 1971.

FRANK F. FASI,
Mayor, City and County of Honolulu.

RESOLUTION

Whereas, Hawaii's insular or non-contiguous geographical location to the other forty-nine States makes it unique in the entire United States; and

Whereas, because of this non-contiguous geographical location, Hawaii is primarily and heavily dependent upon the continuous operations of surface water transportation; and

Whereas, the continuous availability and operation of its surface water transportation is said to be Hawaii's "lifeline"; and

Whereas, existing national legislation to handle strikes involving surface water transportation is not adequate to protect Hawaii residents from great economic hardships, consequential bankruptcy of businesses and substantial unemployment; and

Whereas, residents of Hawaii should not be used as the "pawn" between the parties to the strike in resolving their legitimate grievances and economic differences; and

Whereas, only the United States Congress has the necessary powers, national in scope and application, to enact remedial legislation which will promote the general welfare and safety of the Island State of Hawaii and its residents; Now, therefore, be it

Resolved by the Annual Congress of the National League of Cities herein assembled at Honolulu, Hawaii, That the United States Senate and the House of Representatives are hereby urged to enact specific legislation prohibiting surface transportation strikes against any insular or non-contiguous State in the Union; and be it further

Resolved, That certified copies of this Resolution be transmitted to the Honorable Spiro T. Agnew, Vice-President of the United States and President of the U.S. Senate, and the Honorable Carl Albert, Speaker and Presiding Officer of the U.S. House of Representatives.

FRANK F. FASI,
Mayor, City and County of Honolulu.

THERE ARE 21,450 IN ISLES WITHOUT JOBS

The number of people in Hawaii without jobs in September reached 21,450, the highest since 1954, says Robert K. Hasegawa, State labor director.

Hasegawa said it was the result of the national recession, layoffs of seasonal pineapple workers, and the West Coast dock strike.

September's total also reflects an unemployment boost of 1,900 persons over the previous month's figure.

The unemployment rate now stands at 6 per cent of the State's labor force A year ago in September it was 3.6 per cent and last month it was 5.3 per cent

Hasegawa said unemployment increases were substantial on each Island. He said that almost all industries registered losses in employment.

[From the Honolulu Star-Bulletin, Oct. 27, 1971]

WINDWARD PUBLISHING FIRM QUITS

Citing rising costs of business and harm done by the West Coast dock strike, the Windward Publishing Co. said today it will go out of business after this week's publications are out.

The company publishes the Windward Shopper, the Leeward Shopper and six community weeklies: Pali Press, Leeward Press, Military Press, Kalihi Press, Suburban Press and Wahiawa Press.

The company's president, Mrs. Natalie B. Frances, told readers on the front pages of today's editions:

"We are pressured to close our doors because the rising costs of doing business and the effects of the dock strike on our advertisers and, consequently, on these newspapers, have forced us to use up all of our money reserve.

"And there just isn't any more."

Mrs. Frances went on to assail the labor movement and warn of the "ruin" the dock strikers can bring to the economy of Hawaii.

Windward Publishing bought the six Community Press papers from Hawaii Press Newspapers Inc. in May of last year to add to its shopping guides.

Executive editor Abe Poepoe, himself a former Hawaii Press executive, said 57 people will be put out of work by the closing of Windward Publishing.

Isle Papers Stop; Dock Strike Cited

The Windward Publishing Co. will close down after publication of today's editions of its six weekly Community Press Newspapers and tomorrow's editions of the Windward Shopper and Leeward Shopper.

The announcement was made last night by executive editor Abe Poepoe.

The six weekly papers had a circulation of more than 93,000, he said. They are the Pali Press, Leeward Press, Military Press, Kalihi Press, Suburban Press and Wahiawa Press.

In a letter carried on the font page of each of today's editions of the papers, company president Mrs. Natalie B. Francis says:

"We are pressured to close our doors because the rising costs of doing business and the effect of the dock strike on our advertisers and, consequently, on these newspapers, have forced us to use up all of our money reserve. And there just isn't any more.

". . . To our business community, we think it is high time you began screaming about the West Coast dock strike that is certain to be resumed after the Taft-Hartley interim.

"It's going to affect you for years. Remeber 1949. Why are you letting a comparatively few people ruin the Islands' economy, especially in the area of small business?

"To you union leaders: it is easy to take, take, take when the economy is up. But now the times are down, and you should be doing some giving before you put the Islands in bankruptcy."

Poepoe said the closing of the newspapers will put 57 persons out of work.

He said the Kalihi paper and the two shoppers had been distributed free and subscription fees for the other five papers had been on a voluntary basis.

[From the Honolulu Star-Bulletin, Oct. 22, 1971]

Produce Prices Up 10.8 Percent in 3 Months

(By Russ Lynch)

Consumer prices in Honolulu went up 2.4 per cent from the day the West Coast dock strike started, July 1, through the end of September.

This lifted the over-all comsumer price index 5.6 per cent through the 12 months to the end of September, according to the latest report from the Bureau of Labor Statistics.

The most apparent area of increase was food prices, an average increase of 4.1 per cent from July 1 to Sept. 30, headed by fruits and vegetables, not subject to the federal price freeze imposed Aug. 15, which went up 10.8 per cent.

Meats, poultry and fish prices rose 5.7 per cent.

Housing costs went up 2.9 per cent, mainly because of a rise of 5.8 per cent in home ownership costs.

The only major category to decline in Honolulu, the BLS said, was the transportation group, down 0.2 per cent mainly because of lower new and used car prices.

What the 2.4 per cent overall increase means is that at the end of September, Honolulu residents were paying an average of $12.13 for the same amount of goods and services they could have bought in 1967 for $10.

The cost of home ownership leads the advances over the four-year period, now up 30.6 per cent from 1967.

For Our Protection

There were two bits of news in Friday's Star-Bulletin, each of which served to underline the importance of the other.

The first was that Hawaii's unemployment rate had climbed to 6.4 per cent in November, the highest figure since Statehood.

The other was that the West Coast dock workers and employers have agreed to delay another strike until at least Jan. 10 and hope to have an agreement by then.

If there is no agreement, we can be sure Hawaii's unemployment figures will soar far past 6.4 per cent.

They pushed to 18 per cent in November, 1949, one month after a crippling six-month Hawaii dock strike had ended.

The lesson of 1949 as of 1971 is that the worst unemployment came after the dock strike, not while it was on. The same "delayed action" effects that require about six weeks for a dock strike to really hurt create a severe lag in recovery from its effects.

Hawaii faces an uncertain year in 1972 in any event. Hotels and apartments are overbuilt. State revenues are below estimates.

Another dock strike will be a grave blow.

We thank both sides for their apparent seriousness about seeking a West Coast settlement without a strike resumption.

Meantime, the unemployment figures of 1949 and 1971 tell us how important a settlement is—and underline the continuing need for new federal legislation to give the President of the United States the power to settle such disputes, if necessary, without permitting an interruption of service.

Isles Unprepared for Dock Strike

(By Dianne Coughlin)

Hawaii appears poorly equipped to face round two of the West Coast dock strike which could start as early as Sunday when the Taft-Hartley injunction expires.

Informed sources say there has not been enough shipping space during the 80-day injunction for essential stocks to be built up to pre-strike levels.

This is how the situation looks:

—Food stocks in general are adequate for about a month, according to the State Department of Agriculture's Robert Souza. Before the strike started July 1, food stocks were rated adequate for a six weeks to two months period.

There is "some problem" with the adequacy of rice supplies and a "really bad problem" with feed grain for animals, said Souza, who is marketing division head for the Agriculture Department.

Businesses have made some effort at stockpiling but "to a large part what's been coming in has enabled businesses just to keep abreast of current needs," said C. J. Cavanagh, president of the Chamber of Commerce of Hawaii.

"Within 30 days of the resumption of the strike, we will be faced with a serious situation."

No one appears to have gotten enough shipping space during the injunction to fill inventory needs. Both Honolulu Ford and General Motors report they have not been able to get in enough cars and trucks during the past 80 days.

"Everybody is trying to get goods in, we just can't get enough shipping space," said Alistair MacDonald of MacDonald & Porter, one of the State's largest rice brokers.

Some businessmen report that orders from the mainland are backlogged as far as St. Louis and Chicago as the scramble continues for available shipping space.

The backlog is so great, said Roy Kitamura, general manager for HC&D Moving and Storage Co., that some persons have not received household goods which were crated on the Mainland before the strike began.

Uncertainty exists whether ships will be unloaded which reach Hawaii after Sunday's injunction deadline.

Among the companies affected is the big construction firm of E. E. Black Co. Ltd. which is building the $9 million Puuloa Interchange near Tripler Hospital and the $4 million Honolulu Medical Group building adjacent to Queen's Medical Center.

Another major firm with ships due is Times Supermarket. "The big question is whether they are going to unload the ships coming in. All our wholesalers and brokers are banking on getting merchandise in the next two weeks," said P. Y. Chang of Times.

Layoffs are expected in the construction industry if the strike continues for any length of time. The situation is looking "bleaker and bleaker" in the home building industry, said Hall H. Hoxie, executive director of the Home Builders Association of Hawaii.

West Coast Dock Talks Resume

San Francisco.—Negotiators for longshoremen and shippers planned to sit down today for another attempt to end the West Coast dock dispute before an 80-day strike moratorium ends.

The joint session had been scheduled for yesterday but was delayed until today while each side held separate strategy sessions.

A spokesman for the ILWU said no significance should be placed on the postponement of the joint meeting.

Meantime, a source close to the talks said he is convinced the union and Pacific Maritime Association, the employers' group, is making an intensive effort to reach agreement on a new contract.

There had been hope the matter could be resolved before the Taft-Hartley injunction, which halted the strike, expires on Christmas Day.

Meantime, the San Francisco county grand jury reported that port revenues here fell about $1 million this year because of the 100-day strike. It said it was not able to determine whether the port would end its fiscal year in the red because of the loss.

Inouye, Fong See No Special Action

Sens. Hiram L. Fong and Daniel K. Inouye don't think President Nixon will call a special session of Congress if the West Coast dock strike is resumed after the expiration of the Taft-Hartley injunction on Saturday.

Sen. Robert Packwood, R-Ore., has proposed a special session of the Congress if the strike is resumed after the end of the 80-day strike injunction under Taft-Hartley.

Fong said today that if Congress was not scheduled to go back into session on Jan. 18, the President might consider reconvening the Congress.

"But since we are due to return in January, I don't think he'll call a special session." Fong said.

Harry Bridges, ILWU president, also has repeatedly said that if there is a resumption of the dock strike, which lasted 100 days before the Taft-Hartley law was invoked on Oct. 6, it will not occur until after New Year's Day.

"Black Eye" Has 68,000 Letters

Operation Black Eye, dedicated to protecting Hawaii against dock strikes, has 68,000 letters of support as of today, the volunteer group reported.

The group hopes to collect 100,000 letters to present members of Congress during the next session.

Fasi Plea for Bill Gets Response

Mayor Frank F. Fasi's appeal to the National League of Cities for a resolution against shipping strikes cutting off Hawaii has "generated additional and unexpected support for such national legislation."

A Fasi spokesman last night said the Mayor has received "several dozen" carbons of letters from Mainland city officials to their congressmen in Washington.

These officials—who approved Fasi's resolution at the National League of Cities convention here last month—asked their Washington representatives to support U.S. Sen. Daniel Inouye's proposed "Public Interest Protection Act of 1971," said the Mayor's Office.

The Fasi spokesman said more than 30 congressmen have responded to Fasi's letters urging support for the Inouye bill. The congressmen have written they will give Inouye's measure "every consideration," the spokesman said.

Some senators have told Fasi that hearings on the bill may be held in Honolulu Jan. 18–20.

Block That Strike

The necessary minimum towards heading off a Hawaii dock strike has been accomplished by the ILWU's agreement to stop the clock for mediation efforts.

But that must be only the beginning of an all-out effort by all parties involved to find a settlement formula that avoids any walkout.

The situation is not simple, relating as it does to terms that may be won by longshoremen on the West Coast, where the strike is currently suspended by a Taft-Hartley Act injunction due to expire in less than three weeks.

But the basic point is one made here before: Economically or emotionally, Hawaii cannot now afford a strike that would close down isle ports. The 100-day West Coast strike already opened too many wounds.

There are some hopeful signs in the current situation:

One is the quality and experience of the two mediators. There is the feeling that, if the ILWU and 11 companies are to find a way out of their impasse, Associate Justice Bert Kobayashi and Federal mediator Reynold Hagist are the ones who can bring it about.

In addition, resumption of West Coast talks after a two-month break offers a new chance that a settlement will be reached there before the strike can be resumed.

That would be a double benefit for Hawaii, continuing service and possibly providing a local settlement formula.

So time has won and there are positive factors at work. But the situation is also on a short fuse, with a strike possible on 72 hours' notice and reportedly a certain amount of impatience and frustration among longshoremen.

Labor negotiations always call for responsibility on the part of labor and management, and usually it is well exercised. However, in this case they have a responsibility that goes far beyond their own welfare to that of all Hawaii.

AIRLINES READY FOR DELUGE IF ISLE DOCKS CLOSE DOWN

(By Kathy Titchen)

In view of a possible longshoremen's strike, the airlines are preparing for a deluge of commercial business.

Hawaii would be completely dependent on air freight if local longshoremen strike after their contract expires at midnight Saturday, unless government intervention creates emergency shipping.

The airlines enjoyed a record-breaking business during the work stoppage on the West Coast until the Taft-Hartley law was invoked Oct. 1, sending longshoremen back to work for 80 days.

They've been anticipating a new rise in bookings by January if the West Coast strike resumes, as expected.

But indications are they may be in business faster and more thoroughly than they had anticipated, since a local strike would stop all surface cargo from coming into the State.

Dramatic dependence on the airlines for cargo will focus public attention again on an area of cargo transportation that hasn't had so important a role before.

During the strike, businesses and individuals that had not previously used the more expensive type of freight service, or had used it lightly, were sometimes faced with confusion over airline rates, policies, restrictions and practices. They raised questions like:

"Why did it cost me almost twice as much money to ship a planeload of produce this week as it did last week?"

"Why can I ship a car on one airline and not another that flies identical aircraft? Why is it more expensive on one than another?"

"Why was (a certain company) able to get space when I wasn't?"

A look at the air freight situation seems to justify confusion. It's almost as complicated as the North Atlantic air fare structure, which offers a dozen different fares depending on whether you're a group, an individual, traveling on Sunday or Tuesday before 2 p.m., staying 14 days or 45.

Since air freight rates are controlled by the Civil Aeronautics Board, just as passenger rates are, rates are standard for general cargo and don't vary much from airline to airline.

Although all the airlines can file their own "special" rates on certain commodities, they tend to be competitive.

(During the strike, some businesses complained that airlines jumped their rates in order to make a bigger profit. This can't be, airline officials say, since the rates are set by regulation.)

What a shipment will cost depends on many factors, however.

For example: with a large shipment, there are two ways to go—by charter or scheduled flight. The cost of a charter will vary depending on whether the airline can line up a shipper at the other end of the route. The volume of cargo is so much greater from the Mainland to Hawaii than the other way that finding a return load isn't always possible. The customer pays the ferry charge on an empty plane.

Charter costs are determined in a rate per mile basis, while scheduled carrier rates are usually based on weight.

So although charters tend to be more expensive in most instances. They can be economical for a large volume shipper if there is a return load, and if his product is dense and heavy enough to figure out to a good per pound rate.

A one-way charter from the West Coast to Hawaii costs roughly $10,000; a round trip charter (ferried back) $15,000–$16,000.

Scheduled carrier freight rates are standard for general cargo. From the West Coast to Hawaii they are:

	Cents		Cents
Under 100 pounds	71	1,000–2,000	22
100–220	57	2,000–3,000	20
220–440	45	3,000-over	19
440–1,000	30		

There are, however, variations. Rates in the other direction are slightly different; there are container rates, special rates commodities like fresh produce and meat westbound, pineapples and papaya eastbound; and lower rates for big shipments (over 20,000 or 30,000 pounds.)

Each airline has a minimum charge, usually $10 or $15 for small shipments.

Peter Ching, manager of cargo sales and services for Western Airlines in Hawaii, said that if a shipper wants to ship regularly on a longterm basis, "we are glad to encourage him by working out an attractive rate."

(This rate must be approved by the CAB and is then available to others who meet the same conditions.)

Shippers may run into even more difficulty getting their cargo aboard scheduled airliners during the Christmas holidays than they did during the 100 days of the West Coast dock strike, several air cargo officers said, because of the large volume of mail, which has priority over revenue cargo.

"We've been known to be bulked out completely by mail near the holidays." said Ching, and John Chellin, station manager for Northwest Orient, said, "Christmas mail has a lot of our space; it's a different story now than it was during the West Coast strike."

Most of the airlines say they will take almost any cargo that will fit in the cargo compartment of an airplane. Northwest does not take automobiles, and all the airlines are restricted by the Federal Aviation Administration from carrying explosives, acid, or other hazardous cargo on passenger aircraft.

A brief description of the cargo capacity, service offered and special conditions required by the eight major U.S. carriers serving Hawaii follows:

United.—Largest cargo carrier into Hawaii, with a fleet of 18 charter planes, one scheduled flight from Los Angeles Tuesday through Saturday, flies DC–8 freighters with 90,000 pound capacity, plus scheduled passenger flights from West Coast with varying capacity. Cargo limited to 121 inches in length (pallet size). Minimum charge $15.

Pan Am.—Second largest cargo carrier, flies Boeing 707 freighters, 747 and 707 passenger planes from Los Angeles, San Francisco, Seattle, Portland, total available lift on scheduled flights 370,000 pounds daily. Minimum charge $15. Can take bulk cargo, length up to 23 feet in 747, 21 feet in 707. Has charters.

Continental.—Flies 747s, 707s, 707 freighters, 180,000 pounds daily capacity into Hawaii from Los Angeles, Portland, Seattle, could go up to 270,000 with extra sections, 84 inch height limit, 125 inches long. Minimum charge $10. Has charters.

Western.—No freighters, 707, 720-B passenger aircraft, small loads, maximum 20,000 pounds each plane from Los Angeles, San Francisco, Oakland, San Diego, San Jose. Minimum charge $10. No charters.

Northwest.—Approximately 150,000 pound capacity daily on 747 and 707 passenger flights from Seattle, Portland, San Francisco, Los Angeles. Minimum charge $8. Won't take cars. No freighters, no charters.

American.—Has no West Coast-Hawaii routes but can fly charters from the Coast. Freighters cost about $8,000 each way.

Braniff.—From Dallas and Houston, one 747 daily, one 707 additionally on weekends, 80,000 pound capacity daily, limit 125 inch length. Minimum charge $15. Has charters.

(Any scheduled airline can fly charters to Hawaii. That includes carriers that don't have scheduled Hawaii-West Coast routes.)

[From the Honolulu Star-Bulletin, Dec. 1, 1971]

Rights in Collision

Rights in conflict pose a continuing dilemma for American society.

Sometimes it is as simple (and annoying) as a young man's right to practice on his horn versus his neighbor's right to peace and quiet.

Other times it is as knotty as the free press issue posed this year by the publication of the Pentagon Papers.

Often, recently, as with minority racial groups, poverty groups, and women's liberation groups, there has been a delayed awakening to rights denied and then a belligerent assertion of them.

The time is approaching when there will be a belligerent assertion of another long-denied right—the right of the general public to expected basic services.

It could be called the right to normalcy.

In our highly complex society it is all too easy to disrupt the works—stop the buses, choke off deliveries, stop refuse collections, close down the airlines, tie up the ships, or strike the docks.

We decided, in fact, to facilitate it by national legislation in the 1930s in order to balance the unequal distribution of power between labor and management.

Ever since, the right to lockout and the right to strike have been honored American rights.

Many politicians as well as many labor and business leaders are convinced there is something patriotic about them, something that makes them as American as hot dogs and apple pie.

An increasing segment of the public is disenchanted.

America in October suffered its largest trade deficit in history. One major reason: The East Coast dock strike.

Hawaii in the last half of 1971 has seen its food bills pushed up by as much as 6 per cent because of the West Coast dock strike.

Since Island residents spend about $35 million a month on food, the strike added about $2 million a month to our food bill, as well as creating shortages and inconveniences.

The strike did worse than that, of course—it cost a lot of people their jobs.

As we have said before, this adds up to legal hijacking of an entire community.

The right of labor and management to settle their differences by strikes and lockouts is coming into sharp collision with the public's right to normalcy and essential services.

Environmentally, we have awakened to the fact that the air and the water do not belong to industry to pollute.

Soon we will awaken to the fact that the public pocketbook is not open to robbery by labor and management, nor is the public welfare theirs to bludgeon in their selfish interest.

This new awareness will force some adjustments. Politicians will have to awaken to it. Labor and management will have to accept some modification of their prerogatives.

Economic Crisis: Air Cargo—or Else

(By Kathy Titchen)

If Hawaii's longshoremen strike after Saturday, Hawaii appears to be faced with two alternatives for keeping vital supply lines open to the Mainland—total use of air freight or federal government intervention.

Local shipping company officials weren't very cheerful yesterday afternoon when the collective bargaining session between the ILWU and the Hawaii Stevedoring Industry Committee ended, with negotiating sessions suspended until further notice.

If there is no stevedoring here, the State is in bad trouble, they said.

The State's principal shipping lines have been running on schedule and have managed to clear up the backlog of cargo that piled up on West Coast docks during the 100-day West Coast dock strike but there has been little opportunity to stockpile beyond immediate needs.

"The backlog was compounded by the concern of local shippers over the expiration of the injunction, and the Christmas holiday ahead," said W. Russell Starr, vice president of Seatrain Lines in Hawaii.

The 80-day Taft-Hartley injunction placed on the West Coast dock strike by President Nixon will expire late December, and West Coast longshoremen are expected by most people in the business to resume their walkout Jan. 1. Meanwhile, a Taft-Hartley injunction has been levied on East Coast and Gulf of Mexico longshoremen who have been on strike since Oct. 1. So some ships, in this game of "musical strikes," could continue to bring cargo to Hawaii from the East Coast and foreign ports as before if local longshoremen remain on the job.

United States Lines would be depended on heavily in that event. U.S. Lines, which operates from both East and West Coast ports, brought in essential goods during the West Coast strike through the Panama Canal, and has been sailing out of the West Coast since Oct. 1.

Plans for a West Coast-Hawaii shuttle were scrapped, though, according to Kent Bowman, manager of the steamship division of Theo. H. Davies, agent for U.S. Lines, because of the demand for shipment from the Orient to the West Coast after the strike, and because of slowdowns in West Coast ports.

"We're pretty well caught up but we have been on regular schedule, not a stepped up one," Bowman said.

U.S. Lines ships were scheduled out of New York as soon as the Taft-Hartley law was invoked on the East Coast, Bowman said, and are scheduled to arrive in Honolulu this Sunday, Dec. 11, 18, 24, and 31.

If the Hawaii dock workers aren't handling cargo, it won't do the State much good to have ships on their way here, but Bowman said the company is hoping for the best and sending them out.

"Our attitude is let the ships fall where they may," he said. "I think they (the longshoremen) would be crazy to strike. Everything's finished if they do.

"Everything will move by air and you'll be able to count the businesses as they fold. A lot of people will be out of work."

Capt. James B. McCormick, Oahu district manager for the Harbors Division, State Department of Transportation, said that if the local dock workers strike, "then the government's going to have to take a stand.

"The U.S. government could set up emergency shipping by pulling in the U.S. Navy amphibious force. They have a lot of ships and plenty of men to do the job."

Hawaii also still has on its books the Dock Seizure Act of 1949, which was passed by the Territorial Legislature during the dock strike of 1949.

The law would allow the State government to take over all dock operations.

The Governor would have to declare a State emergency to put the law into effect but was quoted as saying the seizure law was in his opinion unconstitutional.

Seatrain's Starr expressed doubt that the government could "go into the shipping business" without legal complications.

As for air cargo, in spite of the anxiety afloat concerning the entire strike situation, there have been only tentative moves to line up air cargo reservations on the part of merchandisers and forwarders, airline spokesmen said.

"We're ready for it; our equipment is in shape." said Guy Gibbs, cargo sales and services manager for Continental Airlines. "People have inquired about shipping but we have no firm bookings yet."

"Bookings haven't materialized yet," agreed Robert Hays, cargo reservationist for Pan American Airways, "although a lot of people are inquiring about rates.

"If this (sign of a local strike) comes out we'll probably get more . . . and coming right at Christmas time, it'll be touch and go."

[From the Honolulu Advertiser, Nov. 29, 1971]

No Dock Strike

The one thing that Hawaii should not have, and cannot now afford, is a strike of the 900 stevedores who man Island ports.

Yet the clock is ticking toward Sunday. The ILWU has said that is not a deadline. But it will be free to strike then and has said it might call a walkout unless what it calls satisfactory progress is made toward a new contract.

Moreover, after a session last week, the union pronounced itself "not encouraged by the situation as it now stands." Another meeting is set for today and may tell more.

Resumption of the West Coast dock strike right after New Year's remains a possibility. It shouldn't happen, but, as the 100-day strike before the Taft-Hartley injunction was invoked showed, Hawaii has little or no control over that situation.

However, the local situation is not the same. Knowing the problems caused by the coast strike, community feelings and the multiplied hardships certain in any isle dock strike, it is almost inconceivable that management and labor would let a walkout happen here.

The Hawaii dock situation relates to terms that may or may not be reached on the West Coast, but that sould not mean a walkout here if the coast dispute remains unsettled. There are ways to handle that kind of situation.

What's indicated in the Hawaii dock situation this important week is hard bargaining. Obviously, State mediation efforts will be made if it gets down to the wire, but Governor Burns should not wait for that point.

A Hawaii dock strike at this point should be intolerable to everyone, including the responsible leaders of industry, labor and government.

TO AVOID A LOSS OF INNOCENTS

(By Gene Hunter)

"One More Strike and We're Out."

That was the slogan of a group of businessmen who last week bought newspaper advertisements and television commercials urging the Federal government to prevent new shipping strikes which might further damage Hawaii's economy.

Their campaign urged Islanders to sign letters calling for "immediate passage of legislation which would give the President whatever national authority he may require to assure that regular shipping service for Hawaii be maintained."

The campaign was dubbed "Operation Black Eye" and it urged: "Strike Back, Hawaii."

"We don't know who's wrong, management or labor," said John Weeks, one of those sponsoring the campaign, of the dispute between unions and shipping companies.

"All we know is that Hawaii is an innocent victim. We have no control over the issues, but it could destroy Hawaii's economy if they walk out again on the West Coast or if our own longshoremen walk out with them," Weeks added.

West Coast members of the International Longshoremen's and Warehousemen's Union walked off their jobs earlier this year, staying on strike for 100 days. President Nixon invoked the Taft-Hartley Act, requiring the strikers to go back to work for an 80-day "cooling-off period," in October. That presidential deadline will expire the day after Christmas.

Hawaii was hurt by that West Coast strike, although it now has begun to recover. But more problems are on the horizon. Local ILWU longshoremen, who continued working during the West Coast strike, could walk off their jobs at any time after Saturday.

MIGHT STRIKE

That is when the local union's contracts with shippers expire. The local ILWU has notified the stevedoring companies that unless "substantial progress" is made in their negotiations by Dec. 4 the union might "call a strike, if necessary, in order to obtain a satisfactory agreement."

Said ILWU Regional Director Robert McElrath last week: "Our (strike) committee is not encouraged by the situation as it now stands."

Meanwhile, U.S. Sen. Daniel K. Inouye, Hawaii-Democrat, warned in a speech to the AFL-CIO Carpenters Union that "an avalanche of anti-labor sentiment" is building up throughout the United States. Said Inouye:

"In recent years, labor's image has been tarnished . . . This is true not only of Hawaii where the shipping strike, whatever its merits, has been heatedly criticized, but also on the Mainland where garbage strikes, police strikes, public transportation strikes, etc., have afflicted numerous communities."

The American people, Inouye warned, may have "reached a stage of which they may be ripe for almost any type of anti-labor legislation."

[From the Honolulu Advertiser, Nov. 27, 1971]

IT'S "OPERATION BLACK EYE"—JUST IN CASE STRIKE RESUMES

(By Jane Evinger)

Three Kailua businessmen have put up $28,000 to start a campaign called "Operation Black Eye"—a drive to keep supply ships moving to Hawaii even if the dock strike resumes.

John Weeks, one of the three, said yesterday that "Operation Black Eye," which began this week, already has received more than 4,000 letters, and that "not one has been negative."

Weeks credited the response to the "nonpartisan" nature of the campaign.

"It's not Republican or Democratic, union or management—it's just for the people of this State," he said.

The campaign urges Islanders to sign letters calling for "immediate passage of legislation which would give the President whatever national authority he may require to assure that regular shipping service for Hawaii be maintained."

The letters have been featured in large ads in the Honolulu daily newspapers and in the Community Press Newspapers.

Signers are asked to clip the letters and mail them to "Operation Black Eye," Box 1800, Honolulu, from where they will be sent to President Nixon and Hawaii's congressional delegation.

The newspaper ads began appearing Thursday. The first of 60 television spots on Oahu's three major channels was aired Wednesday night, Weeks said.

The campaign workers also began passing out literature on the strikes Tuesday, and have been speaking to groups such as service clubs, he said. They plan to set up booths in every major shopping center, beginning today at Ala Moana Center.

Weeks said that since ads, television spots and printing costs must be paid in advance, he and two others put up the initial $28,000.

They are Don Coelho, who owns Coelho Enterprises, a printing firm, and Kalani Miller, owner of King Interiors.

Weeks owns two Daisy Fun Fabrics retail shops and Hawaii Water Bumper Crop. He is also the Pacific area representative for Trane Co., a manufacturer of air-conditioning equipment, and owns ACRM Co., an air-conditioning and refrigeration maintenance firm, and Weeks-Trane Service agency, which services and provides parts of Trane equipment.

All three men "have been hurt quite heavily" by the shipping strike, Weeks said.

He puts the loss to his own businesses alone at "about $60,000 because we could not get material and because people in the State plain ran out of money. Instead of buying $20 worth of fabric, they buy $1.50.

"A large advertising agency," which Weeks declined to identify, put together the newspaper ads for the campaign without charge.

Weeks said that KGMS-TV owner Cecil Heitel "assisted us with advice and writers, but we had to pay for the time because it was political."

Weeks said he hopes the grass-roots campaign will draw widespread help in contributions of time and money from Island residents.

"I hope people will help because the price of food could double with a strike, or a person could lose a house or a car," he said.

"If we got a dollar from 50,000 people, that would be $50,000" and I think that would be an adequate budget.

"We don't know who's wrong, management or labor. All we know is that Hawaii is an innocent victim. We have no control over the issues, but it could destroy Hawaii's economy if they walk out again on the West Coast or if our own longshoremen walk out with them."

Weeks said that the aim of the drive is either to achieve passage of legislation, now in a Senate committee, to end the dock dispute or to give the President authority to charter ships "to bring business as usual in here."

In the latter case, he said "PMA (Pacific Maritime Association) and the ILWU can negotiate forever, because Hawaii won't be hurt."

The legislation now is committee would compel the two parties to the dispute to select a five-member panel. If they refuse, the President would appoint the panel—which would take the last best offer from management and from labor, then decide which should be binding.

[From the Honolulu Advertiser, Nov. 23, 1971]

THE STRIKE THREATS

Strike threats hang heavy as Hawaii approaches the holiday season.

Yesterday's meeting between the ILWU and the Hawaii stevedoring industry's negotiating committee represents a measure of progress just by the fact it was held.

The union has been complaining the industry was reluctant to meet for "meaningful negotiations." Against that background, the ILWU has cancelled as of midnight December 4 what was an indefinite extension of the old contracts.

That means Hawaii could have another dock strike—an even more serious shutdown of local ports—starting a week from Saturday unless a settlement is reached or what the union calls "substantial progress" is made toward one.

Such progress or a settlement must be the goal in extensive negotiations in coming days. For not only would a dock strike be another disastrous blow to Hawaii's economy, it may very well be intolerable in terms of public opinion.

Serious as the local situation might be, there remains the additional threat that the West Coast dock strike will be resumed at the end of the year after the current Taft-Hartley cooling off period ends.

Moreover, it's been suggested by a managment figure here that if it is resumed the West Coast strike will be expanded to a complete shutdown of all ILWU ports, including in Canada, Mexico and Hawaii. East Coast and some Gulf Coast ports are already being struck by the International Longshoremen's Association.

There are some encouraging reports about progress in West Coast talks, but it's uncertain how much will be heard before December 5, which is also the date the

President's board of inquiry on the coast strike is required to report to him on settlement efforts.

Mixed in the overall longshore equation are a couple of other factors. One is the relationship of any settlement terms with the wage guidelines under Nixon's Phase II economic program. The other is that West Coast terms generally influence those in Hawaii.

What must happen are settlements both on the coast and here before the deadlines now looming into view. Not only are Hawaii's people innocent bystanders, strikes pose a danger in the national economic picture.

What also must happen is for the reluctant U.S. Congress to come to grips with the various proposals for settling transportation disputes short of a strike or for easing any strike effects on Hawaii.

With public pressure on both sides and from Washington, the current dock contract disputes must be settled, but at best there will be others later. The time to head off the crucial economic impact on the general public is with legislation now.

FURTHER CUTOFF IN SHIPPING FEARED IF STRIKE RESUMES

A renewal of the West Coast dock strike in January might isolate Hawaii completely from the customary commercial shipping to and from North American ports.

This was the warning sounded Thursday by Robert R. Grunsky, president of the Hawaii Employers Council, in a talk to the Chamber of Commerce of Hawaii and council members.

Grunsky told some 650 persons at a combined luncheon meeting that the International Longshoremen's and Warehousemen's Union, which struck the West Coast ports for 100 days earlier this year, probably will expand the strike after the holidays to include:

The ports of Vancouver, Canada, and Ensenada, Mexico, both of which were operating during the earlier strike.

The East and Gulf Coast ports, which are under jurisdiction of the International Longshoremen's Association.

The major ports in Hawaii.

The Hawaii ports were operational during the West Coast strike, even though they are manned by ILWU stevedores, because the union's strategists felt it was the smartest thing to do.

They also are under separate contracts.

The 900 or more Isle longshoremen were able to find work during most of the West Coast strike, which lasted from July 1 to Oct. 8. Those who didn't get called to work were able to draw unemployment checks.

Grunsky believes things will be different after the present Taft-Hartley "cooling off" period ends. It will expire Christmas Day, but ILWU President Harry Bridges said the union would wait until after the holidays before taking any job action, such as a strike.

Grunsky said he believes the Hawaii longshoremen belonging to the union would be involved in a renewed West Coast strike whether they want it or not.

The ILWU's Mainland strike strategy committee will meet Nov. 29 to plan the union's next move, Grunsky said.

He said the committee probably will determine whether talks should be resumed with the Pacific Maritime Association, representing the shippers, before the next Taft-Hartley deadline.

That will be Dec. 5—the 60th day of the T-H injunction. Under the law, the Presidential Board of Inquiry must report by that date on settlement efforts in the ILWU-PMA dispute.

If the strike is unsettled by then, the National Labor Relations Board must submit managements' last offer to a union membership vote by Dec. 20.

The ILWU would be free to strike five days later if it rejects the offer.

The ILWU boycotted a similar election when a Taft-Hartley injunction was imposed during the 1949 dock dispute.

ILWU Regional Director Robert McElrath said yesterday his union is "making every effort to get the waterfront employers of Hawaii into meaningful negotiations."

The union and the negotiating committee for the Hawaii stevedoring industry met last week for their first formal session since June 30.

The meeting lasted only an hour, and no further talks have been scheduled.

Senator INOUYE. Our next witness is the Honorable Shunichi Kimura, Mayor of the County of Hawaii.

STATEMENT OF HON. SHUNICHI KIMURA, MAYOR OF THE COUNTY OF HAWAII; ACCOMPANIED BY MYRON ISHERWOOD, CIVIL DEFENSE ADMINISTRATOR; AND PAUL KOBATA, RESEARCH AND DEVELOPMENT DEPARTMENT

Welcome to the committee, Mayor Kimura.

Mayor KIMURA. Senator Inouye, Senator Stevens, and members of the committee: I have brought with me, to my right, Mr. Myron Isherwood, Civil Defense Administrator for the County of Hawaii, who made all the surveys of the food, medical, and health supplies of the County of Hawaii; and, to my left, Mr. Paul Kobata from the Research and Development Department, who did the economic research in terms of unemployment and other economic impact in the County of Hawaii.

My name is Shunichi Kimura. I am the Mayor of the County of Hawaii.

My county encompasses the Island of Hawaii and, like the other counties in the State of Hawaii, is geographically unique compared to our counterparts in the Mainland U.S.A. We are situated more than 2,000 miles away from the nearest West Coast port. These factors make us highly dependent on ocean transportation. This dependence was dramatically illustrated by the recent West Coast dock tie-up.

The Island of Hawaii, commonly referred to as the Big Island, has a land mass of 4,037 square miles. It is twice the size of all of the other islands combined. Our principal industries are sugar production, diversified agriculture, and tourism. The agricultural activities have been and still are the economic mainstay of our island. The visitor industry has emerged as a major economic force only in the past decade.

Due to our lack of natural resources, we rely heavily on sources outside the state for a large portion of our goods. A local economist has estimated that 80 percent of all the physical commodities processed or consumed in the State of Hawaii are imported. Even most of our export industries rely on imported supplies.

Exhibit I, which I have attached, shows the 1968 volume of goods and supplies imported and exported via ocean carriers through our island's two ports which are located at Hilo and at Kawaihae.

Hawaii County's economy just prior to the July 1st maritime dispute in West Coast ports was showing signs of softening. The visitor industry was sluggish due to national economic conditions. Also suffering was the construction industry, which was down 30.2 percent for the first half of 1971. The Big Island's unemployment rate soared to 6 percent in June of last year as employment increases could not keep pace with the growth of the labor force.

The sugar industry, our county's economic mainstay, was involved in making extensive changes to meet environmental regulations and to improve marginal profits. One large sugar plantation, employing some 500 workers in a district having 3,000 residents, had announced that operations would be terminated by December of 1973.

With ample warning of an impending West Coast tie-up, many operations stockpiled goods and supplies. Many factors, such as cash positions, storage inventories, and credit risks, affected the extent of preparedness of the individual operations.

Further aggravating the situation caused by the West Coast dock strike was the Presidential order of a 90-day freeze on wages and prices. Merchants receiving goods at higher costs by air, from East Coast and foreign ports, and from atypical distributors, were faced with the problem of absorbing these additional costs. Some goods, such as table salt, consequently sat in warehouses as it became uneconomical for businesses to carry these items.

Local inventories of food, medical supplies, and other items were monitored by our Civil Defense Agency. Results of these surveys are contained in Exhibit II.

The survey of food and medical supplies showed that during the first month of the strike, supply levels were normal. Wholesalers and retailers had stockpiled to their capacities. There was also some replenishment of goods from the East Coast and other ports.

By the end of September, 90 days after the strike began, shortages developed in many food and medical supplies. Among these items were rice, salt, paste products, dried beans and peas, cereals, milk and paper products. Hospital supplies were being air freighted.

By the eighth week of the strike, the County of Hawaii, through the Department of Research and Development, conducted a series of weekly surveys to gage the impact of the strike. And, Senator Inouye and Senator Stevens, the reason we instituted this was that although there was a great deal of debate about the state of emergency existing in the State and counties of the islands, no one had real figures as to what the impact of the strike had been, and that is why we started this particular survey so we could have information about the actual impact it was having on the County of Hawaii, so we could input this to the Governor and hopefully come to the determination of at what specific point the economy was in a state of emergency.

That is why we instituted this particular survey.

Businesses throughout our County were polled to determine the number of layoffs, past and anticipated, as a direct result of the West Coast maritime dispute. This information was fed into a statewide and county monitoring system.

Exhibit III contains the results of these surveys.

The first survey, conducted on August 26, 1971, set the pattern for the next four weekly polls. In the initial survey, some 600 businesses which were considered to have some impact were contacted. Thirty firms had already laid off a total of 78 employees during the first 60 days of the strike. An additional 338 workers were anticipated to be released in the next three months.

The layoffs in most cases constituted only a portion of a company's employment. There were, however, several cases where complete shutdowns were anticipated.

A large number of workers were not released until a whole series of alternatives were exhausted. Merchants indicated that their employees were asked to take unscheduled vacations, do "make-work" projects, such as cleaning and inventory duties, and to work shorter weeks. Some employers indicated that they were retaining workers although they were losing money. Most of the severely affected firms were small businesses.

The impact of the strike, according to the initial survey, was felt most severely in the construction, manufacturing, and retailing

industries. Eight construction firms experienced material shortages and already had laid off 27 workers. Another 28 contractors planned to release 87 employees by the end of November 1971. Material shortages in any construction sector have a domino effect on an entire project. If one subcontractor cannot complete his portion because of the lack of supplies, the next sector can not start.

Manufacturing operations were affected by both supply shortages and a lack of a feasible means to export goods. An example of this is the manufacturers of pickled vegetables. They were affected by the shortage of imported bottles and the lack of ocean transportation by which their products could be shipped to the Mainland. Two firms employing a total of about 10 persons shut down their operations. One of these firms, I understand, has not resumed operations as of the beginning of this year.

Retailing operations were suffering primarily from the lack of imported goods to sell. The initial survey indicated that nine firms had released 20 workers. Thirty-one employers said that they would have to release 122 persons if the strike continued. In later surveys, merchants began to indicate a substantial drop of business in general due to low consumer spending. Unfortunately, no reliable data is available on retail-sales losses at this time.

Agricultural operations other than sugar were monitored by the Cooperative Extension Service. Outside of low feed supplies, most operations continued normally.

Sugar operations did not lay off any workers. The ten sugar plantations, however, experienced problems both in the importation of equipment and supplies, and in the exportation of raw sugar and molasses. As ocean transportation became further restricted, some plantations flew in supplies. One plantation, for example, estimated that an additional $15,000 was paid for atypical air freight costs. The stockpiling of goods also created unusual carrying and inventorying costs.

The major problem faced by the County's sugar industry was the diminishing availability of storage facilities for raw sugar and molasses. The County's survey indicated that plantations were reviewing their storage capacities through September 1971 while planning for a possible operation shutdown in October. Some 8,000 tons of raw sugar were stored on the docks at Hilo Wharf. Raw sugar was also stored outdoors at the Kawaihae Harbor. Fortunately, the industry was able to arrange for seven ships to call on Big Island ports during the strike. Molasses storage was a more difficult problem. An industry spokesman claimed that they came close to disposing of molasses and shutting down plants as the molasses storage facilities reached their capacities. As with the raw sugar situation, the industry was able to arrange for five vessels with molasses-carrying capacities.

The situation could have been further aggravated if sugar processing was at its peak. However, many of the plantations were not operating at full capacity as the grinding process was nearing its close for the season.

As stated previously, the sugar industry is the most important sector of the economy on the Big Island. There are some 4,000 workers directly employed in this industry, out of a total island employment of about 29,000. With sugar layoffs, it is conceivable that our unemployment rate would have reached 15 percent or more.

The subsequent surveys of businesses showed little change between the initial reaction. Lay-offs were occurring as had been originally indicated. The last poll was taken after the news of the President's initiation of the Taft-Hartley Act was announced. By this time, 201 workers had been released, while the lay-off of another 116 workers was anticipated. Twenty contractors laid off 78 of their employees, nine manufacturers released 32, and 19 retailers let go 44 workers. One manufacturer temporarily laid off and then re-hired 60 workers during the dock tie-up.

By the fifth poll, five small—less than 10 employees—firms had shut down their operations. Among these were three contractors and two manufacturers. By this time, businesses began to experience a noticeable drop in buying by our local consumers.

Besides the food and employment surveys, the County supported the State's effort to obtain an exemption from the wage-price freeze. We also requested the Small Business Administration to grant emergency loans for our local businesses. The County participated in the State Emergency Loan Program where interim loans were granted to strike-affected businesses. There were ten firms who applied for loans under this program.

During September, we also coordinated the County of Hawaii's allocation of containers to be brought in by a state-chartered ship, the *SS California*. Thirty containers were used by firms here to carry food items and animal feed. A portion of the items destined for the Big Island had been arranged for by the Honolulu wholesalers. These programs, however, could not overcome the many problems caused by the restriction of maritime activities. The only apparent answer was the complete resumption of shipping.

The present situation is still beset with uncertainties. The sugar molasses capacity at Hilo Harbor will be adequate for only one to two months. Although supplies have been replenished to a degree, backlogged items, capital requirements, and shortness of time all plague the businessman. Compounding the problem is the uncertainty created by the President's Phase II economic program, particularly that aspect as to whether we can add the additional cost of bringing in supplies from more distant ports and air freighting to the cost of items.

The County has declared a limited state of emergency on the island so that special provisions can be arranged to increase our stockpile of food and essential supplies.

And we were able to obtain from another company a large warehouse for cost, and were able to allow the private people, the warehouse men, to stockpile their goods so they could meet the anticipated resumption of the strike.

The latest inventory indicated that food is available for the next 90 days, hospital supplies for 60 days, and pharmaceutical supplies for 120 days. Problems exist, of course, with refrigerated supplies which cannot be stocked beyond 45 days. Construction materials are available for about 90 days. But this 90 days must be qualified, in that if we are to have new construction requiring special kinds of materials, then obviously the problems of the shipping tie-up, shipping strike, would prevent the initiation of these particular construction projects.

Although shipping has resumed because of the injunction of the Taft-Hartley Act—and the strike yesterday changes this as of 6:00

p.m.—many firms indicated that they are less prepared than they were on July 1. This temporary resumption of shipping also did not reduce our unemployment rate, which grew to 7 per cent by November 1971.

The impact of the 100-day dock strike on the County of Hawaii could have easily been worse. Prior to the dispute, time was available for firms to make special arrangements for stockpiling and for planning alternative means of shipping. Only the West Coast ports were closed, and goods were transported from the East Coast and other Mainland ports. Many Mainland distributors did assist in absorbing additional transportation and handling charges for goods shipped to Hawaii. While many local merchants were faced with higher costs and lower sales, a sizeable percentage of these firms were able to retain their employees. If it were not for these factors, the County could have been in a very disastrous situation.

It is clear to me that efforts on the part of local government or State government can not overcome the problems and hardships which Mainland maritime disputes create in the County of Hawaii. Some federal legislation is needed to provide means of transportation for the Island of Hawaii and the State—and this is a must, I believe—when shipping is restricted by maritime disputes and when these disputes create an emergency situation for the people of the County of Hawaii.

I firmly believe in the collective bargaining process. But when this process fails and an emergency exists in our county, I feel that another process must be used.

I therefore support legislation which would create a Federal procedure to overcome regional emergencies developing when the collective bargaining process fails.

Thank you very much.

Senator INOUYE. Mayor Kimura, the committee thanks you for your very lucid and very detailed presentation, and may I, on behalf of the committee, commend you for your leadership in initiating these surveys to come forth with this priceless information. With this type of information, I am certain that my colleagues will be moved, and I hope moved sufficiently, to consider favorably this legislation.

If I may, I have a few questions I would like to ask.

Do you have any estimate of the cost of the strike to your government?

Mayor KIMURA. No, Senator, we do not have an actual cost besides the initial cost of hiring six people, or eight people, to do the surveys. That cost, of course, was not too large because we paid them on a per-hour basis and, of course, the additional cost of having the Civil Defense Department, the Research Development Department, and our office spent a good many hours on the strike situation were costs.

In addition to that, the two larger concerns are that with the strike and, of course, the resumption of the strike, obviously the construction industry would be one of the first to be affected a great deal, and on our island, where we depend on the growing real property assessed valuations, we anticipate the effects of the first 100 days and the resumption will have a great effect on the real property assessed valuations in 1973 and 1974 and 1975.

The other thing is the grants-in-aid received from the State of Hawaii. Those are based on the excise tax of the state. And then the grants-in-aid will be reduced to the County of Hawaii as well. Our latest estimate on the part of the Tax Office is that because of our

limited population growth and increase in real property evaluation, the grants-in-aid would suffer a sizable portion anyway, without the consideration of a strike. If you add to that the consequences of the reduction in businesses and the income to the state, of which we receive a portion for our grants-in-aid, then, of course, this would be one of the largest direct costs of the county government.

And unlike the very wealthy County and City of Honolulu, 40 percent of our operational budget income comes from these grants-in-aid, and that is why the effects of the strike would have a very large impact on our governmental operations.

Senator INOUYE. You have indicated in your statement that the unemployment rate at this time is about 7 percent.

Mayor KIMURA. Yes.

Senator INOUYE. What was it a year ago?

Mayor KIMURA. A year ago—let's see—in December of 1970 it was 3, and by November of 1971 we rose up to 7 percent.

Senator INOUYE. It has more than doubled, in other words?

Mayor KIMURA. Yes.

Senator INOUYE. What portion of that would you attribute to the strike?

Mayor KIMURA. This is the difficult part, Senator Inouye. Before the strike began in June of 1971, we had almost doubled already, up to some 6 per cent, and after the strike began, and even after the Taft-Hartley was involked, we still rose up to 7 percent unemployment

So it is difficult for us to say that it was the strike that caused that kind of an increase, because the first big jump to 6 percent was caused by the economy before the strike started.

And, of course, after the Taft-Hartley was invoked, the figure did not go down. Instead, it went up to 7 percent.

We have analyzed this and made a profile of all of the job seekers in the County of Hawaii, Senator Inouye, and we have found a situation where we have a moderately growing economy, but still what we have is a larger amount of people migrating to the Island of Hawaii, and, of course, with our major construction slow-down, we have had a sizable portion of the people who have been employed in the 1970 and 1971 construction boom seeking employment.

But we do have a sizable importation of people from the Far East, and particularly from the Mainland United States, which has added to our job seekers and unemployment rolls.

Senator INOUYE. Without objection, your exhibits and your attachments will be made part of the record.

Senator Stevens.

Senator STEVENS. It is a very fine statement, Mayor.

In table 1 of Exhibit I, displaying freight traffic figures, I note they are from 1968 and you got them from the Department of the Army. Did they tell you how long it would be before 1971 figures would be available?

Mayor KIMURA. No, Senator Stevens. I am not sure when we received this. Paul, do you know?

(Discussion off the record.)

Mayor KIMURA. Senator Stevens, this was the latest we could get.

Senator STEVENS. Thank you. I enjoyed your statement.

Senator INOUYE. Once again may I commend you for your exhaustive study, and the committee appreciates your making available to us your week-by-week survey.

Thank you.

Mayor KIMURA. Thank you very much, Senator Inouye and Senator Stevens.

(The material referred to follows:)

EXHIBIT I

TABLE 1.—FREIGHT TRAFFIC, HILO HARBOR, HAWAII, 1968—DOMESTIC

[In short tons]

Commodity	Total	Interstate		Intrastate	
		Receipts	Shipments	Receipts	Shipments
Total	987,099	191,631	386,658	287,608	121,202
Rice	3,856	507		3,349	
Soybeans	61	61			
Hay and fodder	1	1			
Field crops (not elsewhere classified)	25	7		17	1
Fresh fruits and tree nuts	1,295	94	1	1,188	12
Coffee	1,428	22	110	138	1,158
Fresh and frozen vegetables	18,404	213	7	1,418	16,766
Live animals	1,297	30	53	68	1,146
Miscellaneous farm products	17		1	2	14
Forest products (not elsewhere classified)	88			13	75
Fresh fish, except shellfish	96	9		86	1
Nonferrous ores, concent. (not elsewhere classified)	1	1			
Clay	20	20			
Phosphate rock	4,238	606		3,568	64
Salt	429	29		400	
Gypsum, crude and plasters	42	11		31	
Nonmetallic minerals (not elsewhere classified)	441	20		421	
Meat, fresh, chilled, frozen	1,271	79		1,192	
Meat and products (not elsewhere classified)	14	3		11	
Animal byproducts (not elsewhere classified)	66		4		62
Dairy products (not elsewhere classified)	4,145	117	20	3,738	270
Fish and shellfish, prepared	32	32			
Vegetables and prep (not elsewhere classified)	1,791	598	18	1,110	65
Prepared fruit and vegetable juice (not elsewhere classified)	943	302	7	593	41
Wheat flour and semolina	65	55		10	
Prepared animal feeds	14,347	1,121		13,156	70
Grain mill products (not elsewhere classified)	108	21		87	
Sugar	290,558	13	287,956	1,652	937
Molasses	130,302		97,881	2,538	29,883
Alcoholic beverages	1,426	210		1,216	
Vegetable oils, margarine, shortening	241	40		201	
Groceries	1,741	172	3	1,450	116
Miscellaneous food products	2,366	217	164	1,414	571
Basic textile products	67	28	1	37	1
Textile fibers (not eslewhere classified)	1	1			
Apparel	26	4		21	1
Logs	2				2
Timber, posts, poles, piling	651	651			
Lumber	12,488	401	257	7,051	4,779
Veneer, plywood, worked wood	166	36		130	
Wood manufacturers (not elsewhere classified)	395	141		254	
Furniture and fixtures	433	83	4	291	55
Standard newsprint paper	16	16			
Paper and paperboard	764	40		667	57
Pulp and paper products (not elsewhere classified)	1,409	229		1,169	11
Printed matter	13			13	
Basic chemicals and products (not elsewhere classified)	1,022	279		741	2
Drugs	37	3	8	26	
Soap	1,029	161		850	18
Paints	302	53		248	1
Nitrogenous fertilizer, manufactured	22,532	18,663		3,869	
Potassic fertilizer materials	19,165	19,165			
Superphosphate	3,296	3,296			
Insecticides, disinfectants	568	147		417	4
Fertilizer and materials (not eslewhere classified)	14,820	12,573		2,225	22
Miscellaneous chemical products	1,100	313		786	1
Gasoline	62,037	35,848		26,189	
Jet fuel	4,929			4,929	
Kerosene	44,856	23,218		21,638	
Distillate fuel oil	41,844	23,346		18,498	

Residual fuel oil	54,905	35,471	----	11,744	7,690
Lubricating oils and greases	801	19	----	775	7
Naphtha, petroleum solvents	652	652	----	----	----
Asphalt tar, and pitches	4,123	4,123	----	----	----
Liquefied gases	327	----	----	327	----
Asphalt building materials	1,468	173	----	1,290	5
Petroleum and coal products (not elsewhere classified)	1,010	30	----	975	5
Rubber and miscellaneous plastics products	325	24	----	294	7
Leather and leather products	14	4	----	10	----
Glass and glass products	1,000	99	----	890	11
Building cement	13,983	----	----	13,983	----
Structural clay products	240	64	----	176	----
Cut stone and stone products	235	22	----	213	----
Miscellaneous nonmetallic mineral products	86	86	----	----	----
Iron and steel primary forms	119	45	----	69	5
Iron, steel shapes, except sheet	721	491	----	230	----
Iron and steel plates, sheets	1,041	884	----	157	----
Iron and steel pipe and tube	2,854	2,435	----	413	6
Iron and steel products (not elsewhere classified)	198	8	----	190	----
Nonferrous metals (not elsewhere classified)	34	7	----	26	1
Copper alloys, unworked	1	1	----	----	----
Lead and zinc, unworked	6	5	----	----	1
Aluminum and alloys, unworked	61	61	----	----	----
Fabricated metal products	51,926	637	17	19,960	31,312
Machinery, except electrical	10,044	917	19	6,123	2,985
Electrical machinery and equipment	732	149	5	574	4
Motor vehicles, parts, equipment	15,881	1,070	37	11,362	3,412
Aircraft and parts	33	----	----	15	18
Ships and boats	32	32	----	----	----
Miscellaneous transportation equipment	30	16	----	14	----
Miscellaneous manufactured products	625	62	11	502	50
Iron and steel scrap	379	----	50	----	329
Nonferrous metal scrap	14	1	13	----	----
Commodities (not elsewhere classified)	108,076	737	11	88,180	19,144

Source: Department of the Army, Lower Mississippi Valley Division, Corps of Engineers, Waterborne Commerce Statistics Center, January 1970.

TABLE 2.—FREIGHT TRAFFIC, KAWAIHAE HARBOR, HAWAII 1968—DOMESTIC

[In short tons]

Commodity	Total	Interstate		Intrastate	
		Receipts	Shipments	Receipts	Shipments
Total	342,602	16,640	187,065	51,785	87,112
Corn	1,778	1,778	----	----	----
Fresh and frozen vegetables	18,488	----	----	----	18,488
Live animals	10,992	----	----	393	10,599
Sand, gravel, crushed rock	21,782	----	----	----	21,782
Phosphate rock	771	----	----	771	----
Prepared animal feeds	3,742	1,652	----	2,078	12
Sugar	153,683	----	153,683	----	----
Molasses	36,009	----	33,382	----	2,627
Lumber	1,226	----	----	1,222	4
Basic chemicals and products, (not elsewhere classified)	643	643	----	----	----
Potassic fertilizer materials	2,342	2,342	----	----	----
Miscellaneous chemical products	124	87	----	37	----
Gasoline	10,546	1,830	----	8,716	----
Kerosene	2,227	----	----	2,227	----
Distillate fuel oil	7,583	5,496	----	2,087	----
Residual fuel oil	2,564	2,564	----	----	----
Lubricating oils and greases	36	----	----	36	----
Naphtha, petroleum solvents	248	248	----	----	----
Building cement	6,140	----	----	6,139	----
Slag	4,041	----	----	----	4,041
Fabricated metal products	13,076	----	----	5,570	7,506
Machinery, except electrical	3,613	----	----	1,955	1,658
Motor vehicles, parts, equipment	1,873	----	----	1,147	726
Commodities, (not elsewhere classified)	39,075	----	----	19,407	19,668

Source: Department of the Army, Lower Mississippi Valley Division, Corps of Engineers, Waterborne Commerce Statistics Center, January 1970.

EXHIBIT II

HAWAII COUNTY CIVIL DEFENSE AGENCY

MEETING OF THE FOOD SECTION EMERGENCY RESOURCE MANAGEMENT COMMITTEE, JULY 8, 1971

A meeting of the Food Section of the Emergency Resource Management Committee was held on July 8, 1971, at 12:20 p.m. at the Hilo Hotel. Mr. Myron O. Isherwood, Sr., Civil Defense Administrator, presided.

Those present were:

Mr. Toshio Maeda, Suisan Company, Ltd.
Mr. George Abe, Hawaii Island Chamber of Commerce.
Mr. Eugene Sung, Hilo Foodland.
Mr. Tom Okuyama, Sure Save Super Markets, Ltd.
Mr. Shunichi Hatada, Hatada & Robert's Bakeries, Inc.
Mr. Lloyd Sadamoto, Dept. of Research & Development, County of Hawaii.
Mr. Paul Douglass, Matson Navigation Company.
Mr. Susumu Hata, Y. Hata & Company, Ltd.
Mr. Eijiro Kaneshiro, Food Fair Super Market.
Mr. George Matsumura, Taniguchi Super Markets.
Mr. Myron O. Isherwood, Sr., HCDA.
Mr. Sunny Kim, HCDA.

The meeting was called due to the present shipping strike. This meeting has been cleared with the Mayor and will not be publicized at all.

One of the plans under Civil Defense is to provide for the recovery of a community after a nuclear attack and to provide for such a possibility, plans for the organization of the Emergency Resource Management Committee were started several years ago. This committee, originally organized by the Rotary Club, is comprised of Messrs. Kaneshiro, Okuyama, Hata, Manuel Lucas (Savemore) and Frank Nagao (now retired). The last time the committee was activated was during the potential shipping strike in 1965.

In the event of a nuclear attack, we would be contacting all business firms in the County; however, since this survey will be a broad estimate only, we eliminated the smaller stores and contacted only the larger ones. What we are interested in now is an estimate on how long the food staples and basic sanitation supplies in the County will last.

Since we cannot determine how long the strike will last, Mr. Isherwood prepared a draft of an Emergency Food Inventory Form for purposes of getting a general preview of the present situation on the island. He went over the form which he circulated and asked the group for comments on it.

Mr. Kaneshiro suggested contacting Hilo Meat for an inventory on fresh meats. Mr. Isherwood stated that they have been contacted. Mr. Kaneshiro added that his firm carries a supply of two or three days of fresh meat at the most.

As the group felt that a week's time would be sufficient to fill out the form Mr. Isherwood said that he would have it mimeographed this afternoon and mail it out tomorrow. This would be strictly in the nature of a confidential survey. We will just compile the information and will not release it to anyone. We are just interested in totals.

Mr. Douglass stated that the Hawaiian Princess is due here next Monday which appears to be the last of the mainland freight to be arriving in the islands. After that, nothing is in sight. Since he was on vacation all week, he did not really know how much goods were coming in for this island but he said it would probably be a smaller than normal arrival.

Should the strike continue, even if there is an increase in the cost to the customer, goods can be brought in by air.

Mr. Douglass said that Eastern and Gulf ports are not affected and also frozen meats from New Zealand. These come in to Honolulu and are barged over.

Mr. Isherwood said that the State Civil Defense office has an organization on Oahu similar to what we have here although he has not heard anything official from State CD about a food survey being taken there. However, he gathered from the newspapers that a survey had been made.

If anyone should ask, Mr. Kaneshiro suggested telling them that the situation is fine and that there are ample supplies. Mr. Isherwood said should he be asked, he would inform them that the merchants are aware of the situation and that they are doing whatever they can at the present time. Mr. Kaneshiro added that if we frighten the people, then the rush will start and the people will tend to hoard. Right now there is no run for rice. With the amount of rice that has already come in, there is about three months' supply on this island.

Mr. Isherwood stated that there is not enough beef produced locally to meet our normal demands but if we do not ship it some other place, there could be enough. Pork may be in the same situation. We do get frozen lamb from Australia and New Zealand. He asked the group whether the fresh and frozen meats should be included in the inventory since he was thinking of World War II when there was no shipping within the islands.

Mr. Maeda thought that the meats should be included in the inventory as 50 percent of the beef in Honolulu come in from the outside.

Mr. Isherwood said under the category "Fresh and Frozen Meats" on the inventory form, he would specify "Poultry," "Lamb," "Pork," and "Beef."

There were no other suggestions and the form was acceptable to the group.

Mr. Isherwood stated that he checked on petroleum products this morning and there is about three months' supply of packaged goods which would normally come in through Matson. The oil companies have their own tankers that bring in their bulk supplies. They could bring in their packaged goods in their own tankers but they prefer not to. Thus, that aspect of the situation is under control, too.

Mr. Douglass commented that throughout this island and other islands, C and H has done a terrific job of getting their sugar moved out so that sugar and molasses storage can keep going for a long time.

Another meeting will be held shortly after the first of August if the strike is not over by then.

Civil Defense will contact those who were not able to attend and will explain what transpired at this meeting and will ask them for their kokua in filling out the inventory form.

In closing, Mr. Isherwood stated that like most other Civil Defense matters, he hopes that we will not have to use this information.

The meeting adjourned at 1:20 p.m.

M. O. Isherwood, Sr.,
CD Administrator

Copies sent to:

Mr. Garry Ichino, Pick and Pay, Hilo Shopping Center, Hilo Hawaii.

Mr. George Inouye, Veterans' Produce Exchange, 70 Wiwoole Street, Hilo, Hawaii.

Mr. Ralph Kidani, Fred L. Waldron, Ltd., 424 Kanoelehua Avenue, Hilo, Hawaii.

Mr. Teruo Togashi, Brewery Industries, Ltd., 45 Omao Street, Hilo, Hawaii.

Mr. Bill Richardson, Safeway, 333 Kilauea Avenue, Hilo, Hawaii.

Mr. Eugene Sung, Hilo Foodland, 250 Kinoole Street, Hilo, Hawaii.

Mr. Tom Okuyama, Sure Save Super Markets, Ltd., 777 Kilauea Avenue, Hilo, Hawaii.

Mr. Shunichi Hatada, Hatada & Robert's Bakeries, Inc., 55 Kukuau Street, Hilo, Hawaii.

Mr. Susumu Hata, Y. Hata & Company, Ltd., 300 Kanoelehua Avenue, Hilo, Hawaii.

Mr. Eijiro Kaneshiro, Food Fair Super Market, 1990 Kinoole Street, Hilo, Hawaii.

Mr. A. Chang, Hilo Meat Company, Ltd., 230 Kekuanaoa Street, Hilo, Hawaii.

Mr. Manuel Lucas, Savemore Supermarket, 660 Kilauea Avenue, Hilo, Hawaii.

Mr. George Matsumura, Taniguchi Super Markets, 321 Keawe Street, Hilo, Hawaii.

Mr. George Abe, Hawaii Island Chamber of Commerce, 180 Kinoole Street, Hilo, Hawaii.

Mr. Paul Douglass, Matson Navigation Company, 11 Pookela Street, Hilo, Hawaii.

Mr. Toshio Maeda, Suisan Company, Ltd., P.O. Box 366, Hilo, Hawaii.

Mr. Lloyd Sadamoto, Department of Research & Development, County of Hawaii, Hilo, Hawaii.

Hawaii County Civil Defense Agency,
Hilo, Hawaii, August 5, 1971.

Memo to: Administrator, Hawaii County Civil Defense Agency.
Subject: Report on construction materials and petroleum products—Condition of inventories due to the current shipping strike.

I. CONSTRUCTION AND HARDWARE MATERIALS

A. Suppliers contacted

1. Theo H. Davies & Co., Ltd.
2. Construction Materials Hawaii, Inc.
3. Amfac.
4. Shuman Lumber Co. of Hawaii.
5. Lewers & Cooke, Inc.
6. Hawaii Planing Mill, Ltd.

B. Inventories summarized

1. Plumbing fixtures pertinent to bathrooms and hardware items, such as door knobs and latches, are critical or completely out; some items are being brought in by air at supplier's expense.
2. Roofing and paints are short in supply; some paints are out, others will be out in four weeks.
3. Some suppliers report Douglas fir and redwood lumber in critical supply.
4. Doors for new construction housing not available by most suppliers.
5. Electrical conduit in short supply.
6. The consensus of the majority of the suppliers is that critical shortages will develop in most construction and hardware materials in another four weeks.
7. Parts for machinery and mobile equipment are flown in when required, with 50 percent of the cost absorbed by the supplier.

II. PETROLEUM PRODUCTS

A. Suppliers contacted

1. Standard Oil Co.
2. Union Oil Co. of California.
3. Shell Oil Co.
4. Texaco, Inc.

B. Inventories summarized

1. Refined products, such as diesel and gasoline, present no problem.
2. Industrial oils and greases are brought in by Matson or Seatrain in barrels and containers and will develop a shortage in some items in another four weeks for some companies. This is not true for others.
3. Black oil for industrial plants in adequate supply.

III. SUPPLIERS' PROBLEMS

A. Lay off employees, encourage annual vacations.
B. Materials ordered before the strike—Manufacturers now insisting on payment but materials on docks in mainland ports.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY

MEETING OF THE FOOD SECTION, EMERGENCY RESOURCE MANAGEMENT COMMITTEE, AUGUST 6, 1971

A meeting of the Food Section of the Emergency Resource Management Committee was held on August 6, 1971, at 10:10 a.m. in the County Council Room. Mr. Myron O. Isherwood, Sr., Civil Defense Administrator, presided.

Those present were:

Mr. Toshio Maeda, Suisan Company, Ltd.
Mr. Mark Nakamura, Sure Save Super Markets, Ltd.
Mr. Mike H. Tao, Pick & Pay.
Mr. Paul Douglass, Matson Navigation Company.
Mr. Akira Omonaka, ILWU.
Mr. Alan Akine, Taniguchi Super Markets.
Mr. Mel Kaneshiro, Food Fair Super Market.
Mr. Susumu Hata, Y. Hata & Company, Ltd.
Mr. George Abe, Hawaii Island Chamber of Commerce.
Mr. Shunichi Hatada, Hatada & Robert's Bakeries, Inc.
Mr. Megumi Kon, Mayor's Office, County of Hawaii.
Mr. Myron O. Isherwood, Sr., HCDA.
Mr. Song Gin Kim, NCDA.
Mr. Boyd M. Schaffer, HCDA.

This meeting was called as a follow-up on the meeting of July 8, 1971, which was held for purposes of starting a survey on the inventory of food supplies on the Island of Hawaii and for an estimate on how long these supplies would last. As a result of that meeting, the Emergency Food Inventory Form prepared by the Hawaii County Civil Defense Agency were sent to each of 14 merchants on this island who cooperated in the survey.

After this original survey was completed, the State Department of Agriculture had Messrs. Hisanaga and Okamoto make a similar survey. It is not known why this had happened because HCDA keeps in contact with State CD and had notified them about our meeting. Kauai also had a similar meeting. The State meeting was held a little over a week ago on the basis of the information that was received from each of the counties and at that time it was felt that the estimates were fairly conservative, like ours.

Mr. Isherwood received a phone call from Mr. Robert Sorg, Resources & Production Officer from State CD, requesting that HCDA send the information from our survey to the DOA since it summarizes the information for the whole state. The DOA listed almost the same items on their inventory form as we had; however, we thought it would be easier to list the number of cases and the estimated time that the items would last under normal conditions while the State requested the information in thousands of pounds. The local DOA sent their information to Honolulu.

Mr. Fred Erskine, who is the head of the DOA, also heads the Food Section of the Emergency Resource Management Committee for the State and for the Island of Oahu. Oahu CD does not come into this but each of the other three counties have their own ERM set-up. However, we are all working toward the same thing—anything that would affect the people who live here. Mr. Isherwood spoke with Mr. Erskine last Saturday and was told that as a result of their meeting, Oahu suppliers, particularly of flours and grains, had dispatched a tug and barge to Vancouver to be loaded and returned with flour and other food products to be made of flour. It is not yet known what effect this would have on the other islands. If and when the barge returns, it was not known at this time whether these products would be allocated to all counties or if they would just be for Oahu. From the news articles, it appears that lots of boats are being loaded there, but the round trip will brobably take between 15 and 30 days.

Also at the July 8 meeting, it was agreed that if the strike continued after August 1, we would have another meeting to get an up-dating on what the food supplies are. State CD and the DOA requested that we use the State form on additional reviews of the inventories. The State Food Inventory Forms were distributed to those present and HCDA will also mail copies to the rest of those who participated in the survey. It was requested that these forms be returned to HCDA by Friday, August 13, and the supplies are to be estimated as of that date. After they are returned, we will send them to Honolulu. This form was prepared by the Department of Agriculture and is almost the same as ours. Mr. Isherwood noted that the "Hawaii" column should be filled in. The supplies are to be estimated in thousands of pounds without reference to size. This form does not have a column to indicate the estimate on how long the supplies would last under normal conditions; therefore, it was requested that a star be placed by the supplies which are getting short. In designating the number of pounds, use "2" instead of "2,000", for example, when referring to "2,000 pounds."

Mr. Boyd Shaffer, Resources & Logistics Officer of HCDA, will be handling this survey from here on. Mr. Shaffer was asked to make a survey on the inventory of products other than food and he thus checked with about a half-dozen larger suppliers. At our July 8 meeting, Mr. Isherwood mentioned that he contacted the petroleum organizations and they had estimated about three months' supply; however, they will not anticipate any trouble because their bulk supplies are brought in by their own tankers. They also estimated roughly three months' supply of packaged goods which are normally brought in by Matson or Seatrain. If necessary, these could be brought in by their own tankers but they prefer not to. Mr. Shaffer also checked with the oil companies and their figures show that they have no problems. They anticipate that their packaged goods would last another two months.

Hardware such as door finishings (includes handles, hinges, knobs and pre-made doors), Douglas Fir, Redwood and paint, are beginning to get in short supply. Some contractors are flying these materials in; some of them are absorbing the entire cost while others are paying half of the additional cost. Most of them anticipate that those supplies which have not already been used up will be used up within two to three weeks.

The attendees were asked whether their estimates on food are holding up, which would now be approximately two weeks to a month's supply. They felt that they were, although some goods are already short. Mr. Isherwood added that some items are getting to the critical stage; for example, canned baby foods. However, this may be only on a certain brand.

The group felt that local produce (vegetables and fruits) is holding up pretty well. There are a few people raising corn individually but not commercially. Mr. Maeda mentioned that they tried getting some frozen corn (corn-on-the-cob) from the East Coast; however, they presently do not have corn there, too.

Mr. Abe stated that the Chamber of Commerce took a survey in a different method. Their survey would prove that the strike itself would hurt our economy. Raw materials were found to be good only for another couple of weeks. This is not true for every outfit, but for most.

Mr. Maeda asked what action is taken as a result of these forms. Mr. Isherwood replied that it is an accumulation of information on what the situation is and we pass this on to the State Resource Agency. They, in turn, determine whether they should request the Governor to take certain steps to either use barges, Federal contracts or some other means of getting materials in, particularly staples; and also the allocation of the materials throughout the state rather than perhaps just Honolulu. It would tie in with the same procedures established during World War II when there were a limited number of ships that could come in. Priorities would be set on who gets what and how much and the type of materials that could be brought in. There would be a determination on items that would not be necessary, like caviar, for example, unless the person wants to fly it in.

Mr. Maeda mentioned that it seems as though air freight space is getting tight, too. Mr. Isherwood added that the newspaper articles mentioned that one airline is putting additional freight carrying planes on, although this seems to be only for Oahu.

Mr. Abe asked about Matson. Mr. Douglass said he wishes they had something positive worked out. They had hopes of providing services through Vancouver, which would be fairly expensive but better than directly from the West Coast; however, so far they have not been able to do that. Seatrain is also working on services out of Vancouver but Mr. Douglass does not have any late word on how successful they have been. This would be better than shipping out of the East Coast, Gulf Ports or air freighting, but it still is not very fast. However, in line with what Mr. Isherwood was saying awhile ago, someday the strike will end and when it does, the State Government will probably designate the priorities to Matson, Seatrain and others so the more critical items could be brought in first.

Mr. Abe asked that on the assumption that the strike would last, at what point would the State say the situation is critical. Mr. Isherwood replied that if we do not have any information, we would not be able to supply information on our situation; however, with the information, we can say that the food would last for a certain period of time, and in additional surveys, we would be able to say that it has either exceeded our previous estimates or is less than our previous estimates. On an up-dating basis, we would have more specific information; then as the situation gets worse, we can yell louder.

The Honolulu DOA's State Committee is primarily made up of wholesalers. We have both retailers and those who act as their own wholesalers to a certain extent although they probably do get some materials from Honolulu under normal conditions.

Another thing that would come into the picture would be animal feed which is normally supplied from Honolulu to companies such as Waldron.

Therefore, the problem would probably be an expanding situation. We started with food because if we do not eat, we cannot live, but having the construction of your house delayed is another thing. Although this would affect the overall economy, we can live without a door knob but not without food.

Mr. Douglass mentioned that the Chamber's survey showed that some people are already out of work because of the strike and if they do not work, they would not be able to buy the food to eat. Mr. Abe stated that as of July 31, roughly 25–30 people were out of work. By September, they expect it to total about 250–300 people.

After a discussion, it was agreed that follow-up surveys will be made every two weeks. The forms distributed at this meeting will be due next Friday (August 13). We will be sending the next follow-up on August 20 and the due date on that will be August 27. If the situation is looking very critical, another meeting will probably be held early in September. In the meantime, we will see what developments have occurred from the State end.

Mr. Isherwood will be in Honolulu next week so he will go to see Mr. Sorg on Wednesday to discuss the food and hardware situation. Then he will be able to get a better idea of what the State intends to do.

Mr. Abe commented that thus far a panic is not on but he is curious to know when the public will start buying. Mr. Isherwood stated that the newspapers have been quite cooperative in not headlining the situation. It was mentioned that some people started buying rice prior to this when there first were talks about the strike coming on.

As there were no further comments or suggestions, the meeting adjourned at 10:45 a.m.

M. O. Isherwood, Sr.
CD Administrator.

Copies sent to:

Mr. Frank Hisanaga, Division of Marketing & Consumer Services, Department of Agriculture, State of Hawaii, Hilo, Hawaii.

Mr. Lloyd Sadamoto, Department of Research & Development, County of Hawaii, Hilo, Hawaii.

Mr. Megumi Kon, Mayor's Office, County of Hawaii, Hilo, Hawaii.

Mr. Toshio Maeda, Suisan Company, Ltd., P.O. Box 366, Hilo, Hawaii.

Mr. Mark Nakamura, Sure Save Super Markets, Ltd., 777 Kilauea Avenue, Hilo, Hawaii.

Mr. Mike H. Tao, Pick & Pay, 1235 Kilauea Avenue, Hilo, Hawaii.

Mr. Paul Douglass, Matson Navigation Company, 11 Pookela Street, Hilo, Hawaii.

Mr. Akira Omonaka, ILWU, 100 W. Lanikaula Street, Hilo, Hawaii.

Mr. Alan Akine, Taniguchi Super Markets, 50 E. Puainako Street, Hilo, Hawaii.

Mr. Mel Kaneshiro, Food Fair Super Market, 1990 Kinoole Street, Hilo Hawaii.

Mr. Susumu Hata, Y. Hata & Co., Ltd., 300 Kanoelehua Avenue, Hilo, Hawaii.

Mr. George Abe, Hawaii Island Chamber of Commerce, 180 Kinoole Street, Hilo, Hawaii.

Mr. Shunichi Hatada, Hatada & Robert's Bakeries, Inc., 55 Kukuau Street, Hilo, Hawaii.

Mr. George Inouye, Veterans' Produce Exchange, 70 Wiwoole Street, Hilo, Hawaii.

Mr. Teruo Togashi, Brewery Industries, Ltd., 45 Omao Street, Hilo, Hawaii.

Mr. Ralph Kidani, Fred L. Waldron, Ltd., 424 Kanoelehua Avenue, Hilo, Hawaii.

Mr. Bill Richardson, Safeway, 333 Kilauea Avenue, Hilo, Hawaii.

Mr. Eugene Sung, Hilo Foodland, 250 Kinoole Street, Hilo, Hawaii.

Mr. Anthony Chang, Hilo Meat Co., Ltd., 230 Kekuanaoa Street, Hilo, Hawaii.

Mr. Manuel Lucas, Savemore Supermarket, 660 Kilauea Avenue, Hilo, Hawaii.

Hawaii County Civil Defense Agency,
34–A Rainbow Drive, Hilo, Hawaii, August 23, 1971.

Memo to: Administrator, HCDA.

Subject: Check with Managers of Six Large Supermarkets in Hilo as to Sales, Supplies Remaining, Expected Shipments, and Outlook in General on Part of the Businessmen.

Of the seven supermarkets, only Safeway and Mall Foods reported a run on rice. Supplies are moving in a normal pattern at all other stores and no items are reported critical nor expected as such for at least another 30 days. Small shipments, 15,000-pound lots, are arriving weekly for some wholesalers and some supermarkets; that is, 15,000-pound lots are currently allocated to those outlets wanting to make use of them. These ships are sailing from the East Coast. Costs are higher than those of Canadian ports on the West Coast. Space on ships leaving the West Coast ports in Canada is tight and hard to get. For this reason, it is felt that by some that the Governor should set up an allocation of only food stuff from the ships leaving the West Coast ports. Forget about construction supplies and similar items until the strike is over.

Businessmen are not worried too much about having sufficient supplies to ride out the strike. There is a feeling that before another 10 days the strike will be over.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, August 31, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Inventories of Food Supplies—Hilo Area.

Even though air freight is a small percentage of the total flow of freight into the Island of Hawaii, the impact of air freight is particularly noticeable island-wide in fresh fruits and vegetables. The bulk of food items continue to move by ship and barge—by ship from West and East Coast ports to Honolulu; by barge from Honolulu to Hilo and Kawaihae. Where formerly Matson and Seatrain bore the cost of container shipment from Honolulu, local dealers are now paying for the cost of moving containers from and returning to Honolulu.

Without considering the replenishment factor, local food inventories are recapped as of August 23, 1971, as follows:

(1) Canned Foods $\frac{1,184,736 \text{ lbs.}}{26,400} = 44 \text{ days}$

(2) Frozen Foods $\frac{457,901 \text{ lbs.}}{26,400} = 17 \text{ days}$

(3) Packaged Foods $\frac{789,870 \text{ lbs.}}{26,400} = 29 \text{ days}$

(4) Miscellaneous Foods $\frac{567,841 \text{ lbs.}}{26,400} = 21 \text{ days}$

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, September 7, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Hawaii County Status of Supplies Resulting from Shipping Strike.

Inventories of Hilo wholesalers, supermarkets and various outlets in Kona and Waimea as of September 3, 1971, are as follows:

Drugs.—No shortage of prescription and refrigerated drugs as these items have been flown in all along. The Hilo Hospital, Kona Hospital, and dispensaries at Honokaa and Kohala are not in need of supplies. Wholesaler George Machida anticipated the strike and brought in bulk supplies in large quantities. Amfac and McKesson have been able to fill all requirements from Honolulu stocks.

Foods.—Supermarkets and wholesalers report 30 days' supply remaining for normal requirements. Gallon-size tins of vegetables and fruits furnished to schools and hospitals are out at most of the wholesalers.

Some managers of sales outlets feel that we are in the midst of a "Yellow Alert" and should use the utmost caution so as not to create panic buying. Management of Hatada bakeries reports enough flour through September but after September his operating condition will be critical. He feels that the Mayor should declare an emergency in order to bring action from the State Governor.

Sincerely,

BOYD M. SHAFFER,
Resources and Logistics Officer.

SEPTEMBER 8, 1971.

Hon. SHUNICHI KIMURA,
Mayor, County of Hawaii,
Hilo, Hawaii.

DEAR MAYOR KIMURA: In reply to your memo of September 3 relative to the chlorine situation in Hawaii, contacts with the State Civil Defense office show that 85 tons of chlorine are due to arrive by barge in Honolulu on September 16. There is no breakdown of how many 250-pound cylinders or one-ton cylinders, but all chlorine is being reserved for the counties.

On checking with Edmund Hohu of the Department of Water Supply, he was advised this morning that 36 cylinders of 250 pounds each have just arrived in Hilo and will be held for the Department of Water Supply. This should carry the Department of Water Supply for a period of at least two months. The sewage treatment plants have sufficient one-ton cylinders for at least the month of September and with the new supply arriving in Honolulu, there should be no problem on chlorine for the sewage plants.

Yours very truly,

M.O. ISHERWOOD, Sr., *Administrator.*

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, September 9, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Food Supplies, Replenishment, Allocation of Space, Shipping Charges, Price Ceiling, Containers for Supplies Stuffed in Honolulu, Related Effects.

1. *Food Supplies.*—All supermarkets report table salt on their shelves but have noticed a run on this item since the Advertiser reported a shortage in Honolulu stores. Rice is out at one store but brown rice remain on the shelves. Some wholesalers are bringing in a new rice which can be marked up. Canned vegetables, fruits, milk, meat products and packaged foods are reported to be sufficient for 30 days.

2. *Replenishment.*—Wholesalers and some supermarkets report regular two-week replenishment from East Coast shipments. For the most part, manufacturers and suppliers have been absorbing additional costs to established customers where cargo have been moved to East Coast and Canadian ports on the West Coast.

3. *Allocation of Space.*—Hilo wholesalers were not too interested in containers as currently set up on the Californian. They felt that their Honolulu associates would take care of their needs. However, when they were advised that the State would pick up the cost of transportation from Honolulu to Hilo, four of the wholesalers put in applications for containers, moving containers from the San Francisco area to Vancouver.

4. *Shipping Charges.*—Some of the manufacturers, such as Carnation Company, have been very generous in helping out wholesalers by absorbing additional freight costs. For instance, $1,100.00 for a container of foods from Los Angeles to Vancouver becomes prohibitive, if the margin is narrow, such as in the sale of rice. It cannot be passed on to the consumer because of the price ceiling. In the case of the chartered ship Californian, an additional 35 percent increase is charged to the wholesaler. In the case of Campbell Soup Company, most of the increased freight costs will be picked up by the company.

5. *Price Ceilings.*—In adverse effect of the price ceiling is that items needed for food processing, such as salt for processing of meats, are not available on this island and must be brought in at a price higher than the ceiling price and absorbed by the wholesaler. Also, it is reported by local wholesalers that some critical items are in the warehouses in Honolulu and the management will not release them for sale because of the price freeze, whereby the Honolulu wholesaler cannot make a profit.

6. *Containers.*—When the container is shipped from the mainland full and directly to the wholesaler in Hilo, there is no problem in shipping by Young Brothers barge when off-loaded in Honolulu. However, if partial re-loading is required to make up shipments for Hilo, there is a shortage of containers. Matson's containers

are frozen along with their barge which puts the entire barge movements of cargo on Young Brothers. The question has been asked if the Governor could make available more containers for Hilo cargo—possibly have Matson's containers put in use and moved by Young Brothers barge.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, September 10, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency
Subject: Food Supplies—Number of Days Remaining without Replenishment for Hawaii County.

As of September 10, 1971, remaining stocks on hand with wholesalers and sales outlets, not considering replenishment, will last the number of days indicated as follows:

CANNED FOODS

Meat products, 14 days; Milk, 21 days; vegetables and juices, 21 days; soup, 21 days; baby food, 21 days; shortening, 14 days; coffee, 30 days.

FROZEN FOODS

Beef and veal, 21 days; pork 7 days; poultry, 7 days; fish, 14 days; vegetables and juices, 7 days.

PACKAGED FOODS

Sugar, 14 days; cereals, 21 days; flour and mixes, 14 days; paste goods, 7 days; spaghetti, 2 days; rice, 7 days dry milk solids, 14 days; cooking oils, 14 days; salad dressing, 21 days mayonnaise, 7 days; tea, 21 days; cocoa and chocolate, 21 days; jams and jellies, 21 days; salt, table, 7 days.

MISCELLANEOUS FOODS

Smoked and processed meats, 14 days; dried beans, peas, 14 days; butter, 7 days; margarine, 21 days; cheese, 21 days.

OTHER PRODUCTS

Soap, hand, 21 days; soap, detergent, 21 days; bleach, 14 days; toilet tissue 21 days; sanitary napkins, 28 days.

PET FOODS

Dry, 0 days; canned, 14 days.

ITEMS FORMERLY BROUGHT IN BY SHIP NOW BEING BROUGHT IN BY AIR

Poultry, 7 days; pork, 7 days; bacon, sausage, 7 days; butter, 7 days; mayonnaise, 7 days; dried fruit, 7 days; spaghetti, 2 days.

It has been reported by the supermarkets that everytime an article appears in the Honolulu newspapers of a shortage on one particular food item, a run on that item is noted in Hawaii. Some of the managers expect that they will have to take back rice from customers when the strike is over, They report they have done this in the past and must do it to keep public relations. Some of the items herein reported are completely out at some supermarkets but quantities at wholesalers and remaining sales outlets will provide supplies for the days indicated, without replenishment.

BOYD M. SHAFFER,
Resources and Logistics Officer.

SEPTEMBER 15, 1971.

Memo to: Mayor Shunichi Kimura.
Subject: Supplies—Strike Effects Related Thereto.

1. As of September 15, 1971, inventories have been reviewed in the hospitals, drug wholesalers, local pharmacies and a report as to the findings are as follows:

a. *Hospital Supplies.*—Shortage developing in surgical and ward supplies on the following items:

(1) Stomach tubes, (2) drainage tubing, (3) urinary drainage sets, (4) surgeon's gloves, (5) medical examination gloves, (6) gauze, (7) sponges, (8) bandages, (9) laboratory sheets, (10) wadding sheets, (11) nitrous oxide, (12) Fleet enema.

b. *Drug Wholesalers Supplies.*—Wholesalers report that they have 30 to 50 days' supply of items normally stocked and are able to meet all demands. Some exceptions occur, such as 200-proof alcohol used by medical laboratories. This item is completely out although lesser proof is available.

c. *Pharmaceutical Supplies.*—Most pharmacies report 30 to 50 days' stock of pharmaceutical supplies. Some brands of sundry supplies are out but other brands are available. Shortages are developing in containers, such as bottles and vials. Customers are requested to bring a container when seeking refills. Sufficient alcohol is reported for drug mixing of prescriptions.

2. The following is a report on the food wholesalers, supermarkets and food supplies available:

a. *Food Wholesalers.*—Wholesalers are operating under a price ceiling and resent increased local transportation costs. From the pier to the industrial area, a distance of approximately two miles, all Hilo transportation companies, except one, charge $20.00 plus tax to deliver and pick up all size containers, whether 30 feet or 40 feet. One transportation company charges $14.00 per hour for 40-foot containers with a minimum charge of two hours for delivery, plus two hours for pick-up, or a total of $56.00 plus tax. This charge is hard to absorb and with some foods where the margin of profit is small, the wholesaler is in a quandary as what to do.

b. *Supermarkets.*—

(1) Rice: Some supermarkets are out of regular rice but have brown rice on their shelves. Replenishment is scheduled by the end of the month. One week's supply remains for most markets.

(2) Salt: Not on the shelves of all supermarkets. Rationing in effect. Sales outlets are looking after regular customers.

(3) Mayonnaise: Non-popular brands on shelves in quart and smaller sizes.

c. *Summary of popular foods available and number of days remaining.*—

(1) CANNED FOODS

Meat products, 14 days; milk, 21 days; vegetables and juices, 21 days; soup, 21 days; baby food, 21 days; shortening, 14 days; coffee, 30 days.

(2) FROZEN FOODS

Beef and veal, 21 days; pork, 7 days; poultry, 7 days; fish, 14 days; vegetables and juices, 7 days.

(3) PACKAGED FOODS

Sugar, 14 days; cereals, 21 days; flour and mixes, 14 days; paste goods, 7 days; spaghetti, 2 days; rice, 7 days; dry milk solids, 14 days; cooking oils, 14 days; salad dressing, 21 days; mayonnaise, 7 days; tea, 21 days; cocoa and chocolate, 21 days; jams and jellies, 21 days; salt, table, 2 days.

MISCELLANEOUS FOODS

Smoked and processed meats, 14 days; dried beans, peas, 14 days; butter, 7 days; margarine, 21 days; cheese, 21 days.

OTHER PRODUCTS

Soap, hand, 21 days; soap, detergent, 21 days; bleach, 14 days; toilet tissue, 21 days; sanitary napkins, 28 days.

PET FOODS

Dry, 0 days; canned, 14 days.

3. Business leaders of the food division believe that as long as the strike is on, the Governor should:

a. Make every effort to lift the price freeze.

b. Continue with the chartering of the Californian or other ships.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

SEPTEMBER 24, 1971.

Memo to: Mayor Shunichi Kimura.
Subject: Supplies—Strike Effects Related Thereto.

1. As of September 24, 1971, inventories have been reviewed in food wholesalers and sales outlets and a report as to findings is submitted as follows:

a. *Supermarkets.*—

(1) Rice: Most sales outlets completely out; some have emergency stocks for customers who are out; small quantities of Japan rice trickle in from Honolulu but are sold out in one or two days. Replenishment scheduled by October 9, 1971.

(2) Salt: Table salt out at most outlets; Hawaiian salt is sold as substitute. Replenishment scheduled by October 9, 1971.

(3) Paste Products: Off shelves of most supermarkets. Replenishment uncertain.

(4) Peas and Beans, Dried: Out at most supermarkets. Replenishment uncertain.

(5) Cereals: Limited variety available. Small periodic replenishments from East Coast.

(6) Mills, Canned: Stocks fast depleting.

(7) Paper Products: Towels and toilet tissue in short supply. Replenishment due by October 9, 1971.

b. *Wholesalers and Supermarkets.*—Summary of popular feeds and number of days supply remaining for both wholesalers and supermarkets in as follows:

(1) CANNED FOODS

Meat products, 14 days; vegetables and juices, 14 days; fruits and juices, 14 days; soup, 14 days; baby food, 14 days; shortening, 10 days; coffee, 30 days.

(2) FROZEN FOODS

Beef and veal, 14 days; pork, 7 days; poultry, 7 days; fish, 14 days; vegetables and juices, 7 days.

(3) PACKAGED FOODS

Sugar, 14 days; flour and mixes, 14 days; dry milk solids, 7 days; cooking oils, 14 days; salad dressing, 14 days; tea, 21 days; cocoa and chocolate, 14 days; jams and jellies, 14 days.

(4) MISCELLANEOUS FOODS

Smoked and processed meats, 10 days; butter, 7 days; margarine, 14 days; cheese, 14 days.

(5) OTHER PRODUCTS

Soap, hand, 21 days; soap, detergent, 21 days; bleach, 14 days; sanitary napkins, 23 days.

(6) PET FOODS

Dog, canned, 15 days; cat, canned, 15 days.

c. *Restaurants.*—Restaurants unable to obtain supplies from wholesalers and are now purchasing from supermarkets. Such practice is reducing inventories at a factor rate and upsetting days supply for consumer families.

d. *Meat Processing Plants.*—Salt is conserved through reusing salt knocked free off hides. In the processing kitchen, it is melted down and used in curing meats. Large quantities of salt have been reused permitting the processing factory to continue operations.

2. Price freeze and increased transportation costs from Honolulu to Hilo continue to slow movement of supplies over this 200-mile trek. Broken down into units, the added cost to move one container from Honolulu to Hilo, since the strike, is as follows:

a. Honolulu Dock to Young Brothers	$19. 30
b. Young Brothers Barge to Hilo [1]	402. 00
c. Return container to Honolulu	27. 77
Total	449. 07

[1] In some instances, part of this cost is absorbed by the manufacturer.

Prior to the strike, containers off-loaded in Honolulu were shipped by Matson, Seatrain and U.S. Lines at no additional cost.

3. Business leaders of the Food Division believe that since no action has been taken by the Federal authorities to remove price ceilings for Hawaii, the Governor should:

a. Make every effort to lift the price freeze on one item, rice.

b. Continue with chartering of the Californian or other ships.

Respectfully submitted.

BOYD H. SHAFFER,
Resources and Logistics Officer.

OCTOBER 1, 1971.

Memo to: Mayor Shunichi Kimura.
Subject: Supplies—Strike Effects Related Thereto.

As of October 1, 1971, review of inventories at hospitals, drug wholesalers, pharmacies, food wholesalers and supermarkets was made. The findings are reported as follows:

1. Hospitals

Continuing shortages in surgical and ward supplies, as previously reported on September 15, 1971, present problems which are being met through local pharmacies and, sometimes, through substitution of items. Sponges, gause, other surgical needs and medicine are brought in by air freight.

2. Drug Wholesalers

Report that drugs and medicine stocks are brought in by air and have been able to meet all demands to the present date. One local wholesaler reports that his inventory is about 95 percent of the stock carried in normal times.

3. Pharmacies

Report that no problems exist with straight pharmaceutical supplies. It is the sundry items which are becoming difficult to obtain and which account for the volume of sales. These items run from toilet tissue to Christmas merchandise. One pharmacy in the downtown area is closing out and consolidating all stock in its Mall outlet. Nothing to advertise is the comment of most managers.

4. Food Wholesalers

Periodically bring in bakery flour and immediately allocate the supply to their respective customers. Where small bakeries, in the past, have by-passed local wholesalers and brought in their own flour, these same bakeries now find it difficult to obtain flour other than through the Hawaii Flour Mill in Honolulu.

5. Supermarkets

a. *Rice.*—Most sales outlets completely out; replenishment will arrive on the Californian in the second week in October.

b. *Salt.*—Table salt is out at most outlets; Hawaiian salt available as substitute. Replenishment due in second week of October.

c. *Paste Products.*—Macaroni and spaghetti sold out at most sales outlets. Replenishment due in second week of October.

d. *Peas and Beans, Dried.*—Completely off the shelves of all supermarkets. Replenishment due in second week of October.

e. *Cereals.*—Limited varieties available. Replenishment due in second week of October.

f. *Fruits, Dried.*—Most sales outlets completely out. Replenishment due in second week of October.

g. *Paper Products.*—Towels and toilet tissue in short supply. Replenishment due in second week in October.

h. *Milk, Canned.*—The run on milk has stopped but stocks are low. Replenishment due in second week of October. Available in all sales outlets.

i. Summary of popular foods at supermarkets and number of days supply remaining:

(1) CANNED FOODS

Meat products, 14 days; vegetables and juices, 14 days; fruits and juices, 14 days; soup, 14 days.

Baby food, 14 days; shortening, 10 days; coffee, 30 days.

(2) FROZEN FOODS

Beef and veal, 14 days; pork, 7 days; poultry, 7 days; fish, 14 days; vegetables and juices, 7 days.

(3) PACKAGED FOODS

Sugar, 14 days; flour and mixes, 14 days; dry milk solids, 7 days; cooking oils, 14 days; salad dressing, 14 days; tea, 21 days; cocoa and chocolate, 14 days; jams and jellies, 14 days.

(4) MISCELLANEOUS FOODS

Smoked and processed meats, 10 days; butter, 7 days; margarine, 14 days; cheese, 14 days.

(5) OTHER PRODUCTS

Soap, hand, 21 days; soap, detergent, 21 days; bleach, 14 days; sanitary napkins, 23 days.

(6) PET FOODS

Dog, canned, 15 days; cat, canned, 15 days.

Business leaders in the Food Division are concerned about the possibility of the Californian arriving after the arrival of released strike-bound West Coast ships. Should this occur, wholesalers will be caught with higher priced foods and stand to lose large sums of money. Had the Californian sailed on the schedule originally planned, September 23 and arrive on September 29, 1971, there wouldn't be any concern about the situation. However, should the West Coast ships arrive prior to the Californian, local business leaders believe the Governor should:

1. Cause the State to pick up all transportation costs which cause food items on the Californian to be higher than those brought in on the West Coast ships.
2. Absorb all additional costs caused by the delay in getting containers aboard the Californian.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, October 8, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Food Supplies—Strike Effects Related Thereto.

As of October 8, 1971, review of inventories at food wholesalers and supermarkets reveal the following:

1. *Supermarkets.*—Rice, beans, macaroni and spaghetti are beginning to appear on the shelves of most supermarkets. By the third week in October, most supermarkets expect to be fairly well stocked with all varieties of food.

Pet food, dry type, is back on the shelves of some supermarkets and is rationed to shoppers. Canned pet food has been available at all supermarkets.

2. *Wholesalers.*—Some wholesalers are receiving regular stocks of rice in limited quantities and are distributing it to restaurants and regular sales outlets.

Wholesalers are grateful to those manufacturers who have absorbed the additional freight costs caused by the strike which could not be passed on to the consumer because of the price freeze. The manufacturers who have been most helpful during this strike period are as follows:

General Mills, Kelloggs, National Biscuit, Hills Brothers, Gerber's Baby Food, Proctor and Gamble, Cambell Soup.

It is expected that the Californian will sail from Vancouver not later than the 8th of October, 1971, and should arrive on the 15th of October at Honolulu. Wholesalers committed to bring in containers on the Californian believe that transportation costs absorbed by the State should be increased by 50 cents per hundred weight or $1.60 instead of the planned $1.10 per hundred weight.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, October 15, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Food Supplies—Strike Effects Related Thereto.

As of October 15, 1971, review of inventories of food wholesalers and supermarkets reveal the following:

1. Supermarkets

a. *Rice.*—Has been arriving in small quantities but is quickly sold out. No rice on shelves this date. Expect adequate stocks next week.

b. *Salt.*—On the shelves of some sales outlets. Replenishment is expected next week.

c. *Peas and Beans, Dried.*—Sold out. Replenishment expected next week.

d. *Cereals.*—Supply adequate. Large replenishment next week.

e. *Paste Products.*—Some sales outlets have spaghetti and macaroni on shelves. Replenishment is expected next week.

f. *Fruits, Dried.*—Odds and ends on shelves. Replenishment is expected next week.

g. *Paper Products.*—Towels and toilet tissue available at all sales outlets. Replenishment in most brands expected next week.

h. *Pet Foods.*—Dry mix pet foods on shelves of sales outlets. Canned pet foods available at all markets. Replenishment is expected next week.

i. *Butter.*—Out at all sales outlets. Margarine available. Butter is brought in by air freight and is expected this date.

j. *Other Popular Foods.*—Canned meats, vegetables, fruits, packaged goods—two weeks' supply available. Expect replenishment next week.

Business leaders are hopeful that the following actions and services can be expedited:

1. Custom inspection in Honolulu for release of foods to Hilo.

2. Transshipment of supplies for Young Brothers Barge from Honolulu to Hilo.

3. Wholesalers committed to bring in containers on the Californian urge that transportation costs absorbed by the State be increased from $1.10 to $1.76 per hundredweight for Hilo wholesalers.

Also, business leaders of the Food Division are appreciative of the Governor's efforts, though unsuccessful, to release foods from the Federal price freeze. Some say it is a case of the minority having to tighten their belts to take care of the majority.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, October 22, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency.
Subject: Food Supplies—Strike Effects Related Thereto.

As of October 22, 1971, during the period commencing October 18 through October 22, 180 containers of supplies arrived at the Port of Hilo, 62 by Young Brothers barge and 118 by Matson's Hawaiian Princess. Of the total containers, 103 contained food supplies of which 30 contained rice, or a total, approximately, of 1¼ million pounds of rice.

As of this date, the wholesalers have distributed all rice to sales outlets. Sales outlets are experiencing a heavy run on rice, especially on the 25-pound size. As a point of interest, it was noted that where one of the large supermarkets had 5- and 10-pound bags of rice on the shelves with a note on an adjoining shelf that 25-pound bags would be on sale tomorrow, shoppers did not buy the smaller bags but swarmed the store the following day to buy up the 25-pound bags. This might indicate that these particular shoppers had rice at home.

All food items formerly in short supply are found on the shelves of most of the sales outlets. These include rice, salt, dried beans and peas, macaroni and spaghetti, as well as pet foods and toilet tissue.

From the State chartered Californian, wholesalers received most of the 46 containers on the 18th and six on the 19th, of the following supplies:

	Dry containers
Rice	6
Milk	4
Paste products	1
Paper products	4
Animal foods	15
Pet foods	2
Seasoning and spices	1
Egg cartons	1
Oat groats	1
Seed and agricultural supplies	1
Miscellaneous canned goods	4
Total dry containers	40
Frozen meats	2
Butter	1
Frozen vegetables	3
Total refrigerated containers	6
Total containers	46

For the week commencing October 25, 1971, Young Brothers barge will discharge 30 Seatrain containers while Matson, via the Hawaiian Princess, will discharge 200 containers on October 28, 1971, all cargos originating from Los Angeles and San Francisco and destined for Hilo.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

COUNTY OF HAWAII—PROCLAMATION

Whereas, during the recent shipping strike the health and welfare of the people of the County of Hawaii was adversely affected by the non-receipt of food, construction materials, and products essential to the economic stability of the County; and

Whereas, the lack of supplies contributed to an increase in the unemployment of residents of this County; and

Whereas, newspaper reports have carried items stating that a shipping strike will occur on or about January 1, 1972; and

Whereas, the Mayor of the County of Hawaii, as Deputy Director of Civil Defense for said County of Hawaii, is charged with the responsibility of providing for the health and welfare of its citizens; and

Whereas, the Mayor of the County of Hawaii, as Deputy Director of Civil Defense for said County of Hawaii, is further charged to make adequate provision against shortages of food supplies and essential commodities, to maintain the strength, resources and economic life of the community and provide for prompt and effective action to protect the public health and welfare; and

Whereas, certain food importers of the County of Hawaii have indicated a willingness to bring in supplies of food and essential commodities over and above their normal requirements to safeguard the citizens of the County of Hawaii against shortages due to the impending strike but do not have space available for the storage of such additional food supplies; now, therefore,

I, SHUNICHI KIMURA, Mayor of the County of Hawaii, do hereby proclaim and declare that a state of emergency exists within the County of Hawaii, State of Hawaii, and that property belonging to the County of Hawaii shall be made available, where possible, to those merchants desiring to and capable of increasing their inventories of food, health and sanitation products and commodities essential to the health and welfare of the citizens of the County of Hawaii under conditions which shall be mutually agreed upon by the merchants and the County of Hawaii.

In witness whereof, I have hereunto set my hand and caused the seal on the County of Hawaii to be affixed this first day of December in the year of Our Lord, Nineteen Hundred and Seventy-One.

SHUNICHI KIMURA,
Mayor, County of Hawaii.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, December 1, 1971.

Memo to: Administrator, HCDA
Subject: Report on Food Supplies and Pet and Animal Foods as of November 30, 1971.

1. Sales outlets and wholesalers average out at four weeks' supply of food stocks with the exception of fresh and frozen fruits and vegetables and, also, fresh and frozen meats. The latter foods are in supply only for two to three weeks and are brought in mostly by air freight. Pet and animal foods inventories are adequate for 30 days.

2. Supplies under order as basic foods and hoped to arrive prior to January 1, 1972, if received, are planned as normal requirements for a period of three to four months. This incoming inventory includes pet and animal foods.

3. There is some concern about the possibility of the local ILWU going on strike around December 5, 1971. Such a strike would close down all dock operations and would be disastrous for Hawaii unless massive air lifts of food supplies could be made to the islands of Hawaii. However, it does not seem likely that the local ILWU will strike before January 1, 1972, because their past image is such as to be above such senseless tactics of destruction.

4. The big problem of the wholesalers for the storage of supplies during the interim, from now until the continuation of the strike in January, 1972, is being defused by the County providing storage space at Theo. H. Davies & Company and County-controlled buildings.

5. Other problems that some of the wholesalers are concerned with include the following:

a. *Financing.*—Need money at 5% to increase inventories.

b. *Elimination of Demurrage.*—Bunching of containers by Matson and Seatrain Shipping Companies is not the fault of the wholesalers but that of the shipping companies in rescheduling shipments of containers. During this strike emergency period, wholesalers feel that they should not be charged the $5.00 per day for retention over 48 hours.

c. *Federal Inspectors.*—Condemn and fine wholesalers stocking food supplies wherein rat and bird damage is found in the supplies stored in warehouses. It is felt that some inspectors are over-zealous in their inspections.

Respectfully submitted.

BOYD M. SHAFFER,
Resources & Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, December 23, 1971.

Memo to: Administrator, Hawaii Civil Defense Agency
Subject: Report on Food Supplies as of This Date

1. Ships' schedules are off and running from two to four days behind expected arrivals. This is caused by the rush to load ships as quickly as possible and the lack of cargo gangs on the West and East Coasts.

2. West Coast labor and management relations look hopeful; talks are now in progress and a break is expected.

3. East Coast labor and management teams are reported to be close to a settlement.

4. However, rice stocks remain in short supply at all supermarkets; Safeway is out of rice.

5. Cargo arriving on December 23, 1971, includes twelve containers of rice; on December 30, 1971, the Hawaiian Princess will arrive with cargo and, hopefully, ten containers of rice.

6. Leading wholesalers report sufficient inventories to handle their accounts for thirty days. For food items other than rice, inventories are now adequate for sixty days.

7. Pet and animal feeds are in adequate supply for ninety days at the leading wholesalers.

8. Storage space authorized by the County is being utilized by Taniguchi, Waldron and Frank's Foods.

9. Statistically, 2¾ million pounds of rice have passed to consumers during a 2½-month period which at 1968 consumption rates of 8.2 pounds per person per month would mean that each person has a four months' supply. Of course, this is not true for all people. Hotels and restaurants are the big purchasers of rice.

Respectfully submitted,

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, January 12, 1972.

Memo to: Research and Development.
Via: Administrator, Hawaii County Civil Defense Agency.
Subject: Supplies After August 1, 1971, Shipping Strike; Documentation of.

1. Little change was noted in normal supply levels during the first month of the strike. Shelves remained full at all supermarkets. No evidence of hoarding nor panic consumer buying. Wholesalers had stocked to limits of capability and were able to take care of all accounts; some replenishment from East Coast, Australia and Japan continued throughout August.

2. September 7, 1971: Gallon size tins of fruits and vegetables used by hotels, restaurants, schools and hospitals becoming scarce. Flour supply for commercial bakeries becoming in short supply.

3. September 9, 1971: Container shortage developing in Honolulu. When the container is shipped from the mainland full and directly to the wholesalers in Hilo, there is no problem in shipping by Young Brothers barge when off-loaded in Honolulu. If partial re-loading is required to make up shipments to Hilo, there is a shortage of containers.

4. September 10, 1971: Price ceilings have an adverse effect on supplies needed for food processing, such as salt for the processing of meats. Wholesalers in Honolulu have salt in stock but will not release it at the sale price at which frozen because if they did, they would lose money.

5. September 13, 1971:

a. Wholesalers report regular two-week replenishment from East Coast of canned fruits and vegetables.

b. Manufacturers absorbing additional freight costs which cannot be passed on to the consumer. Carnation Milk and Campbell Soup lead off manufacturers.

6. September 14, 1971:

a. Run on rice. Honolulu newspapers report shortage on rice and salt. No shortage in Hilo.

b. Wholesalers request allocation of space on Californian to sail from Vancouver to Honolulu.

7. September 15, 1971:

a. Shortage developing in surgical and ward hospital supplies.

b. Some supermarkets out of rice and substituting brown rice.

c. Salt being rationed at some supermarkets.

d. Mayonnaise, one of the fast selling items, only found in unpopular brands on shelves.

e. Dry mix pet foods out. Canned pet foods available in all brands.

f. Business leaders request that the price freeze be lifted.

g. Business leaders request that additional ships be chartered by the Governor.

8. September 18, 1971: Food wholesalers are operating under a price ceiling and resent increased local transportation costs. One transportation contractor is charging $36.00 more per container than the other local contractors. This additional freight cost is difficult to absorb under the price ceiling.

9. September 24, 1971:

a. Rice salt, paste products, beans and peas (dried), cereals, milk and paper products becoming short in supply.

b. Restaurants purchasing from supermarkets as wholesalers stocks depleted.

10. October 1, 1971:
    a. Hospital supplies, such as sponges, gauze and tubing, being airfreighted to Hilo.
    b. Most sales outlets out of rice.
11. October 8, 1971:
    a. Rice, beans, macaroni and spaghetti are on the supermarkets shelves.
    b. Pet food, dog types are back on sales outlets shelves.
    c. Californian expected from Vancouver on October 15, 1971.
12. October 15, 1971:
    a. Rice has been arriving in small quantities but is quickly sold out.
    b. Salt on the shelves of some sales outlets.
    c. Peas and beans, dried, sold out.
    d. Paste products sold out.
    e. Butter sold out at all sales outlets. To be brought in by air freight.
    f. Replenishment expected on Californian.
13. October 22, 1971:
    a. During period October 18 through 22, 1971, 180 containers of supplies arrived at port of Hilo. Food items consisted of 40 dry and 6 refrigerated containers.
    b. Hawaiian Princess to discharge 200 containers at Hilo on October 28, 1971.
14. November 19, 1971: Mayor Shunichi Kimura discussed food supply problems with wholesalers.
15. December 1, 1971:
    a. Inventories of wholesalers and sales outlets at four weeks supply.
    b. Demurrage charged wholesalers by Matson for containers held over 48 hours. Bunching of containers caused by Matson re-scheduling of ships and instead of loading two, may load seven or nine containers for one wholesaler.
16. December 23, 1971:
    a. Mayor Shunichi Kimura authorized County to allocate space for additional supplies to be brought in by wholesalers pending possible strike in January 1972.
    b. Theo H. Davies, Ltd., has made available one warehouse to County, rent free to wholesalers for storage of additional stocks.
17. January 11, 1971:
    a. Food wholesalers report inventory supplies available for 90 days normal requirements.
    b. Hospital supplies re-stocked for 60 days average requirements.
    c. Pharmaceutical supplies at all time high of 120 days supply. Supplies are arriving on schedule as ordered from San Francisco but this is not true for Seattle, Portland and Los Angeles where there is considerable strife among the labor unions, ILWU, PMA and Teamsters.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

HAWAII COUNTY CIVIL DEFENSE AGENCY,
Hilo, Hawaii, January 11, 1972.

Memorandum to: Administrator, Hawaii County Civil Defense Agency.
Subject: Supplies stocked by Wholesalers and Supermarkets as of January 11, 1972.

1. Wholesalers report difficulty in getting containers from Los Angeles, Seattle, and Portland where strife exists in the open among the unions. Shipments from San Francisco are dependable and satisfactory. East coast ports are dependable for dried shrimp and sardines.

2. Inventories of food supplies are above normal but not equal to the stocks of July 1, 1971. Supplies are not moving and for this reason wholesalers are not re-ordering at this time. Hotels, restaurants and institutional buyers have been buying in larger quantities, consequently, these consumers are in better supply status than on August 1, 1971. Storage capacities of wholesalers are full and, based on '68 consumption rates, staples are adequate for three months.

3. Refrigerated supplies are limited because storage capacities are not stocked beyond 45 days. Continuous replenishment by air freight is necessary on a weekly basis.

4. Stocks on inventory with wholesalers and sales outlets not considering replenishment, and consumption at the '68 rate will last the number of days indicated:

CANNED FOODS

Meat products, 90 days; milk, 90 days; fruits and vegetables, 90 days; soup, 90 days; baby food, 90 days; coffee, 120 days.

FROZEN FOODS

Beef and veal, 30 days; pork, 30 days; poultry, 45 days; fish, 30 days.

PACKAGED FOODS

Sugar, 90 days; cereals, 30 days; flour and mixes, 60 days; paste goods, 60 days; rice, 90 days; dry milk solids, 90 days; dried beans and peas, 60 days.

OILS

Cooking Oils,[1] 45 days; Salad Oils,[1] 45 days.

MISCELLANEOUS

Butter, 60 days; mayonnaise,[1] 45 days; chocolate and cocoa, 90 days; salt, 90 days.

PET FOODS

Dry mix, 60 days; canned, 120 days.

OTHER PRODUCTS

Soap, 90 days; soap detergent, 90 days; bleach, 90 days; toilet tissue, 120 days; sanitary napkins, 180 days.

Except as noted above, supply levels are adequate at normal '68 consumption rates for 90 days.

Respectfully submitted.

BOYD M. SHAFFER,
Resources and Logistics Officer.

EXHIBIT III

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 3, 1971.

Hon. JOHN A. BURNS,
Governor, State of Hawaii,
State Capitol Building,
Honolulu, Hawaii.

DEAR GOVERNOR BURNS: On August 26, 1971, we began the first of a series of weekly calls to major Big Island business firms.

The purpose of this survey is to assess the impact of the shipping tieup as it relates to the economy of the Big Island, especially employment. Six hundred (600) firms were surveyed. It was reported that thirty (30) firms have released 78 employees since the strike has begun. Businesses anticipate strike-related layoffs to total 218 people by the end of September. By the end of October, the reported layoffs are expected to run to 311 and by the end of November to 349. An additional 67 layoffs were reported as possibilities with expected dates uncertain—thus it is possible that 416 layoffs might come by the end of the next three months.

The layoffs in most instances involved portion of a company's employment. In some cases, however, complete shutdowns of operations are anticipated.

Many business firms could answer the question "how many do you expect to lay off if the strike continues". Obviously with the prolongation of the strike, other firms will start to see actual layoff situations or potentials. The impact besides the mentioned layoff includes the reduction of work hours by as much as one full day per worker by a few firms. Many of the employers are requesting their workers to take vacations at this time before going into measures such as cutting of hours and layoffs. Understandably, everyone is experiencing operational hardships in one form, shape, or another.

One Big Island major employment sector deserving special attention is the sugar industry. The Big Island sugar companies anticipate normal operations in terms of employment through September. By the end of that month their bulk sugar and molasses storage capacities are expected to be depleted. They expect to re-evaluate their situation for October. The plantations directly employ

[1] Containers lost overboard on barge towed by American Marine.

some 2,800 workers. If a major layoff occurs in October, then our unemployment roll by October would run an additional 2,800 plus the 250 indicated in our survey—some 3,000 people or greater. The subsequent figures through November then might increase at a large rate as sugar-related industries are affected. A 3,000 unemployment roll as a result of the strike would result in a total unemployment rate for the Big Island of about fifteen percent or 5,000 people. (Our unemployment rate was 6.3 percent before the impact of the strike.)

This survey will run on a weekly basis for the duration of the strike and we will be submitting weekly reports to you.

An inventory of the island's food and medical supply indicates adequacy for at least one month. We initially made monthly surveys at the outset, then every two weeks and now we are making weekly food and medical surveys.

We understand that goods are being brought in from the East, Gulf, Canada and other ports. Reportedly, this move incurs greater shipping expenses, and to pass the additional cost to the consumer is obviously a burden, especially coupled with the wage freeze. Families with lower incomes would be hit more severely by such a move. If the importers were forced to operate on a price freeze and at a point when this situation makes it unprofitable, they will cease to look at other ports or their operations.

As you know, we have our Civil Defense agency taking the food and medical survey and our Department of Research and Development surveying the economic impact of the strike.

We appreciate the shipment of chlorine that you arranged for our water and sewer uses. The shipment will alleviate our immediate shortage.

Sincerely,

SHUNICHI KIMURA, *Mayor.*

Enclosure.

COUNTY OF HAWAII—SHIPPING STRIKE SURVEY 1971

Results of first call—August 29 to 31: Calls were made to businesses requesting information as to impact on employment, specifically the number laid off or to be laid off.

Number of firms contacted: 600.

IMPACT ON EMPLOYMENT

Week of—	Number of firms releasing employees	Number of employees to be released	Running total
Past	30	78	78
Aug. 29	6	21	99
Sept. 5	6	18	117
Sept. 12	5	17	134
Sept. 19	5	17	151
Sept. 26	12	67	218
Oct. 3	5	32	250
Oct. 10	1	1	251
Oct. 17	1	32	283
Oct. 31	8	28	311
Nov. 7	1	1	312
Nov. 14	1	8	320
Nov. 21	1	2	322
Nov. 28	7	27	349
Unsure as to date	23	67	416

Note: Number of firms anticipating layoffs, 79.

SHIPPING STRIKE IMPACT BY INDUSTRY, AUG. 31, 1971

Industry	Number of firms contacted	Past layoffs		Layoffs by last week of following months						Unsure as to week	
				September		October		November			
		Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees
Hotels	15			1	5						
Services	165	2	2	2	7	1	(1)			10	19
Retail	176	9	20	8	23	11	65	11	34	1	(1)
Wholesale	61	4	7	3	3	1	12			2	5
Utilities	5										
Manufacturing	60	5	18	6	60	1	8				
Construction	73	8	27	14	42	3	8	2	4	9	33
Transportation	35	2	4							2	10
Sugar [2]	10										

[1] Not available. [2] Normal operation expected through September. Reevaluation for month of October (sugar employs 2,850 workers).

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 10, 1971.

JOHN A. BURNS,
Governor, State of Hawaii,
State Capitol Building, Honolulu, Hawaii.

DEAR GOVERNOR BURNS: The enclosed tables consist of the results of the second weekly strike impact survey on the Big Island's economy. The same format as the initial survey was used.

Businessmen throughout the County of Hawaii were queried as to the effect the strike has on their employment. Four hundred and three (403) firms of the six hundred (600) contacted during the first week's survey were questioned during the week of September 5, 1971. The number surveyed was considerably less than the initial poll because a more refined business list was used. Some of the firms contacted during the first week indicated that they did not want to be recontacted this week or felt that the strike will have no impact on their employment.

Of the 403 firms contacted during the current survey, 88 percent indicated no change from their original estimate. However, the total number of anticipated layoffs increased from 416 to 441. The results of the second call, depicted in Table 1, show a large number of layoffs occurring during the week of September 5. One manufacturer indicated that 60 people were temporarily laid off during this week, due to both directly and indirectly to the strike.

By the end of September a total of 279 people could be laid off, 366 by October and 406 by November. An additional 35 employees were expected to be released without a definite date. This will bring the total to 441. A few firms indicated that they have been forced to shut down operations. However, in most cases the layoffs constitute a part of a firm's total employment. In many cases part-time workers were first to go.

It was noticed that several of the businessmen who first indicated "no impact" were now more uncertain of the future effect of the strike on their employment. Many firms have workers on shorter hours and forced vacations.

We will be continuing these weekly surveys and will keep you informed.

Sincerely,

SHUNICHI KIMURA, *Mayor.*

Enclosures.

COUNTY OF HAWAII—SHIPPING STRIKE SURVEY 1971

Results of second call—Sept. 5 to 11: The following anticipated layoffs are the results from the second weekly survey of businesses. Comparisons with the first survey which was conducted during the week of August 29 (first call) are shown below.

TABLE 1.—LAYOFFS, BY WEEK

[Number of firms contacted: 1st call, 600; 2d call, 403[1]]

Week of—	Number of firms releasing employees		Number of layoffs		Running total of layoffs	
	1st call	2d call	1st call	2d call	1st call	2d call
Past	30	30	78	78	78	78
Aug. 29	6	7	21	17	99	95
Sept. 5	6	18	18	108	117	203
Sept. 12	5	5	17	14	134	217
Sept. 19	5	9	17	23	151	240
Sept. 26	12	14	67	39	218	279
Oct. 3	5	5	32	58	250	337
Oct. 10	1	----------	1	----------	251	337
Oct. 17	1	2	32	9	283	346
Oct. 31	8	6	28	20	311	366
Nov. 7	1	2	1	16	312	382
Nov. 14	1	2	8	5	320	387
Nov. 21	1	2	2	5	322	392
Nov. 28	7	4	27	14	349	406
Unsure as to date	23	12	67	35	416	441
Total	112	118	416	441	----------	----------

[1] The calling list was refined. Several firms felt that there will be no impact on their employment and did not wish to be called back.

TABLE 2.—SHIPPING STRIKE IMPACT BY INDUSTRY, AS OF SEPT. 11, 1971

Industry	Number of firms contacted	Past layoffs		Layoffs by last week of following months							
				September		October		November		Unsure as to week	
		Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees
Hotels	14										
Services	64	2	2	8	17					8	17
Retail	150	9	20	13	39	5	18	6	20	1	2
Wholesale	41	4	7	7	12	1	12			2	5
Utilities	4										
Manufacturing	45	5	18	6	70	1	8				
Construction	54	8	27	20	59	5	22	3	12	3	16
Transportation	39	2	4	2	3						
Sugar [1]	10										

[1] Normal operation expected through September. Reevaluation for month of October (sugar employs 2,850 workers).

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 17, 1971.

Hon. JOHN A. BURNS,
Governor, State of Hawaii,
State Capitol Building,
Honolulu, Hawaii:

Enclosed are the results of the third weekly survey on the impact of the shipping strike on Big Island businesses. The same format as the first two surveys was used.

Businessmen throughout Hawaii County were asked about layoff expectations. Four hundred and one (401) firms were contacted during the week of September 12, 1971. Of these 401 firms, thirty-two (32) had some change from their previous weeks' assessment of the impact on their employment. Although the total number of past and expected layoffs dropped from 441 to 436, the number of firms involved rose by 15 to 133.

The projected layoffs through November at the third week's census appears to be the same, but the actual time of layoffs seems to have moved up slightly. A total of 218 workers have already been released. By the last week of September, 301 may occur; by October, 389 and by November 420. Including the 16 layoffs which may occur any time during the next three months, the number of employees released could reach 436.

There were several firms who have already shut down operations due to lack of supplies. The industrial sectors experiencing the greatest difficulties are manufacturing and construction. More workers have been placed on shortened work weeks and on forced vacations. Several firms have cut back their services.

Several retailers have expressed concern of an irrecoverable loss of Christmas businesses if shipping is not resumed immediately. Many of the retailers are family operations without sufficient resources to continue under this situation.

The sugar plantations, a key economic sector of our County, indicated that they will continue normal operations through September and will re-evaluate their storage inventory during October.

Other agricultural industries have been surveyed by the University of Hawaii Cooperative Extension Service. Pockets of problems have been occurring such as the lack of necessary supplies and feed for farm operations. Several exporters have rapidly diminishing supplies of packing material.

These weekly surveys will continue and we will keep you informed.

SHUNICHI KIMURA, *Mayor.*

Enclosure.

COUNTY OF HAWAII—SHIPPING STRIKE SURVEY 1971

Results of third call—September 13 & 14: The following layoffs—past and anticipated—are the results from the third weekly survey of businesses. Comparisons with the first and second survey calls are shown below.

Number of firms contacted: First Call—600; Second Call—403;[1] Third Call—401.

TABLE 1.—LAYOFFS BY WEEK

Week of	Number of firms releasing employees			Number of layoffs			Running total of layoffs		
	1st call	2d call	3d call	1st call	2d call	3d call	1st call	2d call	3d call
Past	30	30	30	78	78	78	78	78	78
Aug. 29	6	7	33	21	17	140	99	95	218
Sept. 5	6	18		18	108		117	203	
Sept. 12	5	5	10	17	14	18	134	217	236
Sept. 19	5	9	9	17	23	21	151	240	257
Sept. 26	12	14	18	67	39	44	218	279	301
Oct. 3	5	5	6	32	58	52	250	337	353
Oct. 10	1		1	1		1	251	337	354
Oct. 17	1	2	4	32	9	14	283	346	368
Oct. 31	8	6	7	28	20	21	311	366	389
Nov. 7	1	2	1	1	16	1	312	382	390
Nov. 14	1	2	4	8	5	8	320	387	398
Nov. 21	1	2	1	2	5	2	322	392	400
Nov. 28	7	4	5	27	14	20	349	406	420
Unsure as to date	23	12	4	67	35	16	416	441	436
Total	112	118	133	416	441	436			

[1] The calling list was refined. Several firms felt that there will be no impact on their employment and did not wish to be called back.

EXHIBIT III

TABLE 2.—SHIPPING STRIKE IMPACT BY INDUSTRY, SEPT. 16, 1971

[3d call]

Industry	Number of firms contacted	Past layoffs		Layoffs by last week of following months							
				September		October		November		Unsure as to week	
		Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees
Hotels	14			1	5						
Services	64	7	12	7	7						
Retail	150	14	35	13	26	11	26	9	26		
Wholesale	43	13	21	2	2	1	12				
Utilities	4										
Manufacturing	48	6	78	2	11	2	36				
Construction	64	17	71	12	26	4	14	2	5	2	7
Transportation	28	5	8	1	1					2	9
Sugar [1]	10										

[1] Normal operation expected through September. Reevaluation for month of October (sugar employs 2,850 workers).

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 23, 1971.

Hon. JOHN A. BURNS,
Governor, State of Hawaii,
State Capital Building, Honolulu, Hawaii:

We have completed the fourth poll in a series of weekly calls of Big Island businessess to ascertain the impact of the shipping strike on our economy. Enclosed are the results of the fourth survey.

Local businessmen during the week of September 19, 1971, were again asked about the effect of the strike on their employment. A total of 337 firms were contacted. There was little change from the previous survey as can be seen in Table 1.

Four (4) firms—two in manufacturing and two in construction—were already shut down due to lack of supplies. There were a total of 21 employees in these firms. Seven (7) more businesses—two in manufacturing, two in construction, three in retail—indicated that they will be forced to shut down operations within three weeks.

Construction and manufacturing firms have been hit hardest by the strike. Many construction firms are affected by both a "slow" year and the lack of materials to start or complete jobs. Manufacturing operations are being hampered by lack of supplies, including packaging material, salt and other items necessary to process products, and by the lack of a feasible means of exporting their products. The loss of market areas in the mainland was also a concern for many exporters.

An additional question added in this week's survey was the number of employees whose hours have been shortened (see Table 3). Of the 370 previous full-time workers who had shortened hours, over two-thirds are working at least one day less per week.

Firms previously unaffected are now complaining of a definite slack in their businesses. Estimates ranging from 25 percent to 50 percent less sales have been expressed. The situation with sugar still remains fairly stable.

We will continue to keep you informed of our situation. If there are any questions regarding this survey, please contact me.

SHUNICHI KIMURA, *Mayor.*

Enclosures.

COUNTY OF ———II—SHIPPING STRIKE SURVEY 1971

(Number of firms contacted: 1st call—600; 2d call—403;[1] 3d call—401; 4th call—337[1])

TABLE 1.—LAYOFFS BY WEEK, SEPT. 21 AND 22, 1971

[4th call]

Week of—	Number of firms releasing employees				Number of layoffs				Running total of layoffs			
	1st call	2d call	3d call	4th call	1st call	2d call	3d call	4th call	1st call	2d call	3d call	4th call
Past	30	37	63	68	78	95	218	230	78			
Aug. 29	6				21				99	95		
Sept. 5	6	18			18	108			117	203	218	
Sept. 12	5	5	10		17	14	18		134	217	236	230
Sept. 19	5	9	9	9	17	23	21	27	151	240	257	257
Sept. 26	12	14	18	9	67	39	44	14	218	279	301	271
Oct. 3	5	5	6	10	32	58	52	46	250	337	353	317
Oct. 10	1		1	3	1		1	7	251	337	354	324
Oct. 17	1	2	4	3	32	9	14	10	283	346	368	334
Oct. 24				1				24	283	346	368	358
Oct. 31	8	6	7	5	29	20	21	13	311	366	389	371
Nov. 7	1	2	1	1	1	16	1	1	312	382	390	372
Nov. 14	1	2	4	1	8	5	8	3	320	387	398	375
Nov. 21	1	2	1	2	2	5	2	3	322	392	400	378
Nov. 28	7	4	5	2	27	14	20	5	349	406	420	383
Unsure as to date	23	12	4	22	67	35	16	47	416	441	436	430
Total	112	118	133	136	416	441	436	430				

[1] The calling list was refined. Firms having no effect and who did not wish to be contacted were omitted.

TABLE 2.—SHIPPING STRIKE IMPACT BY INDUSTRY, SEPT. 23, 1971

[4th call]

Industry	Number of firms contacted	Past layoffs		Layoffs by last week of following months							
				September		October		November		Unsure as to week	
		Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees
Hotels	10										
Services	56	7	17	2	2	1	24				
Retail	85	16	33	5	10	10	25	4	4	9	1
Wholesale	44	11	25	1	1	2	13			3	6
Utilities	4									1	2
Manufacturing	47	9	87			4	38			4	15
Construction	65	12	60	10	27	6	16	3	8	5	
Transportation	28	4	8								8
Sugar [1]	10										

[1] Normal operation expected through September. Reevaluation for month of October (sugar employs 2,850 workers).

EXHIBIT III

TABLE 3.—EMPLOYEES WITH SHORTENED WORK WEEKS, SEPT. 25, 1971

Industry	Number of firms affected	Number of workers	Hours cut per week
Manufacturing	2	30	8
Construction	7	110	8
	1	3	12
Transportation	1	10	4
Wholesaling	2	33	5
	1	6	8
Retailing	1	11	3
	1	19	6
	2	71	8
	1	4	20
Hotels	1	12	10
	1	40	2
Services	1	2	5
	1	10	10
	1	15	20
	1	4	34
Totals	25	370	

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, October 14, 1971.

Hon. JOHN A. BURNS,
Governor, State of Hawaii,
State Capitol Building,
Honolulu, Hawaii:

Enclosed are the results of the fifth weekly survey on the impact of the West Coast dock strike on Big Island businesses. This poll was conducted on October 4 and 5. During the previous week no poll was conducted.

The interviewers had already begun their calling of firms when the President's decision to invoke the Taft-Hartley Act was announced. Although shipping will be resumed, we have decided to complete this survey.

The news of the Taft-Hartley order obviously had a bearing on the survey results. Several firms previously anticipating large number of layoffs did not indicate so during this survey. It was also discovered that a manufacturer who released 60 workers because of direct and indirect effects of the strike has hired back all but 5 of the laid off employees. This one firm substantially reduced the number of past layoffs.

During this fifth call, 416 firms were contacted. Of these firms 111 indicated that the strike had little or no impact on their businesses and employment. The remaining 305 firms (733) had some kind of operational difficulty and/or experienced a lower sales volume which can be directly attributed to the shipping strike. There are about 115 firms who had laid off or who anticipated releasing some workers.

Approximately 30 firms who previously indicated layoffs reported less or no workers to be released. This can be largely attributed to the news of the Taft-Hartley order of the President. However, about 25 new firms indicated past or potential layoffs. (The number of persons involved in the newly affected firms was small.)

According to the poll, the total number of people unemployed as a result of the strike, up to the end of September, was 201. By the end of October the total could be 244; by the last week of November, 282; and 317 including those unsure of the exact week.

Construction has been most severely affected with 75 layoffs and with three firms closed. Direct (lack of goods) and indirect (constraint in buying) effects of the shipping strike have become more noticeable in retailing. A number of retailers, who previously were unaffected, were reporting loss of sales and layoffs during this last poll.

Manufacturers contacted were still reporting difficulties in import and export of goods. Two firms were closed and another three were still worried about possible shutting down.

There were 33 firms who reported placing their employees on shortened work weeks ranging from two hours loss to 28. Some 395 employees worked less hours due to the strike. The average employee affected was cut back one day per week.

If there are any questions regarding this survey, please contact me.

SHUNICHI KIMURA, *Mayor.*

Enclosure.

TABLE 1.—NUMBER OF FIRMS LAYING OFF EMPLOYEES, OCT. 4 and 5, 1971 (5TH CALL)

Week of—	1st call, Aug. 30–31	2d call, Sept. 7–8	3d call, Sept. 13–14	4th call, Sept. 20–21	5th call Oct. 4–5
Past	30	37	63	68	69
Aug. 29	6	"	"	"	"
Sept. 5	6	18	"	"	"
Sept. 12	5	5	10	"	"
Sept. 19	5	9	9	9	"
Sept. 26	12	14	18	9	"
Oct. 3	5	5	6	10	14
Oct. 10	1	"	1	3	1
Oct. 17	1	2	4	3	2
Oct. 24	"	"	"	1	1
Oct. 31	8	6	7	5	4
Nov. 7	1	2	1	1	1
Nov. 14	1	2	4	1	3
Nov. 21	1	2	1	2	1
Nov. 28	7	4	5	2	4
Unsure as to date	23	12	4	22	15
Total	112	118	133	136	115
Number of firms contacted	600	401	403	383	416

TABLE 2.—NUMBER OF LAYOFFS BY WEEK OCT. 4 AND 5, 1971 (5TH CALL)

Week of—	1st call	2d call	3d call	4th call	5th call
Past	78	95	218	231	[1] 201
Aug. 29	21	"	"	"	"
Sept. 5	18	108	"	"	"
Sept. 12	17	14	18	"	"
Sept. 19	17	23	21	28	"
Sept. 26	67	39	44	14	"
Oct. 3	32	58	52	47	23
Oct. 10	1	"	1	"	3
Oct. 17	32	9	14	10	3
Oct. 24	"	"	"	24	2
Oct. 31	28	20	21	13	12
Nov. 7	1	16	1	1	2
Nov. 14	8	5	8	4	24
Nov. 21	2	5	2	3	2
Nov. 28	27	14	20	8	10
Unsure as to date	67	35	16	48	35
Total	416	441	436	438	317

[1] 1 firm hired back 55 of the 60 workers which were laid off.

TABLE 3.—RUNNING TOTALS—NUMBER OF PERSONS LAID OFF BY WEEK, OCT. 4 AND 5, 1971 (5TH CALL)

Week of—	1st call	2d call	3d call	4th call	5th call
Past	78	"	"	"	"
Aug. 29	99	95	"	"	"
Sept. 5	117	203	218	"	"
Sept. 12	134	217	236	231	"
Sept. 19	151	240	257	259	"
Sept. 26	218	279	301	273	201
Oct. 3	250	337	353	320	224
Oct. 10	251	337	354	327	227
Oct. 17	283	346	368	337	230
Oct. 24	283	346	368	361	232
Oct. 31	311	366	389	374	244
Nov. 7	312	382	390	375	240
Nov. 14	320	387	398	379	278
Nov. 21	322	392	400	382	272
Nov. 28	349	406	420	390	286
Unsure as to date	416	441	436	438	317

TABLE 4.—SHIPPING STRIKE IMPACT BY INDUSTRY, OCT. 4 AND 5, 1971 (5th CALL)

Industry	Number of firms contacted	Past layoffs		Layoffs by last week of following months				Unsure as to week	
				October		November			
		Number of firms	Employees	Number of firms	Employees	Number of firms	Employees	Number of firms	Employees
Hotels	20					1	20		
Services	58	8	18	3	6	1	2	2	4
Retail	147	19	44	4	5	6	13	3	4
Wholesale	43	9	21	2	2			1	2
Utilities	3								
Manufacturing	48	9	32	2	5			4	15
Construction	66	20	78	11	25	1	3	5	10
Transportation	31	4	8						
Total	416	69	201	22	43	9	38	15	35

TABLE 5.—EMPLOYEES WITH SHORTENED WORK WEEKS, OCT. 4 AND 5, 1971 (5TH CALL)

Industry	Number of firms affected	Number of workers	Hours cut per week
Manufacturing	1	3	5
	1	15	8
Construction	5	111	8
	1	3	12
Transportation	1	4	4
	2	6	8
Wholesaling	1	7	4
	1	26	5
	1	6	8
Retailing	3	22	5
	1	19	6
	5	83	8
	2	8	10
Services	1	40	2
	1	2	5
	1	3	8
	2	14	10
	1	1	16
	1	15	20
	1	7	28
Total	33	395	

EXHIBIT IV

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 17, 1971.

MR. LAWRENCE DUNN,
Deputy Director, Office of Emergency Preparedness,
Federal Building, San Francisco, Calif.:

This letter will confirm the telephone call made this morning to you by M. O. Isherwood, Sr., Hawaii County Civil Defense Administrator, with reference to the referral to the Office of Emergency Preparedness by the President's Cost of Living Council of a request from Governor John Burns of Hawaii for an exemption from the price freeze as it applies to food, grocery products and animal feed. It was explained that Hawaii's prices have always been based on cost of the goods plus the cost of transportation with a markup to cover the local operational cost.

Prior to the shipping strike, a large majority of the goods used in Hawaii were shipped from West Coast ports with a small percentage being shipped through Gulf and East Coast centers. With the shipping strike in effect on the West Coast, all goods coming by ocean freight have been shipped through Vancouver, Canada, or from the Gulf and East Coast ports resulting in transportation costs running approximately three times greater than transportation costs before the strike. Additionally, shipments by air have doubled and in some cases tripled weekly at much higher landed costs. Prices on fresh vegetables, on which the price freeze does not apply, are running two to three times higher than before the strike.

Hawaii is the only state that has to rely on water or air transportation. We do not have the alternative of land transportation available to the other states, including Alaska.

You questioned whether our request is the same as that of Senator Hiram Fong. Our reply was that we are not cognizant of the contents of Senator Fong's communication, that we are primarily concerned with the health and welfare of the people of the County of Hawaii and that we fully support the request made by Governor Burns for consideration of an exemption from the price freeze of the extra transportation costs on food and feed products for the State of Hawaii.

Even though the shipping strike might be over on any given day, it would be 60 to 90 days before supplies would be received in a normal manner.

Any action on your part that would expedite a reply from the Office of Emergency Preparedness to the President's Cost of Living Council relative to the referral to the OEP of Hawaii's request would be appreciated.

SHUNICHI KIMURA, *Mayor.*

OFFICE OF THE MAYOR,
County of Hawaii, Hilo, Hawaii, September 16, 1971.

Mr. GEORGE SHIROMA,
District Director, Small Business Administration,
Honolulu, Hawaii.

DEAR SIR: As you are aware, the West Coast shipping strike is adversely affecting our total economy. In an insular situation such as ours, all businesses suffer with the stopping of the flow of goods.

In a survey taken the week of August 29 of businesses in the County of Hawaii, projected layoffs by the end of September shows 7.2 percent; at the end of October, 7.5 percent; and by the end of November, 15.3 percent. These figures do not include the Big Island's major industry, sugar, which is currently in operation but is faced with storage saturation. If the sugar industry closes down, an additional 9 percent can be added to the above cited percentages.

Understandably, as the strike continues, these figures will further increase. Retail merchants, for example, who rely on Christmas season trade will not be able to realize their sales volume since goods necessary will not be forthcoming. The latter adversity is possible even if the strike were to end shortly since the backlog of goods might create a too late delivery. Such an adverse economic situation obviously will require extraordinary aid to small businesses. Therefore we are inquiring of the possibility of special SBA programs.

It is our understanding that the SBA has made available low-interest, long-term disaster or economic injury loans. While disaster loans have been granted as a result of natural causes, it is our understanding that such declarations have been made in cases such as the Watts situation and in a similar case where the transit strike affected businesses.

We would appreciate your help in investigating our plight and a determination as to when and under what circumstances the aforementioned economic injury loans what circumstances the aforementioned economic injury loans can be made available to our businessmen.

We will try to aid in whatever efforts would be necessary for such determination. An early and favorable reply to this query will be appreciated.

Sincerely,

SHUNICHI KIMURA, *Mayor.*

Senator INOUYE. Our third witness this afternoon is the Honorable Antone Vidinha, Mayor of the County of Kauai.

Mayor Vidinha, welcome to the committee, sir.

Please proceed.

STATEMENT OF HON. ANTONE VIDINHA, JR., MAYOR, COUNTY OF KAUII

Mayor VIDINHA. Thank you, Senator.

Mr. Chairman and members of the United States Senate Commerce Committee, good afternoon.

My name is Antone Vidinha, Jr., Mayor of the County of Kauai. The County of Kauai consists of two islands, Kauai and Niihau. Its population is something slightly over 30,000, the least populated county in the State of Hawaii.

I appear before you today to offer testimony in support of S. 2836, the Hawaii Public Interest Protection Act of 1972, as authored by Daniel K. Inouye and designed to prevent undue hardship by the citizens of this State in the event of lengthy shipping strikes affecting our islands in the future.

The inhabitants of the Hawaiian Islands have always depended on the free movement of water borne carriers, whether canoes, sailing vessels, or modern ships, for the advancement of their commerce and for their health and well-being. Because of this overwhelming dependency, the people suffer hardship, unknown in other areas of the 48 Mainland States, when the movement of ships is halted. Time and again, in the years following World War II, maritime disputes have arisen between unions and shipping firms that have had damaging effects on our economy, on businesses of all sorts and sizes, and on the health and welfare of all the innocent bystanders, the long-suffering citizens of our State.

I am pleased, therefore, that Senator Inouye has come forth with a measure that can do much to ease our pain and anguish in future dock strikes. Speaking for the people of Kauai and Niihau, I ask for your support in bringing about the enactment of S. 2836.

I make the preceding request with memories of the last shipping strike weighing heavily on my mind. During the recent 100-day tieup, Kauai endured its share of hardship. Our figures are small. Indeed, they may seem laughable when arrayed with those you may have obtained from the more populous counties of our State, but these figures loom large enough for us in our own surroundings.

To cite a few examples: the value of manufactured products on Kauai dropped from $6,661,192 in 1970 to $2,827,558 in 1971; the returns to our island from the processing of sugar fell from $38,710,598 in 1970 to $37,239,000 in the year just ended; our income from canned pineapple dropped from $4,283,318 to $3,164,488 in the comparable periods.

A study of our employment figures shows that there were 600 unemployed on Kauai in January 1971—4.6 percent of our labor force. At the end of November 1971, our unemployment rate had risen to 6.2 percent, with 850 persons unemployed. Further, according to figures given us by the unemployment insurance division, there were 56 persons on Kauai during the past year who claimed they were unemployed as a direct result of the shipping strike. Again, the figures are not of world-shaking consequence, but they are of considerable importance to us who live in our rural community.

Possibly the hardest hit segment of our economy during the last strike was the construction industry. There was a very noticeable slowdown in construction as builders and construction material suppliers on our island ran out of building material of all kinds: lumber, steel, glass, hardware, paint, and electrical supplies. Layoffs took place in the ranks of those who had spent their lives working for material houses. Construction firms were forced into laying off new hires and making severe cutbacks in the hours of work offered the experienced hands that they felt obliged to keep.

Tetsuro Maeda, president of the largest construction firm on our island, Kauai Builders, Ltd., has offered the following statement about the last shipping strike:

"Our employees were working a 40-hour week basis at the beginning of the strike. We went to a 32-hour week program after the strike dragged on for 2 months, then finally to a 24-hour work week. If the strike had continued for another month, we had plans to close down our operations completely for an indefinite period. This would have meant unemployment for our entire work force of 60 people. A resumption of the dock strike will force us into the same predicament. In fact, our staying power would be reduced because of continuing shortages in our supply of some materials."

The Kauai Branch Manager of Construction Materials Hawaii, Inc., Lyle W. Foster, states:

> During the period August 1, 1971 to November 30, 1971, our sales declined approximately 25 percent. We operated our business at a loss. We asked all our employees to use up both their accumulated and current vacations. We released eight of our thirty-two employees, and as of this date three of the eight employees have not been called back for work.
>
> During the strike we were unable to adequately plan for the future because we did not know how long the strike would last, and therefore could not make satisfactory delivery and shipping schedules with our customers and Mainland suppliers.
>
> A strike of up to 30 days sets construction back ninety days, or for every one day of a shipping strike it takes three days of construction time to recover.

In the new and now expanding field of grain farming on Kauai, Metcalf Farms Hawaii, Inc, is the undisputed leader. Its president and manager of operations, Robert L. Nuti, reports that his company suffered some setback during the last shipping strike because urgently needed equipment was stranded on the docks on the west coast and could not be used to expand his plantings here in Kilauea. He further states that any resumption of the strike would have disastrous effects on his company because it would not be able to obtain the equipment needed to start the large-scale operations planned for lands now going out of sugar production—the Kahuku lands on Oahu and Kohala on the Big Island.

Mr. Nuti further expresses apprehension over the prospects of not being able to ship grain sorghum seed, now being cultivated on 1,000 acres on this island, in the event of another shipping tieup in the near future. He maintains that air shipment of this commodity would wipe out any possible profits for the venture.

Sugar and pineapple exports suffer reverses each time there is a shipping strike of lengthy duration, because of the loss of markets and product identity. The industries are further penalized in having to obtain and pay for additional storage facilities once their warehouses have been filled.

After a while, during any shipping strike, our smaller self-employed merchants and tradesmen suffer loss of income as the shelves in the stores become bare, and as supplies and materials in their storerooms are depleted. When the strikes last a long time, some of these people suffer irreparable losses. Savings accumulated after years of toil have been wiped out. These tragedies are seldom publicized because they occur to forebearing, uncomplaining people. Count them, too, among the innocent victims of your shipping disputes.

It is inevitable that our citizens suffer a loss of comfort from shortages of goods during shipping strikes. Shortages in vital goods, and even in prosaic, lowly goods, add to the frustration and worry of our people. As shortages increase, some hoarding follows and, as prices rise more unhappiness and worry spread among our citizens.

I therefore maintain that the innocent should not be made to suffer from the disagreement of workers and management in disputes that frustrate shipping between the islands of Hawaii and the Mainland. Senator Inouye's measure, which compels the President of our country to get shipping moving in the event of strikes lasting over 30 days, is one that I hail as constructive legislation. For the people of my county, I plead for the enactment of Senate Bill 2836, for such a law should do much in reducing the conditions described in the foregoing passages of this testimony.

Thank you, gentlemen.

Senator INOUYE. Mr. Mayor, may I commend and thank you for your very compelling testimony, and thank you for presenting us with all of your statistics.

It may be true that your figures are small in comparison to those of the City and County of Honolulu, but may I assure you that these figures, which demonstrate the plight of your people, are not laughable at all to this committee. We are very much concerned about your county as well as this county, the County of Honolulu.

Mr. Mayor, do you have any statistics indicating an increase in expenditures of your government as a result of this strike?

Mayor VIDINHA. Increase of expenditure of the County of Kauai has not gone up. It is the same as it has been in the past. But I am afraid about our taxes. You know, we function on taxes, and I am sure we will take a loss in these coming years ahead.

Senator INOUYE. Do you have any indication as to whether the welfare rolls increased as a result of this strike?

Mayor VIDINHA. I have no estimation or figures at this moment, Senator.

Senator INOUYE. Senator Stevens.

Senator STEVENS. The figure on the second page indicating a drop from $6.6 million in 1970 to $2.8 million in 1971 on the value of manufactured products is very interesting.

What are those products of your island?

Mayor VIDINHA. The main industry of this county is sugar, pineapple, tourism, sorghum, feed grain that has now been planted, over 1,000 acres. And product loss in all of the building houses, material houses, where contractors get their products from, occurred.

Senator STEVENS. You mentioned that manufactured products dropped almost $4 million. You are talking about construction items?

Mayor VIDINHA. Construction, and also pineapple.

Senator STEVENS. Thank you very much. We appreciate your appearance here, Mr. Mayor.

Senator INOUYE. Mr. Mayor, once again I thank you on behalf of the committee for your very helpful testimony this afternoon.

Mayor VIDINHA. Thank you.

Senator INOUYE. Thank you, sir.

Our next witness is Mr. John Weeks of Operation Blackeye of the City and County of Honolulu.

Mr. Weeks, welcome to the committee, sir.

STATEMENT OF JOHN J. WEEKS, CHAIRMAN, "OPERATION BLACKEYE"

Mr. WEEKS. Thank you, sir.

Thank you very much, Senator, for inviting me here to testify. I am Chairman of Operation Blackeye, which, as of January 14, 1972, has received over 77,000 letters addressed to the President of the United States and Hawaii's Congressional Delegation asking for legislation which would give the President whatever authority he requires to assure that regular surface shipping to Hawaii be maintained. These letters are from people of all walks of life in Hawaii, and many of them relate stories of personal tragedies, business failures, and personal hardships brought about as a result of the 100-day shipping strike of July 1971. These letters represent over 10 percent of Hawaii's total population, men, women, and children.

And I think this is interesting, that over 10 percent of the population would react to Operation Blackeye, which is put on by the people, was not necessarily organized. We had a limited budget. This many people were concerned.

I would like to give you some of the nuts and bolts of how I happen to be Chairman of Operation Blackeye, what motivates me.

I have lived in Hawaii for about 10 years, and I would like to stay here the rest of my life. I own five businesses under two corporations. Three of them are related to air-conditioning, one is a retail sales outlet for fabrics, and the other is the sale of automotive safety devices. I employ 64 people in these five businesses, with a payroll totaling $25,000 a month, and lease rent of $15,000 a month. This is not the entire overhead of these businesses, but that gives you an idea of what I must pay each month to stay in business.

These five businesses pay the State government approximately $10,000 a month in taxes. Primarily, my businesses consist of buying a product from a Mainland source, shipping it into Hawaii, processing it, and re-selling it locally.

From July 1 through October, due to the shipping strike, we were unable to receive any products by surface. Therefore, our sales were limited strictly to what we had in inventory. This, naturally, drastically curtailed our sales volume. Since the basic overhead of these businesses does not change, we were forced to go into cash reserves in order to keep our employees and pay our overhead. We were compelled to expend approximately $60,000 in cash reserves just to stay in business. We have not had sufficient time since the Taft-Hartley injunction, nor has the economy recovered enough, for us to restore this amount to cash reserves. In fact, we have restored nothing to cash reserves.

Accordingly, a resumption of the dock strike will catch us in a very weakened condition, since not only do we not have an abundance of cash reserves, but we have not been able to overstock our inventory as we did for the first 3-month strike.

We also had several key female employees in this fabric business whose husbands became unemployed as a direct result of the strike, and one of these was lost to the mainland, since the husband had to go in search of work.

We were forced to lay off approximately six employees during the strike, and we have laid off more since then. We have had a reduction in gross sales.

During the strike months, we noted a decided drop in the amount of money that people were spending, which also added to our drop in gross sales. In other words, the people of Hawaii did not have money to spend.

We do not feel that we could effectively weather another three-month strike, and therefore would probably be forced out of business. This would put 64 people out of work, would close five businesses which add to the economy of this State, and would involve a $10,000-a-month loss to this State in tax revenues.

If we were to fail, I think it is reasonable to assume that as many as 1,000 other businesses might fail in another three-month dock strike. If each business was similar to our totals, you would have 64,000 people unemployed and $10 million a month of the State's cash flow stopped. This would require the raising of taxes in order for the State to meet its overhead, thus further depressing the economy and, we feel, ultimately bringing about its collapse.

To allow this to happen seems quite imprudent to Operation Blackeye, since Hawaii is an innocent third party to this dispute, is not involved in the negotiations, and has absolutely no control over the issues being argued. We do not take sides in the issue. We don't know who is right or who is wrong. All we know is that Hawaii is being damaged.

Accordingly, we feel it quite unfair that the State and Federal Governments not take action to insure a continuing and normal flow of surface supplies, regardless of the status of labor disputes. This could be accomplished by the chartering of vessels by the Federal Government at any time our supply lines are severed. Most certainly, if shipping companies can be operated profitably in normal times, the Federal Government could operate this emergancy chartering of ships at a profit, thus adding no tax burden to the people involved. We feel that strikes of any kind should not affect the livelihood of any parties not directly involved in the dispute.

One of the long-range aspects of this problem that a lot of people may not have considered is that a man who goes bankrupt or out of business as a result of the dock strike will not resume his business when the strike is over. He has lost his business, his inventory, his building, his home, his car, his reputation. He has lost everything. This means that Hawaii has lost each business that goes under for a long, long time, not just for the duration of the strike.

This loss drastically reduces the number of businesses to absorb the unemployed, so the economy will be affected for years. Further, the young fellow in high school or college here, who has talent and who would have normally stayed in Hawaii and added his talent to the economy, will be forced to go to the Mainland for his livelihood. Hawaii, which is drastically short of talent now, will lose a few more notches in the talent available, and thus drastically reduce the industries and businesses conducted here in the Islands.

One thing that I would like to add here in this testimony is that our investigation indicates that the cost of food, dry groceries, includes 10 to 15 percent for ocean freight. The cost of frozen food in Hawaii includes 20 to 25 percent as the cost of ocean freight. The cheapest air freight is ten times as costly as ocean freight. If you multiply 10 to 15 percent of the cost of dry groceries, and multiply that by 10, you will double the cost of dry groceries. If you multiply the 20 to 25 percent of the cost of frozen food and 10, then you will triple the cost of frozen food.

I have a family of four. I spend between $200 and $300 a month just for food. If you double the cost of food, I have to spend $200 to $300 more a month just to eat. This doesn't include the other necessities of life.

I don't think I eat that much more than the normal human being, and $200 a month would put the cost of living almost out of reach, if we were totally dependent on air shipment for our food and our necessities of life here in Hawaii. I don't think we could survive. I think it would totally destroy the economy. Most people would lose their cars or their homes, or lose something because they could not afford the extra $200 a month.

The sad part is that Hawaii doesn't deserve it. We have nothing to gain, and everything to lose. And we ask you to do something about it while it is possible, while there is still time.

Senator INOUYE. Thank you, sir, and may I and the committee commend you for the extraordinary effort you have made to publicize the plight of the people of Hawaii to our brothers and sisters on the Mainland. I am quite impressed with your operation.

Could you tell us how many staff people you have in this operation.

Mr. WEEKS. We have three basic people that are ramrodding it, probably a total of 800 volunteers who have taken part in it.

Senator INOUYE. And with the three staff people, you were able to generate 77,000 letters?

Mr. WEEKS. Yes, sir.

Senator INOUYE. Someone will grab you for a political campaign.

I wish to also commend you for focusing special attention on one aspect of this strike that other witnesses have not touched upon, and that is the impact of the strike upon outmigration of the people of Hawaii.

The loss of revenue is an important element to consider in any strike, it is true, or the rate of unemployment, or the loss of tax revenues, but I think, as you have noted, we will suffer irreparable harm when we lose talent. And if you or your organization could somehow give this committee some statistics on what this outmigration figure would be, or has been during this strike, we would be most grateful to you, sir.

Mr. WEEKS. Right, sir.

Senator INOUYE. We have heard about this, but we have no statistical evidence, and I think if you can furnish this to us, it will be a very essential part of our argument with our colleagues.

Senator STEVENS. What happened to the 77,000 letters?

Mr. WEEKS. We have them ready for shipment to Washington, and on January 30 we will depart with them to Washington, and hopefully with the assistance of Senator Inouye, present them to Members of Congress.

We have also sent letters to every Governor of every State, to every Member of Congress, to every TV and radio station and newspaper across the Nation—they went out this weekend—advising them of the plight of Hawaii, and asking them to publicize this plight in order that we have a greater impact in Washington.

We realize that Hawaii is only 750,000 people in a nation of 203 million, and no one is going to pay much attention to our poor little Operation Blackeye delegation unless they know we are coming,

and unless it is widley publicized across the Nation, and we hope the Governors of the other States will assist us.

Senator STEVENS. I am happy to hear that. I thought maybe you had mailed them and they had gone by slow boat, the way some mail goes.

You have a very good operation. It is well organized, and I am sure you will get the attention you want when you get to Washington with that many letters.

Senator INOUYE. Once again, Mr Weeks, I thank you for your assistance this afternoon. Thank you very much.

Mr. WEEKS. Thank you.

Senator INOUYE. Our next witness is Mr. Lucius H. Bingham, President of Gaspro, Inc., and Mr. Bingham will be speaking in behalf of the Hawaii Manufacturers Association.

Mr. Bingham, welcome to the committee, sir.

STATEMENT OF LUCIUS H. BINGHAM, PRESIDENT, GASPRO, INC., ON BEHALF OF THE HAWAII MANUFACTURERS ASSOCIATION

Mr. BINGHAM. Thank you, sir.

Senator INOUYE. Please proceed, sir.

Mr. BINGHAM. Senator Inouye, Senator Stevens, gentlemen, my name is Lucius H. Bingham. I am making this statement on behalf of the Hawaii Manufacturers Association. This association was formed more than 10 years ago and represents manufacturers, processors, fabricators, and utilities in the State. The some 130 members produce about 80 percent of the nonsugar and pineapple manufacturing volume in the State of Hawaii.

It is seldom recognized, but according to the Standard Industrial Classification, manufacturing is Hawaii's largest single source of income. In 1970 manufacturing totaled $751.7 million, Armed Forces expenditures totaled $683.4 million, and visitors totaled $570 million.

Of the manufacturing total, processed sugar amounted to $196.7 million, and pineapple amounted to $135 million. Therefore, that segment of manufacturing which our association represents produced $420 million, or a total somewhat greater than sugar and pineapple combined.

I was asked to make this presentation because Gaspro, Inc., of which I am President, appears to be somewhat typical of the medium-sized manufacturers and industrial distributors in this state. With branch offices on all islands, we have a kind of statewide view. It was suggested that I might be able to answer your questions about the effects of the 100-day west coast shipping strike on the industrial community of Hawaii.

Now, let's look at the impact of this shipping strike.

Hawaii took a severe beating during the 100-day west coast longshore strike last year. In mid-November, our Association made an attempt to estimate losses to the business economy and came up with the figure of $36 million. Obviously this is an educated guess at best, but the amount will continue to increase for months to come, even if there had been no further strikes.

Hawaii is in an untenable position with the stranglehold unions have on our lifeline. Air transportation is helpful, but we distribute a number of products and materials which can not legally be carried

by aircraft. And there are many types of industrial materials which, due to bulk and low unit value, can not move by air due to the costs involved.

We are proud of the contribution local manufacturers made to the economy during the 100-day strike last year. Conditions were much better than in previous shutdowns due to local production of many more commodities. Raw materials store more easily than finished products do. For example, flour, which had been a critical item in previous waterfront strikes, was in adequate supply. The two major cement plants and a reinforcing bar steel plant helped keep construction going. A major petroleum refinery supplied much of our requirements. Locally-manufactured plastic containers permitted several firms to stay open that would otherwise have shut down due to lack of glass containers. And Hawaii-made fiberglass tub and shower units permitted many construction contracts to be completed.

Now, all of these manufacturing activities are new to the Islands since the last lengthy waterfront tieup. They helped materially to keep our economy alive.

However, a most disturbing attitude has been created due to our vulnerability to transportation strikes. It is revealed in a statement made by one of our representative manufacturers recently. He said, "I won't invest another nickel in Hawaii until some assurance is given that we will get uninterrupted transportation to and from the Islands." This feeling is expressed in a number of ways by an increasing percentage of our businessmen.

One of the most serious problems that Island businessmen face as a result of transportation strikes is a vicious cash-flow position. We pretty well knew that 1971 was the time for a strike by the International Longshoremen's and Warehousemen's Union. Heavy investments were made in stocks to carry us over. Our money has been tied up for well over a half-year now, and a substantial part has not yet been received back from the consumers.

Now we are faced with the urgency of meeting another waterfront strike, and regardless of the cash situation, we haven't had adequate shipping available to restock, following invoking of the Taft-Hartley Act. But many of our members, especially the smaller firms, are in a critical financial situation. One of our members said a few days ago he borrowed $100,000 to lay in a stock prior to the July 1 strike. He doesn't have the money nor does he have the credit to do it again at this time.

Most of us are now in a critical situation because our shipments of raw materials have not arrived as acheduled. Apparently dock workers seriously slowed down the amount of cargo handled at West Coast ports. We have never gone through such a period of uncertainty as to what was being loaded and when we could expect delivery. It has been utter confusion. Consequently, we are in no postion to weather another long strike.

The position of the Hawaii Manufacturers Association is that we support S. 2836, the Hawaii Public Protection Act of 1971, in principle. Individual members would like to see modifications made in certain sections of Senator Inouye's bill. However, we are realistic in that this appears to be the only piece of legislation that Hawaii has any hope of getting to the floor of Congress in the foreseeable future.

85-260—73——10

We would like to ask this subcommittee to consider adding a section which would temporarily suspend provisions of the Jones Act during implementation of emergency relief under S. 2836. This appears to be a necessary requirement if the President is to provide vessels, should the strike include all members of the Pacific Maritime Association.

Island economies are difficult to maintain at best. But when we are faced with uncertainty as to movement of our commodities every day of the year, it is too much to bear. The citizens of this State are made to suffer irreparable damage due to no fault of our own. The union leaders are well aware that shipping has always been Hawaii's lifeline, but when you cut the jugular vein you kill the economy of the State.

We feel that the United States Congress has a responsibility to provide protection for the people of Hawaii who have already suffered too much. Anything that you can do to aid us will be gratefully appreciated.

Thank you, gentlemen, and we wish you aloha.

Senator Inouye. On behalf of the committee, Mr. Bingham, I thank you for your assistance this afternoon. I have a few questions I would like to ask you at this time.

Mr. Bingham. I would be happy to try to answer them, sir.

Senator Inouye. Your testimony appears to contradict earlier testimony which was offered by Dr. Shelley Mark, to the effect that this strike had very little impact on industries other than sugar and pineapple. Have you discussed this matter with Dr. Mark's office?

Mr. Bingham. No, I have not discussed it with Dr. Mark at all. I don't agree with his views as published in the newspaper.

Senator Inouye. As a representative of industries other than the agricultural aspects, the planting aspect, of sugar and pineapple, which sectors among your membership were most severely hurt by this strike?

Mr. Bingham. Well, I think the basic problem was that most of the manufacturers whom I have talked to were prepared for a 3-month strike. When the Taft-Hartley Act was invoked in early October, there wasn't sufficient time to get restocked, and we have never gotten a chance to restock our inventories to the level they were on July 1, or to the level they would be under normal circumstances.

Consequently, I think the situation as far as manufacturers in general are concerned would vary very widely, depending on whether your materials came from the mainland or, like a cement plant, the raw materials are largely local. That would make a difference.

Nevertheless, manufacturers as a whole, with some notable exceptions, are in no position to weather another strike of the duration we had last time.

Senator Inouye. Has your organization conducted any survey as to figures relating to the impact of the strike, the number of people you have had to lay off, the increase in costs, et cetera?

Mr. Bingham. We have not had the facilities within the Hawaii Manufacturers Association to make the surveys. We have been aware of information that has come from various agencies of the Government announcing this information.

The understanding I have had was there were 13,000 people laid off as a result of the strike. But that did not come from our association.

Senator Inouye. Did this strike force many of your members to change suppliers, say to Japanese suppliers?

Mr. BINGHAM. I don't think, sir, there was enough time, because—well, I give you this as an example: The manufacturers in the state are struggling to get many of their supplies in bulk form, in contrast to bags or barrels, as was done in the past. Consequently, manufacturers have a relatively small number of containers to bring in their raw materials from the mainland. It isn't practical to take these same containers and ship them to Japan or Europe or any other source of supply on a three- or four-month notice. This would take years of development.

Speaking for our own company, I know of no foreign products that have approvals that are required by American Government agencies for raw material product control, quality control, and we would not be able to buy them in the area.

Senator INOUYE. Can you advise this committee as to what sort of goods you had in mind that can not be legally transported by aircraft?

Mr. BINGHAM. Yes, sir, anything that is flammable, for example, "Red Label" products.

One of the products that we manufacture is fiberglass tubs and showers, and the resin catalyst that we use for that purpose could not be shipped by air.

Senator INOUYE. What sort of supply do you have at hand?

Mr. BINGHAM. We will last probably through the month of February.

Senator INOUYE. Then after that you are out of business?

Mr. BINGHAM. Yes, sir.

Senator INOUYE. Senator Stevens.

Senator STEVENS. I apologize to you for reading the paper while you were testifying. It just came in, and I notice that PMA announced they are not going to carry military cargoes, which is going to have a drastic impact on our State.

Let me ask you this: First, what do you manufacture? I notice you said you have statewide involvement.

Mr. BINGHAM. Are you talking about the Manufacturers Association or our own company?

Senator STEVENS. Your own company.

Mr. BINGHAM. We manufacture compressed and industrial gases, such as oxygen, acetylene and CO_2; we manufacture hydrated lime, plastic pipe and electrical conduit. We manufacture polyethylene bottles, containers, and we manufacture fiberglass tubs, showers, and lavatories.

Senator STEVENS. How much of a delay is there involved in your inventorying? I mean, how much ahead of time do you order?

Mr. BINGHAM. It depends, sir, whether the products are coming from the West Coast or the East Coast, and we are talking a minimum of 30 days from the West Coast, and a minimum of 90 days from the East Coast.

Senator STEVENS. The young man from Samoa this morning told us that even though they started immediately to find alternative supplies, they didn't get them into Samoa until 20 days before the Taft-Hartley declaration was made. What I am trying to get from this conversation with you is: How long a delay would there be if you had to establish other sources of supply, say a foreign supplier? How long would that take you to do?

Mr. BINGHAM. I think it will take at least a year, Senator. The reason for it is, as I indicated to Senator Inouye, we are using primarily bulk containers, and these bulk containers happen to fit Matson ships. They will not fit a Seatrain ship, and they will not fit a foreign ship. These containers are specially built. They are really miniature railroad hopper cars. What we do is to bring from various parts of the country raw materials in railroad hopper cars, and transfer them into Matson containers, which are made in the shape of miniature hopper cars.

Senator STEVENS. Then if this bill passed, the President could not charter container ships and you could not get your things anyway, could you?

Mr. BINGHAM. It would be very difficult for us.

I also indicated in the plastics field, a great many of the plastic raw materials require National Sanitation Foundation approval, and we would not be able to bring in a foreign material until it was submitted to NSF for their prior approval, making it very complicated.

Senator STEVENS. Thank you very much. Again I apologize for reading the paper while you are here.

Senator INOUYE. You indicated you had about 2 month's supply of "Red Label" products. Now, how many employees would be laid off if the strike goes on beyond February?

Mr. BINGHAM. We have a difficult situation in our own company, Senator Inouye. There is the *Hawiian Citizen* which has left the coast, I understand, over the weekend. It left partially loaded. We had a great deal of merchandise, raw materials, booked on that vessel. And if all the containers that were booked arrive, we would add another 30 days.

Our plastic extrusion operation would close down by the middle of February. If we received a substantial shipment on the *Hawaiian Citizen*, we could stretch that to the middle of March.

Senator INOUYE. How many employees are involved, sir?

Mr. BINGHAM. Thirty-five.

Senator INOUYE. Once again, I thank you very much for your assistance this afternoon, and please be assured that your plea will be heard by the Members of Congress.

Mr. BINGHAM. Thank you.

Our next witness is Mr. Wellington Chu, President of the Retail Board of the Chamber of Commerce of Hawaii.

Welcome to the committee, sir.

STATEMENT OF WELLINGTON CHU, PRESIDENT, RETAIL BOARD, CHAMBER OF COMMERCE OF HAWAII

Mr. CHU. Good afternoon.

My name is Wellington Chu. I am president of the retail board and general manager of the Ala Moano Center. The retail board represents all the major retailers as well as a large segment of the smaller retail outlets on Oahu.

The west coast dock strike, which started July 1 and was temporarily halted by the Taft-Hartley injunction on October 7, dramatically illustrated Hawaii's dependence upon uninterrupted shipping. The strike was particularly serious for many retailers and for those who depend upon them to secure the necessities of daily living.

The retail industry is the largest employer, other than government. It creates more new jobs than any other industry and it is the largest gross income tax producer for the State of Hawaii, generating 44 per cent of the total state gross income tax revenues. Annual retail sales for the State exceed $2 billion.

When we talk about retailing, we mean only those businesses that sell commodities direct to the consumer. We are not including the activities of restaurants, hotels, and other service industries, although in some respects they come under the classification of retailing.

Hawaii's geographical position requires merchandising methods that are of a unique nature. As an island state, completely separated by 2,400 miles of ocean from the rest of the U.S.A., its dependency on waterborne shipping is enormous. Other states have alternate transportation systems—rail or truck—and many have the additional choices of river or ocean shipping. But when normal ocean shipping is disrupted, Hawaii's only alternative is air freight, which places an added economic burden on Hawaii's people.

No other state in the Union is confronted with the cost of carrying such large inventories. In Hawaii, a normal procedure of a merchant is to anticipate his stock requirements 60 to 120 days in advance on each of the thousands of items in inventory. From the time the order is placed with a supplier on the Mainland to the date the merchandise is received in the merchant's warehouse, the average time lapse is 60 to 90 days.

In retailing a high rate of turnover of inventory is a major factor in making a profit. Any interruption of shipping, whether it be a slow-down or a complete shut-down, reduces the rate of turnover and has an immediate effect on Hawaii business. Interference of shipping for the duration of over one month has serious effects on retail sales, operating costs, unemployment, and profits. Business begins to feel the full impact of a strike after 90 to 100 days, and at that stage it becomes more serious by the day, with casualties among business firms, and employment rapidly increasing.

A comparison of Hawaii with other states on this issue is quite revealing. Mainland stores can receive merchandise in two to seven days by truck or rail from their suppliers, which enables them to carry a smaller inventory and have greater flexibility in stock control. This results in a much smaller warehouse requirement, a decrease in the cost of money that is invested in inventory, and a lower cost of handling inventory. The geographical and transportation advantages enable mainland stores to replace fast-moving items in a few days.

We estimate a loss of retail sales on Oahu as a result of the 1971 shipping strike to be in the area of $40 million.

The first six months of 1971, retail sales increased 10.04 percent over the same period of 1970. We had projected a smaller increase of 8.7 percent for the last six months of 1971 because of the economic conditions of the nation. Seventy-five percent of our projected increase was lost during the period of July 1 through November 30 of 1971 as a result of the shipping strike.

We have an exhibit attached to the testimony indicating that. On the exhibit it also shows the largest effect was in July, where $24 million had been dropped in retail sales.

Harmful side effects within the retail industry include unemployed personnel, reduction in seasonal work in retail stores for students and

others, financial failure of firms, reduced profits, and higher consumer prices.

The effects go far beyond the shores of Hawaii. Mainland manufacturers produced merchandise in anticipation of orders from Hawaii which did not materialize, so they were overstocked and their profits for 1970 were reduced. Some mainland producers experienced a complete loss of perishables that were ready for surface shipment to Hawaii during the period of the strike.

The air freight cost on the "all kind rate" cargo is approximately 44 percent higher than surface freight, and the additional cost had to be absorbed by the retailer after the enactment of the wage-price-rent freeze on August 15th.

The impression of many on the Mainland was that the West Coast shipping strike was not seriously affecting Hawaii because adequate food was available and there was no starvation. Although food is of prime importance, the State's economy can not survive on necessities alone. It must be recognized that the strike had deteriorating effects on the economy of Hawaii to a degree where it impeded the progress of government, business, and individuals. It even extended into reduced Federal Government tax revenues and increased Federal unemployment costs.

Recovery from a shipping strike is a long, tedious process, and costly to the merchant. The regular flow of incoming merchandise has ceased. Stocks are out of balance or depleted, which reduces sales and profits; cargo is backlogged from the coast to consolidation points in the Midwest, et cetera.

Retailers did not receive some of their Christmas merchandise in time for sale in 1970, so their inventories, obsolescence, and warehouse costs are excessive.

Merchandise arrives in such large quantities after a strike that the merchants' physical plants and facilities are incapable of processing the shipments without delays and substantial increased costs.

For a healthy economy, Hawaii needs to attract new business, but the past history of recurring shipping and dock strikes is a major factor which is considered by companies contemplating opening a business in Hawaii.

The retail industry has invested hundreds of millions of dollars in Hawaii and is continuing to invest in new shopping centers, new stores, and expansion of existing stores, but when one segment, whether it be employer, labor unions, or government, can arbitrarily take action that strangles the economy and growth of a State of the United States of America, it is time that our elected Congressmen in Washington balance the scale by adopting legislation that is fair alike to business, the consumer, and labor. The people of the 50th State should not be forced to live under the constant threat of economic disruption from surface shipping strikes.

The salient points of our testimony can be summarized as follows:

1. Hawaii is particularly vulnerable to shipping interruptions due to its separation from the rest of the United States by 2,400 miles of ocean.

2. The recent West Coast shipping strike seriously impaired the retail industry, causing a decrease in profits due to less-frequent turnover of inventory, and increased expenses.

3. The strike increased unemployment, when unemployment was near a record high.

4. It increased prices to the consumer—adding to the inflationary spiral. I understand that 80 percent of the goods consumed in Hawaii is shipped in.

5. The strike increased the expenses of the State and caused a substantial loss of tax revenue.

6. Recurring shipping interruptions discourage investments and new businesses from opening in Hawaii.

7. Costs to the Federal Government were increased, with a corresponding decrease in Federal Government tax revenues.

8. Mainland suppliers suffered decreases in business due to loss of sales to firms in Hawaii, further resulting in losses to State and Federal tax revenue.

For these reasons, we endorse the adoption of legislation that will protect Hawaii against repeated interruption of shipping, and respectfully request Congress for prompt action.

Senator INOUYE. Mr. Chu, I thank you very much for your testimony.

I notice that in your personal presentation of your statement you skipped over some of the paragraphs and sentences. Is it your wish to have all of these paragraphs incorporated?

Mr. CHU. Yes.

Senator INOUYE. Without objection, the full statement and your exhibit will be made part of the record.

Mr. Chu, has your organization conducted any studies of the amounts by which additional warehousing costs have increased the price of consumer items?

Mr. CHU. Not specifically. We have inquired of the retail board membership generally, and from what we hear, they tell us that it has increased the cost. But there has been no formal survey.

Senator INOUYE. Can you give an educated guess as to what the increase might constitute?

Mr. CHU. I'm afraid I am not familiar with those figures.

Senator INOUYE. You have mentioned in your statement that the FAK rate, the "Freight All Kinds" rate for air transport is 44 per cent higher than for surface shipping. If a retailer brings in his goods by this FAK rate, faced with an increase in inventory and warehouse costs, do you believe that a substantial number of your members will make use of airfreight permanent?

Mr. CHU. I understand some merchandise can not be flown in, or is very expensive to fly in, especially the bulky items or heavy items. Some of the items like fashion merchandise—I understand the merchants can utilize that means of transportation because of the comparable savings in inventory costs.

But generally speaking, they are very dependent upon surface shipping for their merchandise.

Senator INOUYE. You have indicated in your statement that retail sales in the month of July dropped by 18 percent. What portion of that would you attribute to the strike?

Mr. CHU. It is hard to pin down what amount of that was because of the strike. Some of it was picked up in the following 2 months, but it was not all recovered, so in our analysis we took the total period and showed that we lost $40 million over the period, rather than in one specific month.

Senator INOUYE. Were some of your members required to shift their purchases from the Mainland to sources in foreign countries, such as Japan?

Mr. CHU. Not that I know of. I know many shifted from surface to airfreight, and I talked to a small merchant this morning and he said he had to beat the cost of airfreight.

Senator INOUYE. You have indicated a loss of retail sales approximating $40 million. In terms of tax revenue, could you advise this committee what that would be?

Mr. CHU. To the State of Hawaii, at 4 percent, I would imagine that is about $120,000 in gross income taxes alone; is that right?

Senator INOUYA. It is $1.6 million.

Mr. CHU. Oh, $1.6 million; I'm sorry.

Senator INOUYE. Do you have any data on your contention that the financial future of firms will be affected by the strike?

Mr. CHU. Yes. We keep monthly records of the business of the retail businesses in our shopping center, and we can see the immediate change in the amount of volume that is done by the stores.

It is interesting to note that all the retail units are affected by this strike, not only the large stores, but the small stores as well.

We can see where the larger stores can use airfreight or have the manpower to adjust to the strike conditions, but the small stores take a longer time to learn the new ways to ship their merchandise, and they start back, after goods stop coming to Hawaii, a little slower than the larger stores. So we think the small merchants have a more difficult time than the large stores.

Senator INOUYE. Senator Stevens.

Senator STEVENS. Are your retailers back to a normal inventory level now?

Mr. CHU. I understand from talking to a few of them that they are still below the inventory level. They have not caught up from the last strike.

Senator STEVENS. Does your board have available the figures for loans, the rate of borrowing of members of your Retail Board?

Mr. CHU. No, we do not.

Senator STEVENS. Do you know of anyone who would have those statistics that would tell us that the present situation is that there is more outstanding indebtedness for small business now than there was on July 1 when the original strike started?

Senator INOUYE. Can you do us the favor of checking with our local banks and lending institutions, to give us figures on what Senator Stevens has asked?

Mr. CHU. All right.

Senator STEVENS. The point has been made that your businesses do not have the ability to withstand even a 100-day strike now, because they were weakened by the strike that started on July 1. It would be helpful to see what the relative position is in outstanding loans as of July 1 and January 1, to see whether there was an increase in the amount of outstanding loans.

Mr. CHU. We will gather that information and submit it.

Senator STEVENS. Thank you very much.

Senator INOUYE. Once again, on behalf of the committee I thank you very much for your assistance this afternoon. Please be assured that your statement will be given our very serious consideration.

Thank you, sir.

Mr. CHU. Thank you.

(The statement follows):

STATEMENT OF WELLINGTON CHU, PRESIDENT, RETAIL BOARD CHAMBER OF COMMERCE OF HAWAII

My name is Wellington Chu. I am President of the Retail Board and General Manager of the Ala Moana Center. The Retail Board represents all the major retailers as well as a large segment of the smaller retail outlets on Oahu.

I welcome this opportunity to express the retail viewpoint and shipping interruptions have on our retail industry. This hearing is heartening to our island people, because it reflects the United States Government's concern for the well-being of Hawaii.

The West Coast dock strike, which started July 1 and was temporarily halted by the Taft Hartley injunction on October 7, dramatically illustrated Hawaii's dependence upon uninterrupted shipping. The strike was particularly serious for many retailers and for those who depend upon them to secure the necessities of daily living.

The retail industry is the largest employer, other than government. It creates more new jobs than any other industry and it is the largest gross income tax producer for the State, generating 44% of the total State gross income tax revenues. Annual retail sales for the State exceed two billion dollars.

When we talk about retailing, we mean only those businesses that sell commodities direct to the consumer. We are not including the activities of restaurants, hotels and other service industries, although in some respects they come under the classification of retailing.

Hawaii's geographical position requires merchandising methods that are of an unique nature. As an island state, completely separated by 2400 miles of ocean from the rest of the U.S.A., its dependency on waterborne shipping is enormous. Other states have alternate transportation systems—rail or truck—and many have the additional choices of river or ocean shipping. But when normal ocean shipping is disrupted, Hawaii's only alternative is air freight, which places an added economic burden on Hawaii's people.

No other state in the Union is confronted with the cost of carrying such large inventories. In Hawaii, a normal procedure for a merchant is to anticipate his stock requirements 60 to 120 days in advance on each of the thousands of items in inventory. From the time the order is placed with a supplier on the mainland to the date the merchandise is received in the merchant's warehouse, the average time lapse is 60 to 90 days. In retailing, a high rate of turnover of inventory is a major factor in making a profit. Any interruption of shipping, whether it be a "slow down" or a complete shut down, reduces the rate of turnover and has an immediate effect on Hawaii business. Interference of shipping for the duration of over one month has serious effects on retail sales, operating costs, unemployment and profits. Business begins to feel the full impact of a strike after 90 to 100 days, and at that stage it becomes more serious by the day, with casualties among business firms and employment rapidly increasing.

A comparison of Hawaii with other states on this issue is quite revealing. Mainland stores can receive merchandise in two to seven days by truck or rail from their suppliers, which enables them to carry a smaller inventory and have greater flexibility in stock control. This results in a much smaller warehouse requirement, a decrease in the cost of money that is invested in inventory, and a lower cost of handling inventory. The geographical and transportation advantages enable mainland stores to replace fast moving items in a few days.

Keeping in mind these introductory remarks, it is easily understood why a shipping strike, which may be only an inconvenience to some states, has a serious effect on Hawaii's retailers. We estimate a loss of retail sales on Oahu as a result of the 1971 shipping strike to be in the area of 40 million dollars.

The first six months of 1971, retail sales increased 10.04% over the same period of 1970. We had projected a smaller increase of 8.7% for the last six months of 1971 because of the economic conditions of the nation. 75% of our projected increase was lost during the period July 1 through November 30 of 1971 as a result of the shipping strike. (See "Exhibit A")

Harmful side effects within the retail industry include unemployed personnel, reduction in seasonal work in retail stores for students and others, financial failure of firms, reduced profits and higher consumer prices.

The effects go far beyond the shores of Hawaii. Mainland manufacturers produced merchandise in anticipation of orders from Hawaii which did not materialize, so they were over-stocked and their profits for 1971 were reduced. Some mainland producers experienced a complete loss of perishables that were ready for surface shipment to Hawaii during the period of the strike.

The large retail stores shipped approximately 85% of their inventory by air during July, August and September. The air freight cost on the "all kind rate" cargo is approximately 44% higher than surface freight, and the additional cost had to be absorbed by the retailer after the enactment of the wage-price-rent-freeze on Aug. 15th.

The impression of many on the mainland was that the west coast shipping strike was not seriously affecting Hawaii because adequate food was available and there was no starvation. Although food is of prime importance, the State's economy cannot survive on necessities alone. It must be recognized that the strike had deteriorating effects on the economy of Hawaii to a degree where it impeded the progress of government, business and individuals. It even extended into reduced Federl Government tax revenues and increased Federal unemployment costs. Every person and business in Hawaii has been affected, either directly or indirectly by the strike. Numerous industries across the mainland have also suffered losses as a result of the strike.

Recovery from a shipping strike is long, tedious and costly to the merchant. The regular flow of incoming merchandise has ceased. Stocks are out of balance or depleted, which reduces sales and profits; cargo is backlogged from the coast to consolidation points in the midwest, etc.

Some merchandise consigned to Hawaii's retailer has been on the West Coast docks since September, due to lack of shipping space. Retailers did not receive some of their Christmas merchandise in time for sale in 1971, so their inventories, obsolescence, and warehouse costs are excessive.

Normally, the merchandise is paid for by the retailer when it leaves the supplier. When merchandise is delayed by a strike, the money invested by the merchant has been lying idle.

Merchandise arrives in such large quantities after a strike that the merchants' physical plant and facilities are incapable of processing the shipments without delays and substantial increased costs.

For a healthy economy, Hawaii needs to attract new business, but the past history of recurring shipping and dock strikes is a major factor which is considered by companies contemplating opening a business in Hawaii. The control by one union of the west coast docks, the local docks, and the sugar and pineapple industries, cannot be overlooked by prudent businessmen. Also, there is the threat of a strike by the members of any of the five unions who operate the ships that supply Hawaii.

The retail industry has invested hundreds of millions of dollars in Hawaii and is continuing to invest in new shopping centers, new stores and expansion of existing stores; but when one segment, whether it be employer, labor unions, or government, can arbitrarily take action that strangles the economy and growth of a State of the United States of America, it is time that our elected Congressmen in Washington balance the scale by adopting legislation that is fair alike to business, the consumer and labor. The people of the 50th State should not be forced to live under the constant threat of economic disruption from surface shipping strikes.

The salient points of our testimony can be summarized as follows:

1. Hawaii is particularly vulnerable to shipping interruptions due to its separation from the rest of the United States by 2400 miles of ocean.
2. The recent west coast shipping strike seriously impaired the retail industry, causing a decrease in profits due to less frequent turnover of inventory and increased expenses.
3. The strike increased unemployment, when unemployment was near a record high.
4. It increased prices to the consumer—adding to the inflationary spiral. (80% of the goods consumed in Hawaii is shipped in.)
5. The strike increased the expenses of the State and caused a substantial loss of tax revenue.
6. Recurring shipping interruptions discourage investments and new businesses from opening in Hawaii.
7. Costs to the Federal Government were increased with a corresponding decrease in Federal Government tax revenues.

8. Mainland suppliers suffered decreases in business due to loss of sales to firms in Hawaii—further resulting in losses to State and Federal tax revenue.

For these reasons we endorse the adoption of legislation that will protect Hawaii against repeated interruption of shipping, and respectfully request Congress for prompt action.

EXHIBIT "A"

RETAIL SALES COMPARISONS OF 1970 AND 1971—1ST DISTRICT (OAHU)

	Acutal retail sales January through June	Actual retail sales July through November	Projected [1] retail sales July through November	Actual retail sales July [2]
1971	$867,428,084	$716,035,983	$756,086,954	$130,617,020
1970	788,268,649	695,572,175	695,572,175	155,258,942
Gain or loss	79,159,435	20,463,808	60,514,779	(−24,641,922)
Percent gain or loss	+10	+2	+8.7	−18

[1] Estimated figures on the basis of uninterrupted shipping.
[2] West coast shipping strike started July 1, 1971.

Source: General excise and use tax base (current), State of Hawaii, director of taxation.

Senator INOUYE. Our final witness this afternoon is Mr. Lawrence "Bob" Berger, President and Manager, Station KHVH Radio and TV.

Welcome to the committee, sir.

STATEMENT OF LAWRENCE S. BERGER, PRESIDENT AND MANAGER, KHVH RADIO AND TV

Mr. BERGER. Thank you, Senator.

Gentlemen, my testimony is rather brief.

I have been asked to comment on S. 2836, introduced by Senator Daniel K. Inouye. The intent of the legislation is to free Hawaii from economic hardships caused by labor stoppages in the maritime freight industry.

The bill gives discretionary powers to the Governor of this State, and eliminates any veto by the President of the United States.

The bill in no way attempts to settle the dispute; it only figures a temporary method of continuing the commercial lifeline to Hawaii from the continental United States. The bill even gives our Governor discretionary judgment to evaluate and initiate a priority system when adequate non-struck shipping is not available for all commercial requirements.

I hope the Governor's tastes are coincidental to my own gastronomical needs. I even hope the Governor of this State enjoys the same brands as my family.

I am sure this bill is an honest attempt to eliminate Hawaii's role as a hostage in lengthy dock disputes. But the bill doesn't solve any problems that cause the labor stoppages. It merely says that the state government can find another source of supply during an emergency, and once the labor problem has been finally solved, the State of Hawaii will step out of the ocean freight picture.

What it doesn't say is who will have to pay for the higher costs, both during the strike and after the settlement. Well, the answer is obvious—we, the people of Hawaii. Just last year the Federal Mari-

time Commission granted Matson Freight a 12½ percent increase—not 6¼ each way, but 12½ westbound only—that's Hawaii. That increase found its way neatly into the price structure of our daily lives. Now, once again, regardless of who wins the settlement, the union or management, the financial gains will be passed on as higher consumer costs to the hostage—Hawaii.

I am in favor of keeping the free flow of commerce to the Fiftieth State, but any bill that doesn't consider the final costs to the average consumer in Hawaii is merely using a bandaid where major surgery is needed.

I am hopeful that this committee will investigate and consider the after-effects of a maritime strike on Hawaii, at the same time they consider S. 2836.

Senator INOUYE. Your comments are most helpful, Mr. Berger. I, too, am well aware of the shortcomings of this measure, but as you may know, it was very carefully drafted so that it will go to the Commerce Committee. And in order to achieve this, we had to leave out certain matters, such as cost of labor, the effect of the Taft-Hartley law, because then it would have come within the jurisdiction of the Labor Committee. If we had included other costs, it might have gone further into the Finance Committee, and I was quite concerned that if this happened, all we would have would be several pages of draft legislation, and nothing more.

Your criticisms are all very valid, and may I assure you that all of us on the subcommittee are also quite concerned. We know that after the strike is settled, somebody picks up the tab, and that somebody is the fellow with the pocketbook. We only hope that the pocketbook is sufficiently thick to cover the additional costs.

So once again, may I thank you for assisting us here.

Do you have any proposal you would wish to make as to possible solutions?

Mr. BERGER. Well, one thing I wondered about, why it was not included, was compulsory arbitration in your bill, which could then represent the public as well on the one problem of higher costs.

As you know well enough, in Alaska also, every time a freight increase is passed directly on to the consumer, and this is just one place called "Higher-Price Hawaii."

I think the Government, in these types of monopoly strikes, where big business and big labor are involved, should see that the consumer is represented, and I think compulsory arbitration would be one of the possible ways of representing popular needs.

Senator INOUYE. Compulsory arbitration, Mr. Berger, was considered while this bill was under consideration, but I concluded that in the long run it would be in our interest to have collective bargaining proceed unfettered as much as possible, because history has shown us that agreements imposed upon the parties, and not voluntarily reached, may not be effective agreements.

Second, experience has shown us that compulsory arbitration does not always come out with the honest answer. By that I mean, if I am management and I make a proposal of, say, a 10-cent raise, and you are labor and you come out with a 30-cent demand, it might be easy for the arbitrator to slice it in half. And slicing that in half is not necessarily the correct solution to the problem.

But here again compulsory arbitration was not considered because, if it had been, this bill would have come under the jurisdiction of the Labor Committee.

Mr. BERGER. Well, one question I really have is: In this case, using the West Coast ILWU members, which are approximately 15,000, of which I don't even think half are full time—by their unilateral, just or unjust actions, they take a state of 780,000 people and impose another set of conditions, and there seems to be something out of whack. And I think that somewhere that has to be taken into account. I don't know what type of law that would be, but I think that where the majority are held hostage by a small minority, something has to be done.

Senator INOUYE. The facts of this strike would indicate that to say the least it is unusual.

Number one, very few of the striking workers are going home each weekend with no pay checks.

Mr. BERGER. No, they get other jobs.

Senator INOUYE. Statistics seem to indicate that most of them are working 30-hour weeks.

Mr. BERGER. They are splitting the government loading.

Senator INOUYE. Loading and unloading government cargo.

Secondly, you have a jurisdictional dispute involved, which we have nothing to do with.

Mr. BERGER. Nor does management.

Senator INOUYE. And thirdly, there seems to be an element of an internal struggle for leadership.

Mr. BERGER. That is true.

Senator INOUYE. And so I quite agree with you that something has to be done, and we are hoping that these hearings will come out with that elusive something.

So I thank you very much.

Mr. BERGER. I wish you luck.

Senator INOUYE. Senator Stevens.

Senator STEVENS. I have nothing. Thank you very much.

Senator INOUYE. Thank you.

Tomorrow the subcommittee will resume hearings at 9:00 a.m. At that time we will have, during the morning hours, the Chairman of the Honolulu City Council, the Honorable George Koga; the President of the State Federation of Labor, AFL–CIO, Mr. Walter Kupau; the Executive Secretary-Treasurer of the State Federation of Labor, AFL–CIO, Mr. B. D. "Bud" Kaye; the President of the Teamster's Union and President of the Hotel and Restaurant Workers, Mr. Arthur Rutledge; Mr. Robert McElrath, the Regional Director of the International Longshoremen's and Warehousemen's Union; and the President and Manager of KGMB TV and Radio, Mr. Cecil Heftel.

So until 9 o'clock tomorrow morning, these hearings will stand in recess.

(Whereupon, at 3:40 p.m., the hearing was recessed, to reconvene at 9 a.m., Wednesday, January 19, 1972.)

HAWAIIAN PUBLIC INTEREST PROTECTION ACT OF 1971

WEDNESDAY, JANUARY 19, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
MERCHANT MARINE SUBCOMMITTEE
Honolulu, Hawaii.

The subcommittee met at 9:05 a.m. in the Pacific Ballroom, Ilikai Hotel, Hon. Daniel K. Inouye presiding.

Present: Senators Inouye and Stevens.

Senator INOUYE. The hearing will come to order. We will resume our hearings with the first witness, the Honorable George Koga, chairman of the City Council of the City and County of Honolulu. Welcome to the committee, Mr. Koga.

STATEMENT OF HON. GEORGE KOGA, CHAIRMAN, COUNCIL OF THE CITY AND COUNTY OF HONOLULU

Mr. KOGA. Thank you very much, Mr. Chairman and Senator Stevens.

First, Mr. Chairman, I would like to express my personal deep appreciation to you and to Senator Stevens for taking time off from your most busy schedule to come out to Hawaii to hold this most important hearing to all of us here in this island State.

The people of the city and county of Honolulu, which comprises the entire Island of Oahu, constituting over 80 percent of the State of Hawaii, through its duly elected representatives, who are the members of the City Council of the City and County of Honolulu, have spoken out officially on the matter before this committee, when the Council unanimously adopted a resolution on December 9, 1971.

Mr. Chairman, with your permission I would like to place it in the records of this congressional hearing.

Senator INOUYE. Without objection, so ordered.

(The resolution follows:)

RESOLUTION

The Council of the City and County of Honolulu endorses the concepts contained in the Hawaii Public Interest Protection Act proposed in the Congress of the United States of America by Senator Daniel K. Inouye.

Shipping is the lifeline of the people of Hawaii, and our total welfare should not be jeopardized because of disputes between labor and management in the shipping industry.

We look to the members of Congress to provide the necessary legislation to protect us from the devastating effects of a prolonged shipping strike.

GEORGE KOGA,
Councilman.

Adopted December 7, 1971, Honolulu, Hawaii.

Mr. KOGA. Mr. Chairman, at yesterday's hearing, many speakers brought out, I believe very vividly, the devastating effect of a long-lasting shipping strike we had, on the lives of all the citizens of the State of Hawaii.

Mr. Hitch, I believe, one of our more prominent and eminent economists, brought out this point I believe very effectively yesterday.

Mr. Chairman, I read and re-read S. 2836, and also your explanatory statement thereon, and I can truly say that I can hardly find fault with any provisions of the bill.

I believe the heart of the matter, and the reason I feel this bill or some reasonable facsimile thereof should be enacted as soon as possible by the Congress of the United States, was set forth more eloquently by you, Mr. Chairman, when you stated—and I would like to quote:

> The enactment of S. 2836 would accomplish two paramount objectives:
> First, by providing for timely resumption of maritime interstate commerce between Hawaii and the West Coast, it would assure that the general public of Hawaii would never again become the innocent parties and helpless victims of maritime and longshore strike disputes.
> Second

And Mr. Chairman, I believe this is a major and most important feature of the bill.

> By not imposing a final settlement upon and by not forcing a resumption of operations by the direct parties to the strike or dispute, this bill would allow and encourage the collective bargaining process to continue unhampered. It would increase the motivation for settlement by both parties. Under the bill it would not be necessary to impose the Taft-Hartley injunction upon unwilling labor and management negotiators.

Mr. Chairman, I understand that several other bills have been introduced in the Congress of the United States covering the same subject matter, and I confess I have not had the opportunity to read any of these other bills, but if there are features in these bills that would enhance or make better some of the features set forth in S. 2836, I, for one, would support amendment of the bill to incorporate some of the other features which may enhance the objectives which we are all trying to accomplish.

I am ready for questions, Mr. Chairman, by members of the Committee.

Senator INOUYE. Thank you, Mr. Koga. You have been very helpful this morning.

I gathered from your statement that you do not believe that this measure is a strike-breaking measure.

Mr. KOGA. Oh, absolutely not. And if there are ways in which we can strengthen the collective bargaining aspect of this bill—and I think this bill does that, as you have explained in your statement——

Senator INOUYE. And you don't think that this would deny members of the union their right to bargain collectively?

Mr. KOGA. As I read the bill, Mr. Chairman, I do not believe that that is a feature of the bill.

Senator INOUYE. Would this measure give any unfair advantage to any party in the dispute, say management or labor?

Mr. KOGA. As I read the bill, Mr. Chairman, I do not think it helps either. But it does, as I say, encourage the faster resolution of the dispute. I believe there are some features in it which would lend themselves to that end.

Senator INOUYE. I note that this resolution was introduced and considered early in December.

Mr. KOGA. Yes.

Senator INOUYE. Was the feeling of the City Council at that time that the State of Hawaii was in a state of emergency?

Mr. KOGA. There was some feeling of urgency, and it was felt that there was a real emergency situation existing or forthcoming under the present circumstances.

We also adopted another resolution at this time which we did send to the management and to the officials of the ILWU, asking them to do everything they can to continue negotiating and to avoid, if at all possible, any shipping tie-up. And that was passed at the same time that this resolution was passed.

Senator INOUYE. At this stage, without objection, I would like to submit for the record a resolution from the City Council of the City of Alhambra, California, Resolution No. R71–216.

(The resolution follows:)

RESOLUTION No. R71–216

(A resolution of the Alhambra City Council supporting the proposed "Hawaii Public Interest Protection Act of 1971" introduced by the Honorable Daniel K. Inouye, United States Senator from the State of Hawaii.)

The City of Alhambra recognizes that during the recent strikes, lockouts and/or similar labor disputes involving maritime and longshore industries, the people of Hawaii have suffered much more drastic injury and grievous harm than any other Pacific Coast state, and that future threats of West Coast shipping strikes will cause economic strangulation to Hawaii.

Senator Daniel K. Inouye of Hawaii, recognizing his state's unique geographical location and its dependence upon a constant flow of food and the essentials of life from the West Coast by means of surface water transportation, has introduced the "Hawaii Public Interest Protection Act of 1971", which provides as follows:

1. When the State of Hawaii confronts a shipping strike or other labor-management dispute disrupting the free flow of maritime interstate commerce between Hawaii and the West Coast for a period of at least 30 days, then such disruption shall be recognized as automatically constituting an emergency detrimental to the public interest, health, and safety of the people of Hawaii.

2. Commencing 30 days after the major seaports of either Hawaii or of the West Coast are obstructed or closed due to a shipping strike or similar disruption, the Governor of Hawaii would be authorized to request the President of the United States to provide and operate U.S. owned or chartered vessels and seaport facilities in order to assure the earliest possible resumption of the normal flow of maritime interstate commerce both to and from Hawaii.

3. Upon receipt of the request for relief by the Governor of Hawaii, the President would be required to respond promptly by:

A. Chartering vessels from shipping companies not involved in the maritime or longshore dispute. Also, labor personnel who operate these chartered vessels and seaport facilities could not be members of a bargaining unit of a labor union engaged in the strike dispute.

B. Providing military personnel to operate all such vessels and seaport facilities if the President is unable to hire sufficient labor personnel for such purposes.

4. If the President were unable to provide sufficient chartered vessels, then the Governor of Hawaii would be empowered to outline priorities for restocking Hawaii and these priorities would govern the nature of goods transported to and from Hawaii aboard such vessels as can be made available.

Now, therefore, be it resolved by the Alhambra City Council as follows:

Section One: This Council hereby supports the proposed "Hawaii Public Interest Protection Act of 1971", introduced by the Honorable Daniel K. Inouye, United States Senator from the State of Hawaii, as the enactment of such a bill would assure that the general public of Hawaii would never again become the innocent third parties and helpless victims of maritime and longshore strikes and, at the same time, would allow and encourage the collective bargaining process to continue unhampered, thereby increasing the motivation for settlement by both parties.

Section Two: The City Clerk is hereby instructed to forward copies of this resolution to the President of the United States, our Representative in Congress, and to the Secretaries of Commerce and of Labor.

Signed and approved this 21st day of December, 1971.

T. D'ARCY QUINN,
Mayor.

ATTEST:

DOROTHY MCKUSICK,
City Clerk.

I hereby certify that the above and foregoing resolution was duly passed and adopted by the Alhambra City Council at its regular meeting held on the 21st day of December, 1971, by the following vote, to wit:

Ayes: Councilmen Morris, Burke, Townsend, Williams, Quinn.
Noes: None.
Absent: None.

DOROTHY MCKUSICK,
City Clerk.

Senator INOUYE. Senator Stevens.

Senator STEVENS. This resolution was passed unanimously?

Mr. KOGA. It was passed unanimously by all nine members of our city council.

Senator STEVENS. Do you foresee the necessity to have any emergency measures considered by your council as a result of the resumption of the strike?

Mr. KOGA. I really don't know whether we have the jurisdiction to do much. We are the victims, the city and county of Honolulu, because as you know we are creatures of the State, and I believe the State might have certain things that can be done, but I don't know what we really can do. We will just have to suffer the consequences of the strike. I don't know what we really can do.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you very much, Mr. Koga. We appreciate your assistance.

Mr. KOGA. Thank you very much.

Senator INOUYE. Our next witness is Mr. Cecil Heftel, the president and manager of the station KGMB, TV and radio.

Mr. Heftel, welcome to the committee, sir.

STATEMENT OF CECIL HEFTEL, PRESIDENT, PACIFIC BROADCASTING CO., INC.

Mr. HEFTEL. Thank you.

First, I would like to thank the members of the committee for affording me the opportunity to testify before you here today.

Let me express my wholehearted support for S. 2836, introduced by one of your committee members, Senator Dan Inouye, in November of last year. In my opinion, it is an indispensable piece of legislation which is crucial to our future survival as a State.

But rather than belabor the "grave consequences of certain strikes, lockouts, or similar labor disputes involving the maritime and longshore industries," about which you will undoubtedly hear more from witnesses far more qualified than myself, I would like to first pursue a slightly different tack.

By your presence here in Hawaii, you have demonstrated a remarkable consideration for the well-being of a small State, 5,000 miles from our Nation's Capitol. That attitude of consideration, however, is unfortunately rare in Federal bureaucracy, including the Congress.

We have the feeling, all too frequently, that sometimes Washington couldn't care less about a string of islands in the middle of the Pacific with fewer than 1 million inhabitants. As Senator Inouye pointed out in his remarks to the Senate prior to introducing his bill:

> Despite repeated pleas . . . the President belatedly invoked Taft-Hartley for the West Coast points only after the East and Gulf coast ports had also been closed . . . While the general public of Hawaii suffers major and irreparable injury during a West Coast shipping strike, its suffering alone apparently does not qualify as a national emergency worthy of relief under Taft-Hartley or legislation grounded thereon.

That is a pretty bitter pill for us to swallow, to believe that we just aren't big enough or important enough for Washington to give a damn what happens to us. Apparently we have failed to convince the Federal Government of certain unique characteristics of our island State which entitle us to—no, which demand for us—special consideration.

The major difference between Hawaii and all other States is 2,500 miles of blue water between us and the continental United States. When that "highway" is closed, for whatever reason, that's it.

Yes, we can bring things in by air. But at what cost, and in what volume? Hardly enough to sustain an entire State.

Our economy is marginal to start with. We lack an industrial base. Our major sources of income are the military, tourism, sugar, and pineapple. Our cost of living is 20 percent higher than that of the mainland. Most of us don't own our homes; we rent them. And our ability to snap back from the effects of a major strike is nil. Not only are we hurt—and hurt badly—by the strikes, themselves, but also by the threat of more strikes, even after they've ended. When Hawaii is thought of as a pawn in labor-management disputes which happen 2,500 miles away, it is no wonder our future for economic investment is, at best, uncertain.

I am sure you'll be interested in specifics in considering S. 2836. In 1970, when there was no strike and additional revenues came in from political advertising, the television industry in Hawaii still lost over $1,080,000.

Despite its preeminence in the market, KGMB–TV contributed to that loss. Television in Hawaii is not, obviously a lucrative business.

Yet in 1971, during the period from August to November, KGMB–TV alone lost $1,000 per day for each day of the strike. That is $100,000 that we were unable to recoup that can never be recovered.

We along, with so many others, have been made to suffer irreparable loss in a dispute in which we had no interest whatsoever. A dispute which occurred more than 2,500 miles from our shores. It is neither fair nor humane for us to be put in that position.

I've been told that no representative of the major dailies is to testify, so I took the trouble to check with an executive of the Hawaii Newspaper Agency, which controls the advertising for both the Honolulu Advertiser and Honolulu Star-Bulletin. I thought their losses would also be of interest to you.

Dollar amounts are not yet available since the media records have not been released. But according to our source, both newspapers suffered substantial losses during the months of September and October. In September, ad lineage was off 15 percent, in November the loss rose to 18 percent.

It is possible that some of these losses are due to the fact that there was no political advertising this past year, as there was in 1970, with which the lineages are compared to give the percentage drop. But then again, perhaps not. The same sort of situation existed in comparing 1968 and 1969—heavy political advertising in 1968; none in 1969. Yet the lineage in 1969 exceeded that of 1968.

In any case, the major causes of the drop in lineage in 1971 were directly attributable to the strike: cancellations of ads by retailers, including one furniture store which went out of business during the strike, and by national advertisers especially those in the business of selling cars.

Again, there is no way for the Hawaii Newspaper Agency to make up for this lost revenue. But there is a way to prevent the situation from occurring again.

Senator Inouye's bill does not seek to amend Taft-Hartley. Nor does it seek to violate the collective bargaining process. Its sole intent is to protect the people of this State from further injury.

When the lives and well-being of 800,000 people are at stake, I don't think that is an unreasonable demand.

Thank you for your attention. If the members of the subcommittee have any questions, I'll be happy to try and answer them.

Senator INOUYE. Thank you very much, Mr. Heftel.

How did you determine this $1,000 per-day-loss for KGMB–TV?

Mr. HEFTEL. Just revenues that we didn't have and otherwise would have had.

Senator INOUYE. Did the advertisers advise you that they were canceling contracts because of the strike?

Mr. HEFTEL. Oh, yes. In some instances we had advertisers who just placed no fall advertising because they anticipated not having enough merchandise, and in some instances there was no advertising such as toys, which is not a critical commodity, but there is no question that the advertisers were not going to have merchandise in many critical areas, and therefore just didn't advertise.

Senator INOUYE. Some have suggested that the media, press, TV, and radio, have been guilty of creating a crisis atmosphere, not only here but in other parts of the United States.

I realize that this question may not be a fair one because you are a member of that family, but what are your thoughts? Do you think the media has been leaining too heavily and creating the crisis?

Mr. HEFTEL. I think it has been the reverse. We have had innumerable people who would either call, write in to the station, or write anonymously—some would identify themselves—but the great concern was that nobody seemed to care. This was the theme. Do a lot of little people have to get hurt so dramatically that it is obvious the patient has perhaps died, before anyone will do anything.

And Hawaii, as you know better than I, perhaps, is a very proud State, a very proud type of people. And they take a lot of suffering, a lot of economic damage, before they try to rise up and say something.

So, frankly, I think that the crisis was worse than we described it in the media, and I think in fact it was probably played down. I know of merchants who got hurt badly who didn't want to cry out loud, who wanted to just take it quietly.

Senator INOUYE. Senator Stevens.

Senator STEVENS. It is a very interesting statement. I probably should do this off the record, but I bring you greetings from your

relatives, the Glassmans, who I watched the ball game with on Sunday.

Mr. HEFTEL. Thank you.

Senator STEVENS. I wonder about your problem in terms of advertising. This has been one of the great areas of concern in Alaska. I have heard more from news media about the loss of revenues than anyone else, as a matter of fact.

Is there any way that you could relate your loss to the economic situation that exists in the country? Is it created solely by the strike?

Mr. HEFTEL. Solely the strike. We are only talking about economic loss that was attributable to the uncertainty, if not the total lack of merchandise, because of the strike. We are not talking about anything connected with the economy in general—absolutely unrelated. Any attempt to suggest that what was happening in Hawaii this past fall was not really in all or totally due to the strike, or partially was reflecting what was happening in the national economy, is purely fallacious. We are purely talking about what the strike did to us. And you would really have to be here, a part of a business, and see what is happening in terms of dollars of revenue.

In fact, the State is off in '70 about $27 million in revenues. And if anybody thinks that is purely a product of the national economy they are deluding themselves for some reason I don't understand. Thinking people have to know that it was the strike.

And also advertisers aren't my only concern. Investors are a greater concern. People have to invest Mainland dollars for us to grow. They have got to come in with their companies; they have got to invest here. And when they look at what can happen to us from a strike in which we are just cut off, they get scared and back off.

We have to create a better economic base in the State. So I think we have really not done a good enough job of describing the true state of the strike and what the threat of this kind of strike does to us. The threat is almost as bad, almost. Because in that total uncertainty of weeks or months, whatever the case may be, people sit there almost paralyzed. They don't know what to do. We shouldn't be under that kind of a gun; that is the point. There is no reason for it.

Senator STEVENS. We in Alaska are in the shadow of that gun, too.

Mr. HEFTEL. We have something in common that neither of us really enjoys. But there is a highway up through Canada and so on.

Senator STEVENS. Yes.

I appreciate your comments. Thank you very much.

Senator INOUYE. Thank you very much, Mr. Heftel. You have been most helpful, sir.

Our third witness is Mr. Arthur Rutledge, president of the Teamsters Union and president of the Hotel and Restaurant Workers. Welcome to the Committee, Mr. Rutledge.

STATEMENT OF ARTHUR RUTLEDGE, PRESIDENT, TEAMSTERS UNION AND PRESIDENT, HOTEL AND RESTAURANT WORKERS

Mr. RUTLEDGE. Thank you.

Mr. Chairman and Senator Stevens, I am president of Hawaii Teamsters Local 996, and Local 5, Hotel and Restaurant Workers, AFL–CIO. These two separate unions have a total membership of approximately 13,000. Our Hotel and Restaurant membership is

concentrated primarily in the hotels of Waikiki, the Island of Oahu, although we do have some 1,000 members on the neighbor islands. Likewise, most of our Teamster membership is concentrated on Oahu and this membership is involved mostly in trucking and warehousing.

Earlier witnesses have already acquainted you with the effects of the West Coast shipping strike on Hawaii's people and our economy.

First of all, I want this committee to know that I am sure that the majority of the members of our two unions will agree that this bill is necessary for the future well-being of this state and its people. Therefore, I most heartily endorse this bill as a proper one—long overdue.

Despite what some might say, the recent 100-day West Coast strike created real havoc in this state, causing great inconvenience to its people and adding an inflationary burden that probably will never be corrected.

As you may know, Hawaii now has the highest cost of living of any State except Alaska. Last year the cost of living increased here by at least 6 percent, according to the U.S. Department of Labor, and there is no doubt that this increase was due substantially to the dock strike because many of the commodities airlifted here did not come under the Presidential freeze order. Thus, the price increases were passed on to the consumer.

In addition, according to preliminary figures of the Hawaii State Department of Economic Development, the real income of people in this state increased only 9 percent on average last year. This means a 3 percent income gain—a gain that is significantly below the 5.5 percent wage guideline currently in effect.

Ironically, gentlemen, Hawaii's economy has suffered substantially while, in my opinion, the ILWU has been and continues to engage in "moonlighting strikes." ILWU members have continued to work at overtime rates in Canada, to move military cargo from the West Coast, and to move cargo arriving in Hawaii by ship to be flown to the Mainland.

But Hawaii's plight is real and distinct now. While we realize that the right to strike is the only viable economic force for union members, the cruel irony of this situation is that no one in Hawaii was or is on strike. In fact, the ILWU continued to service such cargo as came through by ship during the last 100-day shipping strike. The few ILWU members who might have been laid off collected unemployment compensation. This strike has now been resumed and so Hawaii, in effect, continues to be the whipping boy for a labor-management dispute more than 2,000 miles away while the ILWU in Hawaii is not on strike.

Moreover, this committee and the Congress should be aware that Hawaii business constitutes an insignificant portion of the entire membership of the Pacific Maritime Association Employer Group, which bargains with the West Coast ILWU local unions. It is my understanding that only 12 percent of the PMA voting power is represented by Hawaii interests.

So a key question must be this: If the Hawaii market is not a big part of the PMA's business and the local ILWU in Hawaii is not on strike, why must this island state be made to suffer from a West Coast dispute? Put another way, while granting that labor must have the right to strike as its only meaningful economic force, it

certainly would not have jeopardized the ILWU strike to allow cargo to be loaded for Hawaii and delivered here.

In my opinion, this Senate bill begins to get to the heart of Hawaii's problems in a situation such as we are facing. The reasons for my view include the following:

First, it is not an anti-labor bill. It only tells labor and management to get on with the collective bargaining process but to leave the people of isolated Hawaii out of it. In fact, this bill may provide a boon for the ILWU since it will keep the public out of the dispute while still denying income to management.

Second, it would provide, in effect, a "Berlin Airlift" for Hawaii. This country saved the people of West Berlin in the late 1940s by spending vast funds to supply that beleaguered city, cut off as it was, from road transportation. Why, then, shouldn't citizens of the United States, the people of Hawaii, have the same protection and be given the right to survive? This bill can help to solve the problem very well.

Third, most of us recall that when the United States was faced with a national railroad strike in 1967, President Johnson caused a law to be passed ordering railroad workers back to work and setting up a Mediation Board. His reasons were obvious: a rail strike would seriously jeopardize the health and welfare of the American people. Now a shipping strike jeopardizes the health and welfare of the people of Hawaii who are also Americans. Or maybe we are only second-class citizens because we only have four members in Congress and few electoral votes.

I suppose that one of the key objections in Congress to this bill is that it would give the Governor of Hawaii the right to order, in effect, the President of the United States to assist Hawaii. I am aware, of course, that the Federal Government and its various branches jealously guard their prerogatives. In other words, the Federal Government calls the shots. However, because we are a small State without the political power of some larger states, Hawaii must have the extraordinary protection this bill would provide. I wonder if the Federal Government or Congress would ignore such a crisis in New York or Illinois where there are enough electoral college votes to swing close elections?

Finally, I hope that this committee—and eventually, the Congress—will agree that Hawaii is a captive state. This is most unfair and reminds me of the days here during World War II when we were under martial law. The people of Hawaii objected then to being in such a situation. Today we are being seized and held for ransom. Senate Bill 2836 is a "Lindberg Act" for the people of Hawaii. We are entitled to, and should demand, this protection. We've earned it.

Now, certain segments of labor leadership in Hawaii will oppose my foregoing statements. I emphasize the leadership and not the members. The buffeting that Hawaii takes from West Coast strikes is angering thousands of citizens, including many union members, and time could be running out for labor leadership. It is time for labor leadership to recall that to build a better state and country, we must consider the interests of all the peple, not just our union membership.

If this bill is not passed, the very foundations of unionism in Hawaii could be threatened. No single union can put its own interests above those of the vast majority of the people.

S. 2836 is a step toward putting labor's house in order and will spare the people of Hawaii from being sacrificial lambs in a labor-management dispute.

I urge the passage of this bill.

Thank you.

Senator INOUYE. Thank you very much, Mr. Rutledge.

How long have you been in the labor movement?

Mr. RUTLEDGE. Oh, about 33 years—no, this is '72—going on 34.

Senator INOUYE. And with this background and experience in the labor movement, it is your feeling that this measure is not antiunion?

Mr. RUTLEDGE. No one can show that it is, and if they think that it is, I would like to debate the question with them because nowhere, in all my experience, or have I read—the fact of the matter is, when I first heard of this thing, and knowing the relationship of the ILWU with you, Senator Inouye, Senator Fong, Congresswoman Mink, and Spark Matsunaga, and that everybody is coming to the defense of the people, I can't believe that you would all turn on the ILWU. Because they do claim credit for having elected you.

So it can't be—because your views and those of Senator Fong sometimes differ. Senator Fong was not endorsed by the majority of labor; he was endorsed by the ILWU. He is not an enemy of the ILWU. You are not an enemy of the ILWU. It can't be considered anti-labor because the ILWU holds itself out as an organization that considers the interests of management, too. They have just said publicly that they have assisted management by agreeing to work overtime on Saturdays and Sundays to help plantations that were in distress.

No, I don't think that even the ILWU will consider this anti-labor because it gives them, I might say, a weapon they have never had before, one that I certainly would like to have in representing our people when we are in a dispute. When the government steps in a labor-management dispute and says to labor and management, "You get off in the corner there. You beat your brains out and decide what you want to do," then labor has got management right where they want them if they are smart enough to look at their hole card before they start the fight. That is a good situation to be in. I would love it.

So if management is going to be stopped from making money for the duration of the fight, they are going to think twice. Labor shouldn't get into a fight unless they think they can win, unless there is politics involved or dissension within the union. Then nobody can help them and we are in a situation like we are in now.

So for these reasons, no one could say it is anti-labor. In fact, management might say, "Well, we don't like it." I don't know.

But I would like to see anyone say that it is anti-labor in this situation, I would like to listen to anyone's reasoning.

Now, every union has got the obligation to take care of the community in which it lives, because if it doesn't, and exposes itself as being mean and selfish and "to hell with everybody else," people aren't that stupid. They are going to recognize it. And in this particular community every union man, woman, non-union man and woman, knows what is has done to the cost of living, and every woman who has to shop and goes into a supermarket knows. The supermarket people expected the strike, and I venture to guess that

a few of them raised their price a little bit, and it is still raised, and it is going to continue to be up there.

And there is nothing to be gained by any union leader. And if you look at the issues in the strike, they are all moot. But that is their business. But when a union is told, even by other unions, "You go set your house in order; you are too hot to handle now. Later on we will talk about this affiliation," there is something wrong and we shouldn't be made to suffer for it.

Senator INOUYE. Once again, you do not believe that this bill would in any way jeopardize or hamper the process of collective bargaining?

Mr. RUTLEDGE. They would have more time to bargain and less time to strike. They would be face to face and it doesn't take too long to find out, under those circumstances, who is the stronger.

Senator INOUYE. It is your feeling that this measure, if passed into law, might serve as an incentive to management to conclude and resolve the dispute?

Mr. RUTLEDGE. Oh, definitely. But however, in my opinion, politics being what they are, things moving as slow as they do, I doubt it will be passed. But I hope it is. When it gets there, there will be lots of amendments and so on, but that is your department, Senator.

But it is a step that focuses attention on our position here, and I don't think we have gotten this much attention since Pearl Harbor. And people realize how we are isolated. We got service then.

Senator INOUYE. Did the increase in unemployment affect the members of your union?

Mr. RUTLEDGE. Yes, they did, and strangely they didn't squawk too much about it, because you know how it is. The boys like to have rocking chair money and take it easy. They got their unemployment compensation. And you take the unemployment compensation without taxes and it was pretty near as good as the boys did before the strike when they were working nearly every day.

Senator INOUYE. Senator Stevens.

Senator STEVENS. What impact has the strike had on your own membership?

Mr. RUTLEDGE. Well, most of our members—speaking of the Teamsters side—some have been laid off, and as I said, they have taken the rocking chair money and enjoyed it. When they worked they worked overtime, because there was a lot of cargo coming in by air, and they had to arrange the same schedules.

Now, the people—our members who really felt it were all of our members who went to the grocery store. And the cost of living is high. In our hotels we didn't suffer too much, except in the cost of living. The hotel business is quiet. Of course, I would say this last year has been quiet, and I would say that the strike didn't help it any, but insofar as the hotels, it didn't hurt too much, because most of the tourists come by air.

Senator STEVENS. You have presented a fine statement, Mr. Rutledge. It takes a lot of guts to come up and take on a bill like this as a labor leader.

Have you asked your members of the national level to support this bill?

Mr. RUTLEDGE. I haven't talked to them. We have been way out in the Pacific all by ourselves for years. They have their own problems, and we manage to take care of ours. We do send the per capita, though, regularly. That keeps us in good standing.

Senator STEVENS. You have got some interesting points, in your prepared statement, and if they ever run you out of here, you are welcome up my way.

Mr. RUTLEDGE. I was there in 1926 and I looked it over——

Senator STEVENS. You've been up there already?

Mr. RUTLEDGE. I was up there halibut fishing in 1926, and I liked it there. There is a little island off of Ketchikan, and that was way, way, away from everybody. I had some interesting experiences there.

Senator STEVENS. Very good. I appreciate your statement and your support is going to be very meaningful when this bill gets before the committee, I can tell you that.

Mr. RUTLEDGE. If it looks like it can get anywhere and you think we can be of any help, we would be glad to come over and help you.

Senator STEVENS. Thank you.

Senator INOUYE. Thank you, Mr. Rutledge. We appreciate your statement this morning.

Our next witness is Mr. Walter Kupau, President, Hawaii State Federation of Labor. Welcome to the committee.

STATEMENT OF WALTER KUPAU, PRESIDENT, HAWAII STATE FEDERATION OF LABOR

Mr. KUPAU. Mr. Chairman and members of the subcommittee, my name is Walter H. Kupau and I am president of the Hawaii State Federation of Labor, AFL–CIO.

As a trade unionist and a citizen of Hawaii, I must strongly oppose S. 2836 as a threat to the freedoms of the working men and women of the maritime and longshore trades.

The provisions of S. 2836 not only imperil the free collective bargaining process in the maritime and longshore trades but also threaten to weaken that process for all workers.

The tradition of free collective bargaining has proven to be beneficial to the maintenance of stable and productive labor-management relationships. Government interference in the collective bargaining process has most often proven to be ineffectual and usually harmful to the relationship between labor and management and to a final strike settlement.

Through the provisions of S. 2836, the government will be initiating the most destructive type of interference; they will be providing the scabs to erase any semblance of collective bargaining. In our opinion, any hopes of coming to a speedy and equitable settlement would be eliminated should S. 2836 be enacted and utilized.

The so-called "Hawaii Public Interest Protection Act of 1971" states that the governor can demand that the President provide ships and crews at any time after a shipping stoppage of over 30 days, but that "the Governor need not support his request to the President with any findings of emergency conditions . . .".

This is a terrible broad and dangerous power. Without even having to experience and declare a state of emergency, the government is allowed to interfere with the basic rights of many citizens.

The maritime and longshore unions have long been successful in fighting to protect the public interest, health, and safety of the people of Hawaii. The unionists have done their fighting through the collective bargaining process and have not stooped to fight through undemocratic means.

S. 2836 goes beyond the democratic tradition of these United States, Senator, and seeks to provide an undemocratic stop-gap measure, which will do little to protect the public interest of the people of Hawaii.

How much protection can the government afford when it usurps the power of the people and weakens our basic rights?

How is the public interest being protected when time and time again government interference in labor disputes has proven to be a deterrent to reaching an agreement and when that interference has indeed hurt the public interest?

The Hawaii Public Interest Protection Act authorizes the President to contract ships and crews. It is stated that the "scab crews" will not be enlisted from among those in any collective bargaining unit involved in a dispute. S. 2836 further states that the scab crews shall be paid the prevailing wage rate. However, military personnel may be utilized as crews. It can be assumed that military men will not be paid the prevailing rate.

Does that additional profit also go toward the public interest or does it fall into the hands of strike profiteers?

Is it in the public interest that military personnel be ordered to act as "scabs"? How far will that power go?

Again, we state that our opposition to S. 2836 is firm. We cannot support a measure which threatens to undermine the most important right of every working man and woman—the right to bargain collectively and freely.

I would like to add one more line, Senator. Like the last person who testified here, we also consider you a friend of labor in Hawaii but in this particular case we feel that you may have been grossly misguided.

Thank you.

Senator INOUYE. Thank you very much, Mr. Kupau. I hope that I was not grossly misguided. I am certain you are aware that my intentions were the same as yours. I have always maintained that it is essential in labor-management relations that we keep inviolate the process of collective bargaining.

Now, you speak of this measure as weakening the process of collective bargaining. Can you advise this committee how it weakens the process of collective bargaining.

Mr. KUPAU. I can only reiterate on this, in the last few weeks what the president of the PMA and president of the ILWU, Mr. Harry Bridges, both stated, that if the Taft-Hartley law were not put in effect the strike would have been settled on the west coast.

Senator INOUYE. This bill has no injunction as that provided in the Taft-Hartley law, I think you are aware.

Mr. KUPAU. I think we are talking about Government interference, Senator, whether you call it an injunction or otherwise.

Senator INOUYE. Whenever you speak of interference, it is usually a situation where the Government enjoins the parties to the dispute and forces them, against their will, to go back to work, as they did in this situation where under the threat of contempt proceedings and

fine both management and labor were told in no uncertain terms they had better work full time.

It doesn't provide that in this measure, does it?

Mr. KUPAU. No, but it does infringe on the free collective bargaining rights of the members of that particular union, Senator. The Government should not be in a position to say that "After 30 days we are going to put scabs to take your place and you can stay on strike."

That is what this bill says.

Senator INOUYE. I am not suggesting that this strike is a full strike, if you heard my statement yesterday. As I indicated in my remarks yesterday, I look upon the present situation as half a strike, where you had members of the union unloading foreign ships here, and ships coming in from the wast coast. You also had striking members loading and unloading military cargo. They were loading and unloading cargo in Canada. So it wasn't a full strike.

How long should a full strike continue before an emergency exists in the State of Hawaii?

Mr. KUPAU. I think the Governor has handled, during the last 100-day strike, the situation very nicely. I don't think a state of emergency existed in the 100-day strike we had.

Senator INOUYE. I am talking about a full strike.

Mr. KUPAU. I don't know how long a full strike should last, but I would say a strike should last until a settlement between labor and management has been reached, or when both parties request intervention, Government intervention—both parties.

Senator INOUYE. In other words, there should be absolutely no interference——

Mr. KUPAU. Yes, sir.

Senator INOUYE (continuing). Until the strike is settled.

Mr. KUPAU. Yes, sir.

Senator INOUYE. Even if it goes on for, say, 199 days?

Mr. KUPAU. There may be some emergency existing at that time and something may come up.

Senator INOUYE. What should we do then?

Mr. KUPAU. I am saying, Senator, that the strike should not be interfered with, and I think that continual interference and hearings of this type at this particular time and place does not help the negotiators at the table in San Francisco.

Senator INOUYE. I have been taught, as a young man in school, and as one who has followed the labor movement, that interference in a strike situation comes about when the government acts to the advantage of one or the other of the parties. In other words, I would say that it would be gross interference with a strike situation if the government chartered the ships owned by the disputing parties.

As you may be aware, I opposed the Dock Seizure Act.

Mr. KUPAU. I am aware of that.

Senator INOUYE. And I was successful as the leader in the House to repeal that measure. It did not pass the Senate, unfortunately. Because I felt that this was unfair to labor. It provided that workers go back to work but management made profits. Isn't that correct, under the Dock Seizure Act?

Mr. KUPAU. That is correct.

Senator INOUYE. Under this, none of the ships owned by the disputant parties would be utilized so there are no profits involved. Then

where is the advantage given to management in this case, thereby interfering with collective bargaining?

Mr. KUPAU. Who would operate ships? What people would man them? This is not spelled out. If the government would place——

Senator INOUYE. No, if you read the bill, the bill says very simply that those men and women who will man the ships, load and unload the ships, will be those men and women who are not members of the bargaining unit on strike.

Mr. KUPAU. I read that. What union would man those ships?

Senator INOUYE. If no union members are available to man these ships, then the bill provides, if necessary, military personnel be utilized.

Mr. KUPAU. And would the military be paid prevailing rates?

Senator INOUYE. They would be paid what the law allowed them and the profit, if any, will go into the Treasury of the United States and do you object to that, sir?

Mr. KUPAU. That remains to be seen, Senator.

Senator INOUYE. If the profits under that operation had gone to management, I would be sitting there joining you in opposition to this measure. But this measure does not provide that, I am certain you will agree.

Mr. KUPAU. It remains to be seen, Senator. You know, we had a bunch of people screaming about shortages of so and so in the last 100-day strike but they failed to take a look at some of the warehouses that had the things they were screaming for and kept them there until the strike was over so the prices could be jacked up.

Senator INOUYE. Did you expose these people?

Mr. KUPAU. We found out too late.

Senator INOUYE. Why don't you expose them now?

Mr. KUPAU. We'll wait. I don't think it is for us to expose at this particular time, Senator. There is a time and place for anything.

Senator INOUYE. I think anyone who takes advantgage of a strike situation to profit at the expense of the people should be exposed.

Mr. KUPAU. I believe so, too, Senator, but there is a time and a place for everything.

Senator INOUYE. I would hope at the proper time you will expose them.

Mr. KUPAU. We surely will.

Senator INOUYE. I am certain you are aware that there are many laws in our books based upon Congressional findings of fact, and that this is one of those measures, just as recently we passed a measure which I believe your organization supported, the Water Quality Control Act. This is the pollution act, where the Congress finds that pollution is bad.

This measure is based upon a possibility that if the Congress finds that an emergency does exist in Hawaii, then the Governor may act without initiating his own studies. So you are objecting to the fact that the Governor need not prove emergency. We have ample precedents for such activities.

Mr. KUPAU. Who knows if an emergency exists? You know there are people on the West Coast who thought we were starving over here. My wife's uncle was sending me cases of tuna from the Far East because he thought we were starving. Who knows more about it, the Governor or the Congress?

Senator INOUYE. If the Governor doesn't want——

Mr. KUPAU. We have a Governor who understands the situation and keeps a cool head, but in 1974 we may not have the same type of person, you understand.

Senator INOUYE. There is a strong possibility.

Mr. KUPAU. Strong possibility.

Senator INOUYE. But there are also people who vote for him. Wouldn't you think if the Governor acts wrong the people will respond?

Mr. KUPAU. Let me say this, that there are approximately 100,000 union members and using a 1.3 figure, we are talking about 130,000 residents, which makes up more than the majority of the population of this State.

Senator INOUYE. And?

Mr. KUPAU. Well, that should answer our question as far as the Governor of the State.

Senator INOUYE. So it is your view that this measure is anti-labor and it interferes with the process of collective bargaining?

Mr. KUPAU. Yes, sir.

Senator INOUYE. I would hope that your organization, if it so wishes, would submit to the committee suggested legislation which you feel might serve to protect the interests of Hawaii in case of a real emergency full strike, which is a possibility, as you indicated.

Mr. KUPAU. It is a possibility.

Senator INOUYE. I would like to get some assistance from the organization as to what type of legislation might serve the interests of Hawaii.

Mr. KUPAU. You won't have any as long as I am president of the State AFL–CIO. As far as I am concerned, every 10 years or so there has been anti-labor legislation introduced in the Congress and it started from '47 and '59 and now we are back around the Sixties, 10, 12 years. The election of President Nixon and wage-price freezes and now a bill to interfere with our rights as union people to bargain collectively—it follows the pattern or the history, Senator, that anti-labor legislation comes every 10 or 12 years. It just so happens that this one came from you, sir.

Senator INOUYE. Thank you, sir.

Senator Stevens.

Senator STEVENS. I feel like this is sort of a family dispute that I ought to stay out of.

Senator INOUYE. Be my guest.

Senator STEVENS. Let me ask you this question.

You have a union that involves 10,000 people, roughly, and a management. Of course, this involves this present situation that has a jurisdictional strike, too. But assuming you have a 10,000-man union and a management just absolutely at loggerheads that would be involved in a critical area—it could be others than the ILWU—is there any point in time, in your opinion, where the government should step in to protect the public interest in terms of Hawaii, Alaska, and the off-shore areas, which would be absolutely shut off by this?

Mr. KUPAU. It is my opinion, Senator, the only time the government or anybody else should step in is when both parties agree for a third party to step in and not any sooner or not under any other conditions.

Senator STEVENS. Let me give you an example of how its possible to get away from this dock strike situation.

We have a state that is about 60 percent served by air transportation—only air. You can't get there any other way. There are no roads; they are not on the ocean. There is no surface transportation; there is no transportation other than air. At one time we had a strike of the people who were taking tickets, you know—I forget what union it was, but they struck and would no longer man the counters of the airlines. Now, that absolutely shut off a portion of our State.

Now, would you agree that there comes a time when government has to do something about just John Q Citizen out there in the interior of Alaska who doesn't have any food, doesn't have any fuel, doesn't have any way to exist unless something is done?

Mr. KUPAU. Senator, I believe that the only time the government or any third party should step in is when both parties agree to a third person.

Senator STEVENS. But you see, you are talking about stepping into a dispute. We are not stepping into a dispute in this case. We are trying to help the people who are victims of the dispute. I wish you would address that.

Mr. KUPAU. Let me just say this, though, Senator, the victims of the longshore strike—the main victims, the people who really strike are the people carrying the picket signs. They never had any strike benefits. They had car payments and home payments. They are the people who really suffered. Let's take a look at it. Let's be realistic.

Senator STEVENS. As Senator Inouye said, this is only a half-strike. If you have a full dock strike here—and I intend to ask the ILWU why they are not here—whereby everything was struck down, with nothing moving at all, and you were completely isolated, and then you had one other strike involving the airlines, where would Hawaii be?

Mr. KUPAU. I understand the Senator's point, but again I must reiterate our position that we feel the Government should not step in unless both parties request intervention.

Senator STEVENS. I understand. I only wish you would understand our point.

Mr. KUPAU. I surely do, sir.

Senator STEVENS. Again, I say we are not stepping into the dispute. We are trying to see what the Government should do to protect the public from the effects of a strike.

Mr. KUPAU. What public has been hurt in Hawaii? Have you heard of anybody starving over here? With the exception of Friskies dog food being out on the shelf and Hurly-Girley curlers——

Senator STEVENS. I will tell you some of the things we heard before we came here.

Mr. KUPAU. I know what you heard. I read them in the neswpaper this morning and last night.

Senator STEVENS. This is before we came here. This is a little write-up we clipped out and brought along.

We will find it. It is a clipping from the Wall Street Journal. It was in September, before the injunction was brought under the Taft-Hartley Act: It stated that:

> Small businesses hurt more than large; massive lay-offs expected when the strike began haven't materialized; 2,000 people apply for unemployment compensation because of strike-related lay-offs and estimates have predicted more than 20,000 lay-offs by this time—earlier estimates had predicted more than 20,000.

It then goes on to say:

Air freight expenses pushed prices of many other products to record levels before the freeze went into effect, and such items such as toilet paper, salt, and spaghetti have disappeared from the grocers' shelves. The price freeze itself is being blamed for some of the shortages. For example, observers say there are large amounts of salt stockpiled but the suppliers refuse to move it on the market while the freeze is on. Two weeks ago Governor John Burns asked the President to exempt Hawaii from the price freeze until the situation returned to normal. Meanwhile a ship chartered by the Governor to bring supplies to the islands from Vancouver has been delayed. The ship is expected to go back to Hawaii with a load of rice, dry food, margerine, and animal feed and toilet paper, all of which are in short supply.

I assume from that the Governor must have made a determination there were short supplies before he chartered a boat and sent it.

Mr. KUPAU. I assume he did.

Senator STEVENS. What is the difference between what the Governor did and what Senator Inouye's bill would have the President do? He chartered a boat to get supplies for this island. I haven't heard any criticism of this action.

Mr. KUPAU. We have no guarantee that the same procedures are going to be had. The Governor went out of his way and took someone else's ship and someone else's people and brought in that stuff.

Senator STEVENS. That is what is in this bill.

Mr. KUPAU. It is not guaranteed. Until you pinpoint in that bill what ships and what people you are going to use, let's write it down. Don't leave it open broad. You mean to tell me military men are going to be paid $4 an hour?

Senator STEVENS. No, sir.

Mr. KUPAU. It never happened. And where is the prevailing rates?

Senator STEVENS. In all fairness to you, I don't think you have read the bill. It specifically provides the Governor is the one to set the prices of the transportation and to collect from those who use this transportation. In addition it also specifically says that if there is any surplus, it goes into the Treasury of the United States. No one involved in the strike could be affected one way or the other by this. But John Q. Citizen might be able to get his supplies without having to have the Governor ask the Price Council not to put a price ceiling on Hawaii as he did all over the rest of the United States, because prices had to continue to go up if people were going to get something to eat.

Mr. KUPAU. But Senator, he did say we had supplies in Hawaii, that article.

Senator STEVENS. It did, but it also pointed out graphically the Governor found things were in short supply because he sent for things such as dry cargo, toilet paper, and things I understand are disputed as to whether there is some here in warehouses. I agree with Senator Inouye. I wish you would tell us what information you have about that. I think that would be meaningful as far as this bill is concerned, these warehouses.

Mr. KUPAU. I have nothing more to offer, Senator.

Senator INOUYE. Thank you very much. You have been very helpful.

Our next witness is Mr. B. D. "Bud" Kaye, executive secretary of the State Federation of Labor of the AFL–CIO.

STATEMENT OF B. C. KAYE, EXECUTIVE SECRETARY, HAWAII STATE FEDERATION OF LABOR, AFL–CIO

Mr. KAYE. Thank you.

Mr. Chairman and Senator Stevens, my name is Bud Kaye. I am executive secretary of the Hawaii State Federation of Labor, AFL–CIO, which represents 50,000 working men and women in public and private sectors of employment in the State of Hawaii.

I would like to take this opportunity to express the appreciation of my organization's executive board for affording us the opportunity to present our views with respect to this pending legislation in the area of labor disputes in the transportation field.

I would also like to say at this time I am speaking for the executive board of the State Federation of Labor, composed of eight vice presidents, five from the Island of Oahu, one each from the neighbor island counties, and 16 men and women elected on a new structure from districts set up along the lines of the State's eight senatorial districts.

The Hawaii State Federation of Labor is opposed to S. 2836, and you just heard President Kupau, who is the president of the organization I represent, detail his views and our views on S. 2836 as a threat to the collective bargaining process of not only the maritime and longshore trades, but all working men and women.

My approach to the so-called Hawaii Public Interest Protection Act of 1971 is slightly different and perhaps in my testimony I can respond to some of the questions that came up after Mr. Kupau's prepared testimony.

The people of Hawaii were innocent victims of a labor dispute and work stoppage involving west coast dock workers represented by the International Longshoreman's and Warehouseman's Union and the Pacific Maritime Association.

And gentlemen, I use the word "victims" advisedly. As Mr. Kupau said, we feel that the real victims of the strike were those men on the picket lines.

During that work stoppage, I made three trips to the mainland and there is no way I can adequately describe to you the misinformation I received on the mainland.

I was asked repeatedly what the people of Hawaii were doing for food.

I was asked repeatedly if there was some way for me to carry CARE parcels back to Hawaii with me for starving friends and relatives of my west coast acquaintances.

And this is the truth—someone actually delivered a case of toilet paper to my hotel with a request that I hand-carry it to someone in Honolulu.

My household is comprised of myself, my wife, and two children.

Allow me to assure you, as I did my mainland contacts, that during the entire length of the work stoppage, we were never without food, toilet paper, or any of the other essentials of life.

Granted, there were times when supermarket shelves were sparsely filled with certain items, but I do not recall one instance when we had to go without. And we consider ourselves an average family.

I do recall having to purchase Brand X dog food because the market was sold out of my regular brand, but dog food was available. And my dog didn't go hungry.

So was salt, and rice, and the other necessities which, according to my mainland sources, were completely sold out. They were available.

Many small businessmen suffered during the work stoppage, but despite all the rumors I have yet to find any documentation of irreparable harm suffered as a result of the west coast dock strike. I think a lot of people use this as a very handy excuse. It is an ideal time for them to holler "foul" and go out of business when they had been planning to go out of business anyway.

And it appears that small businessmen placed the lion's share of the blame for the work stoppage on labor, on the ILWU, on the jurisdictional dispute with the Teamsters. At no time have I ever heard these small businessmen indicate that management was at fault for not agreeing to labor's demands. Labor right down the line was the bad guy in this work stoppage. And the ILWU here was not on strike, and yet they were branded in the news media as criminals, as traitors, un-American, as inhuman—and these guys were working. They weren't on strike. This wasn't our strike.

Management, it would seem, would benefit from the passage of the S. 2836, because of the denial of certain rights to the working man.

Now, to the heart of the matter:

Under terms of the Hawaii Public Interest Protection Act the Governor can demand that the President provide ships and scab crews at any time after a shipping stoppage of 30 days. And the Governor is not required to support his request with any findings of emergency conditions.

Perhaps under the present administration in Hawaii, those terms would not create any problems. We are fortunate in having an honest, fair, and impartial Governor, a man who does not panic easily, and who cannot be manipulated,

But what would happen, let us say in 1975, when someone else is Governor?

Early last fall the Mayor of the City and County of Honolulu called a news conference to declare the existence of a state of emergency in Honolulu. Aside from the fact that no emergency did exist, I have yet to find anyone familiar with the city and county charter who was able to show me where the Mayor had such powers I have also been unable to find any community leader, or for that matter anyone in city government who agreed that there was a state of emergency.

Had anything resembling an emergency existed, there is no doubt that Governor Burns would have acted. The fact that he did not act is in itself an indication that the situation was and is under control.

Now, after declaring the so-called state of emergency, the Mayor flew off to meet with the ILWU and PMA, and after failing miserably in San Francisco, he added insult to the injuries he heaped upon his constituents by camping at the front gate of the Western White House—and to what end?

Gentlemen, if S. 2836 were the law of the land and Frank Fasi were Governor of Hawaii, there's no doubt he would have demanded presidential action the first time someone requested a break in longshore negotiations in order to go to the men's room.

The rumors, exaggerations and distortions which became part of our way of life last year should in themselves indicate that S. 2836, in its existing form, is an unrealistic approach to the situation.

The possibility that a political opportunist could utilize S. 2836 to further his own ambitions should in itself indicate that this bill is not only an unrealistic, but also a detrimental approach to the situation.

Any way you look at it, the Hawaii Public Interest Protection Act is not in the public interest.

I would like to expand on one or two things, and perhaps respond to some of the questions that came up when Mr. Kupau was testifying.

We feel that perhaps if the President is empowered to contract for other ships, that there could be a collusion between the shipping associations to forestall a strike so that the association that is supplying the ships and the scab crews could make a profit during an extended strike, and then at a later time, when they are on strike, the first association would get the same benefits. We see this as a threat.

Mr. Kupau covered the area of the scab crews, which of course is a concern to us, and some of the people from the maritime unions had said that the bill would be much more palatable to them if the striking workers could be paid what the scab crews should be getting, rather than perhaps the profit going into the Treasury, because, as I said, we are all in agreement that the victims of the strike are the strikers.

Now, with respect to the ship that came in during the strike from Vancouver, the Governor has an advisory committee headed by Fred Erskine from the Agriculture Department, and they were assessing our supplies. The items that were put on the ship were not necessarily those that we were totally out of, or even in extremely short supply, but items that were getting short in warehouses. And at the point that the ship was contracted for, the Governor had no way of knowing at what point the Taft-Hartley would be invoked, and what I feel he was doing was preparing for the eventuality of a strike that would have lasted more than 100 days and perhaps at that point there would have been some need.

But it was my information that at the time the ship was contracted for, the word "emergency" was not being bandied around as a consideration, and they were looking toward the future.

Senator INOUYE. Are you finished, sir?

Mr. KAYE. Yes.

Senator INOUYE. Thank you very much.

I note in your statement you say that had an emergency existed or any semblance of an emergency, the Governor of Hawaii would have acted. As Senator Stevens has suggested, and as you have alluded to, the State of Hawaii, under the direction of the Governor, did charter a ship.

Now, by this action was he a strike-breaker?

Mr. KAYE. I don't think so. I don't consider it a strikebreaking action as such. I think that the determination to charter the ship was made primarily on the basis of an extended strike, primarily on the basis of the rising in costs due to the air cargo costs.

Senator INOUYE. Isn't that a matter of concern to the people of Hawaii?

Mr. KAYE. Oh, I think it is, Senator, and I cannot question the fact that the people must be fed and must have the necessities of life.

However, our real concern is the area of an emergency, and who will determine emergency situations.

Senator INOUYE. There is a law in the State of Hawaii that authorizes the Governor and his agencies to charter ships; isn't that correct?

Mr. KAYE. After a certain determination, yes.

Senator INOUYE. And you say that in 1975 you may have another Governor and that Governor might make another determination. He may not use the ships or he may use the ships. But the law is there.

And you do not consider the chartering of ships an act of breaking the strike?

Now, who loaded and unloaded these ships and who manned the ships? Were they scabs, also?

Mr. KAYE. The chartered ship was loaded in——

Senator INOUYE. A foreign country.

Mr. KAYE (continuing). A foreign country. And it was unloaded here and I have already said the ILWU was not on strike here.

Senator INOUYE. Were they scabs who unloaded this cargo?

Mr. KAYE. Now, how could they have been? They had an agreement with the PMA, and there has been no strike here.

Senator INOUYE. I realize that. I have said many times that this is half a strike. It is not a full strike, that we have had cargo come in from the Orient, we have had cargo coming in from the East Coast. We are not starving. And in that context, do you feel that the Mainland media somehow influenced the people of Hawaii to go out and start hording things?

Mr. KAYE. I don't think it was the Mainland media as much as it was perhaps not the media here but organizations like the Employers Council, the Chamber of Commerce, who were saber rattling about starvation before the strike—even before July 1 when the strike went into effect.

The concern at that point was, you know, "Let's go out and stock up." The last week in June every supermarket in town was limiting the amount of rice that could be purchased at one time.

Senator INOUYE. There is no question that because of the half-strike and air freight you could conceivably ship in just about anything you wanted. My question is: Is the matter of this increase in the cost of living a matter of concern to us, or should it be a matter of concern?

Mr. KAYE. Of course, it is a matter of concern to us and it should definitely be a matter of concern to us.

Senator INOUYE. Should the matter of unemployment be a matter of concern to us?

Mr. KAYE. Obviously.

Senator INOUYE. And I would like to ask you the question I asked Mr. Kupau: The strike is now in progress. It has been suggested that the Hawaii locals may also go into strike and the East Coast may really go into strike when the Taft-Hartley runs out. When, in this period of time, do you think an emergency will exist here?

Mr. KAYE. I don't feel qualified to answer that question, Senator. Let me perhaps answer it in the context of my testimony, and that is, that our concern is that the emergency findings be clear and be determined fairly and equitably, and not make this an item that somebody can seize upon for political opportunism.

Senator INOUYE. Under this bill the Governor of Hawaii will make the determination whether an emergency exists or not.

Mr. KAYE. Yes, and this is a concern. As I say, right now——

Senator INOUYE. Just as much as the Governor of Hawaii has the power to determine whether he should charter ships?

Mr. KAYE. Not only the Governor of Hawaii—the Governor of Alaska. We don't know what is in the future, and we don't know at what point it may be the 31st day and this man may be sitting back and counting the hours to step in. And obviously, when the ships are moving, the men sitting on opposite sides of the bargaining table are not negotiating with the same degree of intensity as they would be if the ships were not moving.

Senator INOUYE. Well, the ships that will be moving will be like those ships chartered by the Governor, not involved in the strike.

Mr. KAYE. Granted; granted.

Senator INOUYE. What is wrong with that?

Mr. KAYE. But as far as the bargaining table is concerned, the thing you have to remember is the fact that the ships are not moving is a strong consideration at the table.

Senator INOUYE. Under this bill the ships involved in the strike, the ships owned by PMA members, will not be moving.

Mr. KAYE. Right. But ships will be moving.

Senator INOUYE. The ships that will be moving will be like that ship that moved when the Governor chartered that ship.

Mr. KAYE. Senator, if we are sitting at a bargaining table and we say, "Look, we have got to get down to business because the people of Hawaii are hungry; the people of Alaska need fuel oil," it is a little different from sitting there and saying, "Hawaii just got a shipload of rice and Alaska just got some fuel oil, so we can slow down our process." And now I am looking at the process from both sides.

Senator INOUYE. Then are you suggesting that the Governor should not have chartered the ship?

Mr. KAYE. I cannot speak for the Governor——

Senator INOUYE. Well, you have just suggested that if goods come in, negotiators would not be inclined to negotiate seriously. Because I am certain that——

Mr. KAYE. I didn't say seriously. I was talking about intensity.

Senator INOUYE. Or they won't negotiate intensely. I don't know whether this bill will pass; it may not. But let's say it does not pass and we still have this law in the State of Hawaii and you have negotiators facing each other in front of the bargaining table and the Governor of Hawaii, whoever it may be, begins chartering ships that will bring in the rice and toilet paper and dog food. Are you suggesting that the negotiators will say, "Ships are now moving in with cargo so there is no need for intensive collective bargaining"?

Mr. KAYE. I think that this is very possible.

Senator INOUYE. Then you would say the action on the part of the Governor in chartering the ship was breaking the strike?

Mr. KAYE. No; I did not say that. I think we are talking about apples and oranges when we should be talking about apples and apples.

Senator INOUYE. I am trying to use your words, sir.

Mr. KAYE. I am referring to a situation—and I don't know if it occurred during the west coast negotiations, because here we are not party to those negotiations. So I can't answer it.

Senator INOUYE. Don't you think it would be an incentive on the part of management to resolve the strike as soon as possible when it sees cargo that should be in their holds being carried by other holds?

Mr. KAYE. I cannot answer for management. I have not been on that side of the fence. But I can liken the situation to another local issue, the possibility of a teacher's strike, where the State has gone on record saying that "if there is a strike we will keep the school open; we will have scabs, and then we can take our time in negotiating with the striking teachers because the schools are going to be open anyway."

What if that were the attitude if the ships were running, the government-chartered ships were running?

Senator INOUYE. Well, we have a law at the present time which permits the Governor to do exactly that, to charter ships.

Mr. KAYE. Yes.

Senator INOUYE. And that, you think, would take away the intensity in the negotiations?

Mr. KAYE. I think so. I think perhaps if there were another Governor who had perhaps acted more rapidly and there had been several ships instead of just one, that might have put everything in a different frame of reference.

And the fact that both parties had indicated that there would have been a settlement if Taft-Hartley had not been invoked——

Senator INOUYE. Then do you suggest that this bill in Hawaii be repealed because you can't guarantee as to who will be governor? You have suggested that if you had someone else operating under the provisions of the Hawaii chartering act it might not have been in the best interests. Then are you suggesting we repeal that bill, also?

Mr. KAYE. I think that this is a possibility, that the organization may look this way.

Senator INOUYE. Is it your position that the only time government should step in is when both parties request that the government serve as a third party to arbitrate?

Mr. KAYE. Yes. And carrying that a step further, not only the government, but any third party stepping in should be at the request of both parties involved.

Senator INOUYE. Does this bill in any way enjoin labor from striking?

Mr. KAYE. I don't think it enjoins labor from striking. I think that it leaves some question as to the power that labor has at the bargaining table.

Senator INOUYE. Yesterday we had testimony from a professor who is in charge of the Center of Industrial Relations who said that this does not in any way jeopardize or hamper the process of collective bargaining. This bill does not stop a strike, does it?

Mr. KAYE. I don't think it is intended to stop a strike.

Senator INOUYE. It could go on indefinitely.

Mr. KAYE. And then it is no longer a strike.

Senator INOUYE. Then during that time, if management is not permitted to make profits, it is not anti-labor, is it? Or do you think that under this bill management will profit?

Mr. KAYE. I feel management will profit.

Senator INOUYE. How so?

Mr. KAYE. Well, as I stated in the first instance, if the shipping associations stick together, management will profit in the over-all and in the long run, because they are one body.

Senator INOUYE. We usually have disputes based upon economic factors, wages, hours, conditions of work. We have a situation on the West Coast that does not involve just economic issues, as you are well aware. Should the people of Hawaii be required to just sit by under those situations? It is a jurisdiction dispute.

Mr. KAYE. A jurisdictional dispute involving——

Senator INOUYE. It is not where management says, "I am not going to pay you."

Mr. KAYE. A jurisdictional dispute involving two unions who are not affiliated with AFL–CIO, and I cannot comment on the jurisdictional dispute in any respect, and I wouldn't think that you would expect me to.

Senator INOUYE. I don't expect you to say who is right or wrong, no.

Mr. KAYE. From the standpoint of: Should the people of Hawaii stand by, at this juncture, why not? Because they are not being hurt.

Senator INOUYE. We have a situation, as you are well aware, and I bring this up because you have indicated that the real victims are the men on the picket line, you are aware that the average member of the ILWU on the West Coast is working 30 hours a week, loading and unloading military cargo, so he is not starving, see?

Mr. KAYE. That I don't know. I had heard they were getting 2 days' work. I didn't know the 30-hour figure.

Senator INOUYE. Secondly, we have this jurisdictional dispute, to which people here are not a party.

Mr. KAYE. Right.

Senator INOUYE. And under those conditions, should we just sit by?

Mr. KAYE. If we are not being affected, yes, we should sit by.

Senator INOUYE. But didn't the Governor think we were affected? He chartered a ship. He called the President and said, "Please exempt us from the price freeze." Weren't these extraordinary steps on the part of Hawaii?

Mr. KAYE. I think probably the most unfortunate thing here was the fact that the price freeze came at the time that it did. And obviously at that point he had to do something, because there was some increase in prices.

As far as chartering the ship, I think the indication was the determination was made on the basis of not knowing the length of the strike and having no idea at what point Taft-Hartley would be invoked. There were many people who were calling for invoking Taft-Hartley much sooner, as you well know. And there were many people who faulted the Governor for not doing something, and for not involving the State of Hawaii. And the State of Hawaii couldn't be involved

because there was no strike here, and had there been a strike here it might have been entirely different.

Senator INOUYE. You have just touched upon one of the essentials, that no one in Hawaii knew how long the strike would last. We can't guarantee that by legislation.

Mr. Kapau wanted guarantees all the way.

But isn't that fact an important one?

Mr. KAYE. Senator, at this stage, the PMA has said that they will not load military ships because that will, by not allowing the ILWU that two days' work or the 30 hours' work, whatever it is, make them hungry that much quicker and would, by the same token, force Congress' hand for some sort of a legislated settlement.

Now, is this—and let's just forget the war effort for a minute, but is this the proper approach to collective bargaining, to have a hammer like this, of government intervention?

Senator INOUYE. You mean you are talking about this bill?

Mr. KAYE. No, I am talking about the PMA action yesterday, on ships with military cargo.

Senator INOUYE. I think in this dispute labor has a very effective weapon called a strike and I suppose management would like to use whatever weapons they have at their disposal.

Mr. KAYE. Now, by the same token, Congress also has several weapons at their disposal that are already on the books. Now, do we need more?

Senator INOUYE. What weapons do we have?

Mr. KAYE. Congress settled the rail strike.

Senator INOUYE. That was government intervention?

Mr. KAYE. Yes.

Senator INOUYE. So there is good government intervention, not all bad?

Mr. KAYE. I didn't say that all government intervention was bad. There is talk about government intervention—

Senator INOUYE. As you know, under the Congressional act, if we forced the workers to go back to work, that would be against the very essence of collective bargaining; don't you think so?

Mr. KAYE. That is right. And what I am getting at is: Why does government need an additional tool in this bill? Because, as pure as this bill may be in this form—and many people will sit there and testify in favor of this bill—how do we know what is going to happen when the bill finally comes out, with all the changes, and if it is enacted, how it will be amended? And a lot of people who sit at this table may be buying a pig in a poke.

Senator INOUYE. No one knows what will happen. I don't know what will happen in the very end. It may be amended. The final bill that becomes law may not resemble this at all. But under our system it is the will of the people, isn't it, for good or bad?

Mr. KAYE. And the testimony I gave you today was testimony that I was directed to give by 24 people who represent 50,000 working men and women.

Senator INOUYE. Well, as you indicated, no one knows what will be the final product but my final question is: As the bill stands, with all its commas and periods and semicolons, how do you stand, sir?

Mr. KAYE. Opposed.

Senator INOUYE. Thank you.

Senator Stevens.

Senator STEVENS. The citizens of Alaska are suffering to the same extent that Hawaii citizens are as a result of the strike. Let me just give you some examples. I would be interested to know if you think this was strikebreaking.

For instance, we with the cooperation of the ILWU took the cargo that was on the docks ready to be loaded on those vessels that were subject to the strike, and re-routed it by truck into the interior of Alaska. Alaska's docks are manned by teamsters, so we distributed from a central point in Alaska, throughout Alaska, over our docks.

Do you think that took the economic pressure off the West Coast to do that?

Mr. KAYE. Off the West Coast? What sort of products were they? Were these essentials?

Senator STEVENS. They were just regular cargo. Seventy-five percent of the cargo destined for Alaska has moved, notwithstanding the strike.

Mr. KAYE. Yes, I think this interfered with the economic aspects of the strike.

Senator STEVENS. I would like to mention one other thing we did. We re-routed most of our ocean-borne freight by hydrotrain, which is loaded strictly by rolling freight cars out onto rail barges and towing them up to Alaska right in the cars. There was never any loading or unloading so it didn't enter into the jurisdictional problem.

Does that take the economic pressure off the West Coast?

Mr. KAYE. Again, if we are talking about normal materials as opposed to emergency materials, I would say yes.

Senator STEVENS. Well, you see the difference that I see in Hawaii, and that is why I am here. The difference is that Hawaii is unique in that it doesn't have alternate means of transportation. When the rail strike occurred, some of my teamster friends told me that they had never made so much money because shippers moved to trucks. And when there has been a trucking strike, they move to rails or to barge or steamship.

I fail to see this necessity for economic pressure on Hawaii in order to settle a strike which you, yourself, say—"wasn't our strike."

Mr. KAYE. Yes.

Senator STEVENS. How could economic pressure on Hawaii have any impact on the settlement on the West Coast when your people aren't even involved in it?

Mr. KAYE. Well, I think that if management in Hawaii, the Big Five, the money people, felt that they had to apply pressure on the PMA because their business was hurting because the ships were not running, because pineapples and sugar were going to waste, and if the people who were running in short supply and having to pay a little extra for air freight applied some pressure, too, then I think that the bargaining process would be intensified. Whereas, if other ships and scab crews were coming in and out and everything was in full supply, and the pineapple and sugar were going to the canneries and the refineries, or the stuff that was canned here was just going out on

the pallets, and the holds of those ships both ways were filled, well, you know, there is no pressure at the table.

Senator STEVENS. But what pressure would you have on the West Coast where they have San Francisco, Los Angeles, and Portland, where they have alternate means of transportation? They are hurting as a result of the strike but they are not really irreparably harmed because the timber industry is moving by rail instead of by boat; the produce people are moving by air or by truck instead of by boat.

As I understand it, Hawaii is the only place that has no alternative means of transportation in the event of a strike like this.

Mr. KAYE. Right, and, Senator——

Senator STEVENS. If we could find some way to build a road between here and San Francisco, and move Teamster-operated trucks loaded with your pineapple one way and move their toilet paper back this way, that wouldn't be strike-breaking, would it? It would be exactly the same thing that exists in every other community that is affected by this strike. Now, how could it possibly be strike-breaking if we find you an alternate means of transportation?

Mr. KAYE. Senator, let me respond to your earlier point. The ships that the PMA sends over here, I don't know what percentage of their business they figure they are getting out of the Hawaiian market.

Senator STEVENS. Seventeen percent.

Mr. KAYE. Going to the Mainland. That 17 percent, I think, is something that is pretty important to them. And I think that if management in Hawaii told them, "get off the dime and settle because we need to get our cargo moving," this would have more effect that if Hawaii management said, you know, "Our cargo is moving. We are not concerned."

Senator STEVENS. Let me put it this way. As I understand it, the ILA docks are not again under strike now. They have pending before the Wage and Price Board an agreement, and the basis for the Taft-Hartley injunction was a national circumstance when the ILA docks came in with the ILWU. There the President had a national strike on his hands and did invoke the Taft-Hartley powers.

If I understand this situation fully, we are back where we were in July, with an ILWU strike on the West Coast, and we do not have a national strike. As a matter of fact, the President has exhausted his powers. Taft-Hartley only gives him one cooling-off period.

But again you are the only place that has no alternative means of transportation. And it would be exactly the same thing in our state if this was an air strike, because there are portions of Alaska, as I have said before, only served by air.

If there is an air strike, we have in the past found ways of using government planes, whether they are National Guard or whether they were military Air Force planes. We have fomd ways of supplying our people in the interior of Alaska when there was an air strike.

We have never viewed that as being strike-breaking, but rather as meeting the necessities of life for those people who were affected by the service that was subject to the strike. We did not help either management or labor. The strike continued. It was finally settled. But we did serve our people.

Now, as I view this bill, the situation is no different from the one I just described. It would be authorizing the President of the United

States in effect to build a road to Hawaii, or finding another way to Hawaii, other than using the means that was subject to the strike.

Despite the fact that I am on my side of the aisle and Senator Inouye is on his side, I have almost solid union support in Alaska. I don't see that this is a strike-breaking bill. And yet your people seem to view it that way.

Mr. KAYE. They do. The national AFL–CIO is of the same opinion. I have had communication from Washington, both from AFL–CIO, the Maritime Trades Council, and copies of both President Kupau's and my testimony went back to them, and I heard from them yesterday and there was no area of criticism as to content.

Now, I cannot speak for them. I can only speak for my organization and at their direction.

Government intervention can be a many-faceted thing, and as Senator Inouye said, he opposed dock seizure. But are we not in a way opening a door that could possibly lead to dock seizure?

Senator STEVENS. I would answer your question this way: The 1967 legislation that seized the railroads in effect, ordered people back to work. In my opinion this was a more extreme measure than this bill. This bill does not interfere with those people who are on strike. It does not order them back to work. It does not order management to put their facilities back to work as their bill did that President Johnson secured from Congress at the time of the rail strike. And if my memory is correct that strike had gone on only two days when he went to Congress for that bill.

All I am saying is that if a bill like this doesn't pass, then I fear that the bill that will pass Congress will be something that does directly interfere with labor and management in terms of the dispute that exists on the West Coast.

Mr. KAYE. You see, Senator, we are talking about the legislation, the power that the Governor of Hawaii has to charter ships. Now, if he has this power—and Senator Inouye asked me if I felt that this law should be repealed, and without getting into that, the law is on the books now. What do we need this for, 2836, in terms of another tool for Federal Government intervention?

Senator STEVENS. Let me answer that now because you are asking a series of questions, too. As I understand that situation, that decision made by the Governor did in effect amount to a finding that there was an emergency that required using his powers. He did send a vessel into a foreign country to be loaded, incidentally by the same people. It was the ILWU people out of Seattle who were up there helping. And I have no argument with that. They needed help up there because American vessels were being loaded in both Canadian ports and Mexico ports at the time of this West Coast strike.

But that finding was no greater than the finding that would be required under this bill.

The difference is that this bill would be a finding by the Governor that his powers under a State law would be inadequate.

I assume that the Governor would not ask the President to exercise these powers if he, under State law, could accomplish the same objective. And as I understand it, that was a Matson liner that was chartered. As a matter of fact, it is my understanding that that was part of the management that was involved in the dispute. That would not be permitted by this bill.

So I would answer your question in this way. It would seem to me that labor people in Hawaii, as the gentleman who preceded you, Mr. Rutledge, said, ought to examine it carefully. If legislation of this type is unacceptable, what the Congress is going to pass will be absolutely unacceptable not only to you but to the labor movement as a whole, as I think Congress is going to be forced to take some action in regard to the West Coast dock strike.

Mr. KAYE. Perhaps, Senator, but let me remind you that Congress still responds to the will of the people, and I think that when you look a piece of anti-labor legislation in this Congress in an election year, we may be in a stronger position than Congress may feel when they are looking at labor legislation.

Senator Stevens. I would agree with you, but this bill is only anti-labor because you have named it so. It is not anti-labor from the point of view of the people who are trying to solve the problem for the mass of people here. We are trying to decide whether we should include Alaska in it. I think actually if we included Alaska, we would destroy the argument. Guam and Samoa and the Trust Territories are in a similar position and the question is: Should we extend another lifeline to the offshore possessions and this State.

It seems to me an alternative means of transportation is all we are seeking, nothing more than the other areas of the Nation that are subject to the dock strike already have.

Mr. KAYE. Perhaps if we did not have State law, my organization might view the bill differently.

Senator STEVENS. I understand that. But what I am saying——

Mr. KAYE. And we have not been in touch with the Governor's office on this, or with the Legislature, and I am sorry to say I did not get a chance to read this morning's paper to get an in-depth review of Dr. Mark's testimony yesterday, but from what I had heard, there was some indication that the State has some doubts with respect to this bill.

Senator STEVENS. I understand that. I will only say—and then I will end, Mr. Kaye—if I represented the ILWU—and I have represented union organizations in my day—I would urge them to support this bill. If the bill passes Hawaii's needs would be met and Hawaii will be the prime reason for any legislation that passes if it does pass, which is in fact anti-labor. This bill is not anti-labor. This bill is not anti-management, either, as I understand it. It is pro-Hawaiian. And therefore, if the one area that has the unique justification for assistance right now is taken out of the argument, I think there would be less likelihood that there will be legislation passed in Congress which affects the dock strike.

Perhaps Mr. McElrath from the ILWU can best respond to that.

Mr. KAYE. Just one comment—and this is not an opinion, but it is an impression that I got over the weekend with respect to a discussion that I overheard. And it alludes to what you have just said.

Somebody referred to this as another step in paternalism toward Hawaii. And I think that we have been for a long time trying to overcome paternalism and I think, Senator, you well know what I mean as far as that is concerned.

This was not, as I say, a comment that was made to me, and it was just something that I had overheard.

We have many, many people who have a paternalistic attitude toward Hawaii. We have many people here who feel that the Federal Government is still paternalistic toward Hawaii.

Senator STEVENS. No one is more sensitive to that than Alaska. If you think the Federal Government is paternalistic to you, you ought to live in Alaska. I don't think it was paternalistic when the Federal Government built the highway to give us alternative means of transportation. Nor do I think it was paternalistic when the ILWU cooperated with me to get the cargo off the docks to hospitals and schools. Some of the cargo was for a hospital. They helped us get that released so it could get to Alaska by alternative means, by hydrotrain and by truck. If I lived here I would find some way to get an alternative means of transportation in here, whether it was to build a railroad two miles long so you could roll off cars from Portland or Seattle or San Francisco or something. I would find some alternative means so that this would not go on.

This bill gives you an alternative means by using other vessels that are not involved in the strike, and other people who are not involved in the strike.

Mr. KAYE. As I say, this wasn't mine, but this was by way of information. But it was mentioned.

Senator STEVENS. Thank you very much.

Mr. KAYE. Thank you.

Senator INOUYE. I have been most intrigued by the dialogue being carried on relating to the will of the people. And it reminded me of the statement made by your president, Mr. Kupaa, who said that periodically, every ten years or so, anti-labor legislation would come to the surface.

I am also concerned about that. You were suggesting that if a measure of this sort passed, you would rely on the Dock Seizure Act. The Dock Seizure Act is the law of the State of Hawaii at the present time and so it could be initiated and put into action.

Secondly, speaking of the will of the people, when the Landrum-Griffin bill was under consideration, the will of the people by a vast majority passed it. The first vote I cast in the Congress of the United States, as a member of the House, in September of 1959, was on the Landrum-Griffin bill. It was rather lonesome. Fifty-one members voted against it. I was one of the 51. And I would hate to be in another position like that where an anti-labor bill is presented to the Senate of the United States.

I do not feel that this measure is anti-labor. Incidentially, I have a letter and a statement from the Maritime Trades Department, from the president, Mr. Paul Hall, who does not say that this is an anti-labor bill. He thinks that this matter should be given some study because of its effect on collective bargaining.

But I would hope that your organization will favor this committee by very seriously considering the problem we face here—not on a half-strike but on a full strike when all alternative routes are closed—no food coming in from the East Coast, none from the Orient, none from the West Coast—and very expensive air freight the only option. I think it would be very helpful if you people can come up with some solution for this problem. And I would be very happy to present that solution of yours to the Congress of the United States.

But I don't think that the solution is to just sit by and wait until the dispute is settled. Because, as you said, there is no guarantee as to when this will be settled.

Mr. KAYE. Senator, I obviously cannot speak for Mr. Kupaa and he told you his feelings. However, I will take your last statement back to my executive board, and if, in their wisdom, they decide to propose something or ask one of your staff to come and speak to them, I will follow through on this all the way.

Senator INOUYE. I think you very much, Mr. Kaye.

Mr. KAYE. Thank you.

Senator INOUYE. I think your discussion has been most helpful on this measure.

At this point, without objection, a statement submitted by Mr. Paul Hall, President of the Maritime Trades Department of the AFL–CIO, will be made part of the record.

(The statement follows:)

STATEMENT OF THE AFL–CIO MARITIME TRADES DEPARTMENT

This statement is in respect to S. 2836 entitled the Hawaii Public Interest Protection Act of 1971 and is submitted in behalf of the AFL–CIO Maritime Trades Department, the constitutional body of the AFL–CIO established to represent American workers in the maritime industry and related fields. The Maritime Trades Department consists of 44 affiliated international unions who collectively represent some eight million workers. These members include workers who reside in the State of Hawaii.

Therefore, we are fully aware of Hawaii's near-total dependence upon ocean-borne transportation for her economic well-being. And we share fully with the Chairman of these hearing, U.S. Senator Daniel K. Inouye, the deep concern he has expressed over the effects of the interruption of shipping services from the mainland to the State of Hawaii. We are also appreciative of the fact that the Chairman has a deep understanding of the philosophy, the objectives, the benefits and the processes of free collective bargaining.

However, as trade unionists, we must oppose S. 2836. As trade unionists, we are completely committed in our opposition to any legislation that impinges on free and unfettered collection bargaining.

Collective bargaining in the United States has always worked best when government has interfered least. Mindful of the problems of Hawaii, and other non-contiguous areas of the United States for that matter, we believe attention should be directed to the role of existing legislation as it influences the character and dimension of labor-management disputes. For example, the labor movement pointed out in 1946 and, as has been demonstrated consistently since, the Taft-Hartley amendments to the National Labor Relations Act have resulted in diminishing the effective play of realistic, free collective bargaining.

This is the area which we believe merits examination before any precipitate action is taken that could deprive the worker of the only last-resort means at his disposal to deal with problems affecting his wages, working conditions and economic security.

The issue before the committee involves fundamental trade union objections to any governmental interference with the collective bargaining process. It would serve to delay the resolution of labor-management disputes and could increase tensions thereby creating an atmosphere in which it would be almost impossible to arrive at a rational solution.

We of the Maritime Trades Department are aware of the unique and urgent problem confronting Hawaii and the other noncontiguous areas of the United States.

Our Department, in concert with other maritime unions and management, is now involved in efforts to stabilize all U. S. Flag maritime service. If successful, this could be of benefit to all parts of the United States.

For these reasons, we must again express our opposition to S. 2836 and respectfully urge the committee to withhold action pending a complete review of the consequences and influence of Taft-Hartley in strike situations.

Senator INOUYE. Our final witness this morning is the Regional Director of the International Longshoremen's and Warehousemen's Union, Mr. Robert McElrath.

Welcome to the committee, Mr. McElrath.

STATEMENT OF ROBERT McELRATH, REGIONAL DIRECTOR, ILWU

Mr. MCELRATH. Mr. Chairman, members of the subcommittee, my name is Robert McElrath. I am Hawaii Regional Director of the ILWU. I am speaking for our approximately 23,000 members who work and live on each of the major islands of our State. We represent the thousands of men and women who cultivate, harvest and process the State's two basic agricultural commodities, sugar and pineapple. We also represent thousands of workers in a multiplicity of industries—including stevedoring, trucking, newspapers, tourism, baking, ranching and many others too numerous to mention here.

I am speaking in opposition to S. 2836. This bill, submitted by Senator Inouye, is part of a whole splay of legislation in Congress designed to frustrate or terminate free collective bargaining.

This bill, the Hawaii Public Interest Protection Act, while using a somewhat more novel approach than others, will have the basic effect of destroying collective bargaining in one section of industry; namely, shipping, with its obvious menace to other areas of organized industry.

It provides for strike-breaking; in this case, government strike-breaking.

Basically, the bill provides that after 30 days of a west coast or Hawaii maritime or longshore strike the Federal Government is to go into the shipping business using either chartered vessels or its own, barring the use of either the workers or the vessels of the companies involved in the strike. The bill has the polish of making it appear that the public interest will be protected while the parties to her dispute are left to fight it out in some other fashion. But a brief analysis will show the fallacy of such an appraisal.

A good part of the shipping coming to or emanating in Hawaii is done by a company which is owned by one of the large sugar agencies.

Incidentally, the president of that agency just walked in. I see Mr. Wilcox in here, of Alexander and Baldwin.

The facilities for the movement of bulk sugar are owned by various agencies. Under the provisions of S. 2836 the government would undertake the movement of these cargoes either on chartered vessels or ships owned by the government. The important point, however, is that the main source of profit for the agency owning the shipping company, namely Matson which supposedly would not be used under S. 2836, is not income derived from shipping but income which comes from production of sugar and many other enterprises in which the various agencies have dominant or sole control. So that, assuming such legislation passes, although we feel confident the Congress will not adopt it, the situation could well develop where the main profits of the people who own the shipping and related facilities here in Hawaii are secured and protected by federal government strike-breaking and the longshore and maritime workers are advised to sit it out—sit it out until the companies really want to resume meaningful collective bargaining.

To call this equal treatment of the two parties to a labor dispute is absolutely false. That is like the equal treatment Anatole France spoke about when he said the rich and poor have equal rights to sleep under the bridge at night. I believe the exact quotation was:

> The law in its majesty allows the rich and the poor to sleep under bridges and it prohibits the rich and the poor from stealing bread.

Sugar and pineapple would move on government-operated or chartered vessels; materials and supplies for these operations and related interests of the same people who own the ships that are being struck, move freely and the same companies with whom the unions are trying to reach agreement go merrily on their way while the workers are starved into submission. In addition, the subcommittee must be aware of the fact that during a strike it is hard to find an employer who misses any meals.

Introduction of this legislation leaves the impression that we in maritime or longshore unions of the Pacific Coast and Hawaii are irresponsible, strike at the drop of a hat, and are inconsiderate of the interests of Hawaii.

Nothing could be further from the truth. True, there was and is a longshore strike on the West Coast. It also happens to be a fact that this is the first longshore strike on the West Coast since 1948, a span of 23 years of uninterrupted longshore labor peace. There has been no longshore strike in Hawaii since 1949—almost 23 years ago.

During the recent strike of West Coast longshoremen, attempts were made to build up the impact of the strike to calamitous proportions here in the islands. In some cases newspapers competed with each other in attempts to find shortages. But the simple truth of the matter is that there was a steady flow of cargo to Hawaii and other than a temporary shortage of toilet tissue and perhaps salt, commodities were in ample supply. We are not saying that no one is hurt during a strike and that there is no economic damage done. We repeat, however, that any unbiased study of the impact of the strike would convince this subcommittee that the so-called harm done Hawaii was minimal.

The people who really take on the basic hardship in the case of a strike are the strikers, themselves. That is the reason that no union enters into a strike lightly. There is a lot of heavy thinking, and a lot of soul-searching before a worker votes to strike. It is no accident that a strike is called only as an instrument of last resort by a union. Most unions pay either no strike benefits or very small ones.

To put them in the same economic ring with the employers as envisioned through S. 2836 and then tell them to play a game of "starve out" is equal treatment indeed.

Another broad and dangerous power provided under S. 2836 would be the right of the Federal Government to step in and start operating the industry with strike-breakers without even a procedure to determine any kind of state of emergency or what would be the impact on the relative positions of the parties to the dispute by such government action. This is an extension of government function and power which the people of Hawaii and Congress of the United States should not consider lightly. The basic casualty will be organized labor and the whole process of free collective bargaining. We in the ILWU are not unmindful of the fact that the collective bargaining process is often

difficult, might stumble around and at times result in strikes. However, this is one of the risks of a free society and free collective bargaining. S. 2836 would burn down the house because once in a while a fuse happens to go out.

Lastly, we would like to make the point that the record of labor in Hawaii amply supports the finding that its work and struggles have been in the public interest. The unions played a major role in breaking the grip of feudalism and in the fight for statehood, the expansion of the Island's economy and the extension of equal political rights to all members of this community. This was done through the process of organization and free collective bargaining—true, not without its difficulties. To use Federal power and Federal legislation to destroy the institution of collective bargaining in one industry with its attendant threat that it will spread to others is not, we submit, in the public interest.

Thank you for the opportunity to appear before you.

Senator INOUYE. Thank you very much, Mr. McElrath.

In your opening remarks, you have argued that one of the shipping companies is under common ownership with the sugar companies here—I presume you are talking about Matson?

MR. MCELRATH. Alexander and Baldwin owns Matson; yes.

Senator INOUYE. (continuing). Anything that passes for shipment to and from Hawaii, even bypassing Matson, would benefit management.

Mr. MCELRATH. Most definitely.

Senator INOUYE. That is your position?

Mr. MCELRATH. Yes.

Senator INOUYE. During this strike has the sugar industry continued?

Mr. MCELRATH. Yes, but it has got a few scars and bruises. Sugar has been grown and processed in the raws, but the refinery at Crockett, where the sugar industry makes its money, was shut down. The Hawaiian farmers, the Big Five, if you will, own the C and H refinery. They do not sell raws in the open market—they sell some but very little. They sell refined sugar.

Senator INOUYE. Did you picket the company, the sugar company, during the strike?

Mr. MCELRATH. On the Mainland, yes. They were picketing the docks back there, the C and H Refinery docks. There were two ships there, I believe, both loaded with sugar and they refused to unload those ships.

Senator INOUYE. But you were not picketing the sugar company?

Mr. MCELRATH. No, but the refinery shut down for lack of sugar. I believe roughly 1600 employees were laid off.

Incidentally, that is the story of the *California*. We made arrangements for the *California* to come here, pick up raw sugar, take it to Vancouver, Canada and rail it down to C and H Refinery. That was a tripartite arrangement—more than that—C and H, the Governor, myself, Alexander and Baldwin, and the union leadership in San Francisco.

Senator INOUYE. Is that strike-breaking?

Mr. MCELRATH. Absolutely not—(laughter)—absolutely not. We have always made arrangements for emergency shipping or

relief shipping or alternative methods as Senator Stevens refers to them. We have always done that in the past and we will continue.

You will recall, yourself, in 1949 the splinter fleet. One of your very good colleagues, Vincent Esposito was one of the owners of the company called Miyamoto, Esposito, and Wilder. We called that fleet that sailed back and forth, the alternative shipping, the splinter fleet. You will also recall management went into court to stop those ships from sailing.

Senator INOUYE. If it is your purpose to pressure the shipping company that is owned by the sugar company, why do you go through the trouble of shipping the sugar through Canada?

Mr. MCELRATH. To help the sugar industry.

Senator INOUYE. Then you were not pressuring them to settle the strike?

Mr. MCELRATH. We thought there was plenty of pressure on them. We thought there was sufficient.

Senator INOUYE. You thought at the same time–

Mr. MCELRATH. We are not going to burn the house down if you don't like the owner.

Senator INOUYE. And you would consider any act on the part of the governor to charter a ship, to load on goods, to and from Hawaii would be strike-breaking?

Mr. MCELRATH. Yes, absolutely.

Senator INOUYE. Even that done by the State of Hawaii?

Mr. MCELRATH. We believe that these things can be worked out between the State and the union. We have worked them out in the past. In 1949 we did it. We worked it out with Governor Stainback. He set up a committee then headed by the Lieutenant Governor—we called him Secretary of Hawaii—I forget his name now. But he was in charge of relief ships that came to the islands. And those ships ran continuously until Acts 1 and 2 of the 1949 Special Session went into effect. That is when Governor Stainback declared the strike was over, shipping was normal. The strike lasted for about 70 days longer, but he then stopped all relief shipments, the Governor, himself.

We have always provided relief shipments, alternative shipping. We will continue to do so. When the *California* went to Vancouver I was working with a pineapple company here to send the *Hawaiian Princess* also to Vancouver with pineapple and the State would bring that back with necessary cargoes. The deal fell through. The pineapple companies decided not to send their pineapple to Vancouver. I don't know the reason.

Senator INOUYE. This bill is not concerned with just longshore strikes, as you are aware.

Mr. MCELRATH. That is right.

Senator INOUYE. It could be the Maritime Union or the Sailors or anything else.

Mr. MCELRATH. Yes.

Senator INOUYE. Would it be correct to say that from 1948 to this date we have had not total labor peace, would it not?

Mr. MCELRATH. I believe there were several strikes of short duration and one rather lengthy. It was a combination strike and lock-out—let's keep the record clear on that. When the firemen refused to man those two new Matson ships built on the East Coast, Matson locked

out the sailors on the rest of their ships. The union refused to operate two. Matson stopped the rest.

Senator INOUYE. This measure also concerns itself with lock-outs, too, doesn't it?

Mr. MCELRATH. Yes.

Senator INOUYE. So it works both ways.

Mr. MCELRATH. Yes.

Senator INOUYE. It would act in the case of a lock-out just as much as it would act in the case of a strike?

Mr. MCELRATH. Uh-huh.

Senator INOUYE. And you think it is wrong to have a measure that would permit the disputants to continue the collective bargaining while goods are being shipped in?

Mr. MCELRATH. It would be no incentive to bargain here. Alexander and Baldwin makes its money from the world's biggest sugar plantation, C and H and Maui.

Senator INOUYE. PMA is not Alexander and Baldwin?

Mr. MCELRATH. But Alexander and Baldwin, through Matson, has a seat at that table, I would say a rather influential position.

Senator INOUYE. How many percent of the votes?

Mr. MCELRATH. I don't know.

Senator INOUYE. Isn't it less than 13 percent?

Mr. MCELRATH. I don't know. I just don't have any idea. Mr. Wilcox could tell you. He is here.

Senator INOUYE. Well, it doesn't control PMA, does it?

Mr. MCELRATH. No. As a matter of fact, I think they are at each other's throats from time to time.

Senator INOUYE. When do you think an emergency would exist in the State of Hawaii in a lock-out or strike?

Mr. MCELRATH. The determination would have to be made as to what is needed. Before this strike began I personally know that Governor Burns set up an emergency committee to watch and inventory all commodities and I received reports from that committee through Fred Erskine, who is the Governor's chairman there.

Senator INOUYE. In the determination of an emergency, should the sole factor be whether the people are starving?

Mr. MCELRATH. No.

Senator INOUYE. Or should the matter of employment, profits, investments, be considered?

Mr. MCELRATH. It is more than just food for people. One of the real shortages that did develop here was cattle feed. And the ship that came in, and several barges that came out of Seattle by the way, the Northland Marine Transportation Company, brought cattle feed in here. I made arrangements with Northland Marine to bring in chlorine for the water at Maui and other islands. We do not chlorinate our water here on Oahu. We made arrangements for soybean oil to come in for the tuna packers so they could pack the tuna pack.

There are many things that transpired during the strike that have not been made public and here is one I think it is about time to make public. Thirty days before that strike was called Harry Bridges and I had coffee with Governor Burns. And Governor Burns requested us to not strike here in Hawaii if we could see our way to it. We recommended to the committee that Hawaii not be struck. That was at the request of Governor Burns.

Senator INOUYE. But Mr. Shole said it was struck.

Mr. MCELRATH. It was not struck.

Senator INOUYE. What are we having now?

Mr. MCELRATH. Hawaii is not on strike now and has not been on strike since 1949.

Senator INOUYE. I am talking about the West Coast.

Mr. MCELRATH. It is a West Coast strike, not Hawaii. Of course, it does affect Hawaii.

Senator INOUYE. I am glad you indicated that.

It may be a strike on the West Coast, but at what level should we be concerned about unemployment?

Mr. MCELRATH. Oh, I am concerned if one person is unemployed. Management's position is that ideal unemployment is 4 percent. That tends to keep supply and demand determining wages rather than the economic power of a trade union. But I am unhappy when anybody is out of work that wants to work.

Senator INOUYE. Let's assume that out of the goodness of your heart we do have emergency shipping coming in during a strike that will bring in clothing and cattle feed and food supplies and toilet tissue, but other so-called non-essentials will not be brought in. Some little thing like automobiles won't be brought in, so you will have a few retailers closing their doors. At least the sales personnel will not be making their monthly checks. You will have some of the retail outfits selling non-essentials which may not be able to do business, and they will be unemployed. Is that a matter of concern?

Mr. MCELRATH. It is a concern. We have 9 out of 10 of the automobile dealers in the States organized and if there are lay-offs they are our people. But sometimes sacrifices have to be made by working people.

None of these people, incidentally, that have been laid off during the strike, to my knowledge would go out and become strike-breakers.

Senator INOUYE. What about the majority of the workers who are not in organized labor, who may not be receiving bountiful wages, and whatever they make is just sufficient to meet their immediate cost, and then suddenly they find that their costs have been increased because of the high costs of air freight? Should that be a matter of concern?

Mr. MCELRATH. History shows the benefits received by organized labor trickle down, if you will, to labor that is not organized.

Senator INOUYE. I am certain that you will agree with me that it is a constant fight, and I have joined this fight, to increase the level of minimum wages because there are thousands of workers here who are just making minimum wage. And in the strike situation, do you think that a person making a minimum wage can get along well?

Mr. MCELRATH. He can't get along well under any situation with the minimum wage we have today. You, in your concerns here in the State Legislature, know that it has always been the ILWU that has caused legislation to be introduced to increase that minimum wage. I used to be twisting your arm up there all the time to get you to increase that vote and I believe you voted very time to increase it.

Senator INOUYE. But we have thousands of people in that category, don't we?

Mr. MCELRATH. Yes, mostly small business.

Senator INOUYE. And will the plight of these people be a matter of concern?

Mr. MCELRATH. Yes, we are sorry, sometimes people get hurt.

Senator INOUYE. We have been advised that the matter of economic health may well depend upon impressions gathered by people, investors and others, impressions which may be totally false. But we have been advised that much of the investment of Hawaii depends upon outside capital, and testimony has been given that with strike situations such as this, some investors—I don't know who or how many—may be inclined to change their minds.

Mr. MCELRATH. Well, over the past few years I have found that basic industry in Hawaii has been exporting capital. They have all become conglomerates. They own properties all over the United States and in foreign countries. I believe A and B's—Castle & Cooke's latest acquisition was Standard Fruit Company. That is the big banana operation. They have just picked up 60 percent of pineapple in the South Pacific. They owned 20 percent up until about a month ago.

Senator INOUYE. Why have they done this?

Mr. MCELRATH. Because they have made their money here and they are investing it elsewhere. It is a fast buck to make—probably very good business.

Senator INOUYE. Please proceed.

Mr. MCELRATH. Every one of the Big Five agencies today is a conglomerate. American Factors is now hotels—a big food chain on the West Coast. C. Brewer, as you know, has been acquired by International Utilities. It is a pretty big company. And C. Brewer is in the hotel industry.

Senator INOUYE. I am well aware that we have been experiencing the outflow of capital, therefore making it imperative that we have an inflow of capital to keep our economy buzzing away as it should. Should that matter be of concern to us?

Mr. MCELRATH. It should, but I don't think the problem is as great as it has been magnified. Alexander and Baldwin recently signed an agreement with an insurance company to develop a project on Maui and we are talking hundreds of millions of dollars. I assume you know the Wylie project. It will be a complete new village, if you will. Money is coming in here.

Senator INOUYE. Do you think with a prolonged strike money will come in?

Mr. MCELRATH. Well, the strike in 1949 lasted 177 days and Hawaii was supposed to be prostrate—of course, it wasn't; that was propaganda. And we weren't irreparably damaged as the saying goes. Hawaii came out of it very well and very fast.

Senator INOUYE. A couple of economists appeared here yesterday disputing that.

Mr. MCELRATH. I would expect Mr. Hitch to. He used to be research director for the Hawaii Employer's Council.

Senator INOUYE. I asked Mr. Kaye this question involving a strike: Usually a strike is based upon some economic issue of condition of work or wage, salary, et cetera. What if the strike is based upon a jurisdictional dispute? We have something of that involved in the West Coast—something that you have nothing to do with. This

is not a Hawaii strike. You are not on strike; the people here are not on strike. There is no economic issue involved in Hawaii that precipitates a strike. It is some argument some San Francisco local has as to who should be loading or unloading trucks.

I don't know how long this will go on. None of us knows. Many of us felt it would be resolved by now. As I indicated in my remarks I had hoped that these hearings would be held after the settlement of the strike because to have hearings of this nature in the midst of a strike is not the best thing to do. You still have the emotions involved.

But you still have one. Taft-Hartley has expired.

When do we act?

Mr. McELRATH. I don't believe there is any substitute for free collective bargaining. Mussolini made the trains run on time, so did Hitler. Those trains ran on time to the front, those that got on past our bombers. They also ran on time to the gas chambers. But I don't think we want to adopt that form of labor control, and it will be if government goes much further than they have already gone.

Senator INOUYE. There has been a statement attributed to you that the strike may now extend to Hawaii.

Mr. McELRATH. It was not attributed to me.

Senator INOUYE. I read something attributed to the ILWU that the strike may now extend to Hawaii.

Mr. McELRATH. It was the bannerline in yesterday's Advertiser. I guess it was a slow news day yesterday, so they bannerlined that.

There is a story in our West Coast paper—it is about 30 column inches, and there is one little line there that the Advertiser grabbed onto and they attributed it to Harry Bridges, but Harry didn't say it. It is not attributed to him in the story. Oh, yes, he did say it:

> Bridges noted that strike action could include Hawaii and even our unions in the BC area.

Senator INOUYE. If this strike goes on 77 days more to equal the 1949 strike, this time a full strike, where you will not unload ships from the Orient or ships from the Gulf of East Coast——

Mr. McELRATH. I said before and I repeat, we will be cooperative with the authorities in making certain that Hawaii survives any strike—any strike.

Senator INOUYE. What do you mean by survival? That is the question I think the committee would like to know. It is very important. That is why I asked in my opening question: Does survival mean just food, grain, chlorine, or does it also mean profits?

Mr. McELRATH. Let's put it this way: We will not destroy the economy.

And I am curious about this crucial situation that apparently existed. Now the newspapers at the beginning of the strike—and I have a synopsis of every story on the strike from the beginning right through the end, right through Taft-Hartley—and it is interesting to know that the Bulletiser, the Sunday issue of the Star-Bulletin and the Advertiser, summarized the strike effects. Let me read it to you:

> Isles sore but not lame in wake of strike. Painful but not crippling. That is the consensus of the West Coast dock strike's impact on Hawaii business as the Taft-Hartley cooling-off period starts. Businesses, both large and small, have weathered the strike better than expected, much better certainly than during the 6-month 1949 dock strike. Early pessimism may have helped. The inspired resourcefulness among local businessmen, the use of air freight . . .

The story notes that employees were adjusted to the use of shorter work weeks and unscheduled vacations and the use of slack periods for taking inventory. And it goes on and says,

> Sugar and pine seem to have been two of the industries hit hardest. If industries are being starved out, bankruptcies don't indicate it. Bankruptcies are at four a month.

Senator INOUYE. Would you like to submit that synopsis for the record?

Mr. MCELRATH. I will be pleased to make copies of it available. It is Pacific Business News, the Honolulu Advertiser, the Honolulu Star-Bulletin, New York Times, Maui News, Wall Street Journal, and so on. We make it a point to keep informed about what is being said about us.

Senator INOUYE. I am intrigued by a statement you made a few minutes ago that in a strike all labor must be willing to suffer a little. And I agree that——

Mr. MCELRATH. I didn't say all must——

Senator INOUYE. Should—should be willing.

Mr. MCELRATH. Labor usually does. There is a camaraderie.

Senator INOUYE. But in this situation here we have half a strike where the unions here are not on strike. They are not involved. And one of the basic issues involved is not an economic one which may enhance the worker's future here. It is a jurisdictional one.

How should that, in the long run, benefit the fellow who works for a funiture store or for a car dealer, for a service station, or in a hotel?

Mr. MCELRATH. Labor has, over the years, been setting up and has set up machinery to resolve jurisdictional disputes. For years it plagued the building trades and the metal trades. Now they have a committee where this is arbitrated. I believe that all labor will eventually resolve the jurisdictional lines.

Senator INOUYE. How long will this take?

Mr. MCELRATH. I don't know.

Senator INOUYE. Can you give us some indication?

Mr. MCELRATH. I can't give you any indication. I wish I knew.

Senator INOUYE. The question is: What would be a reasonable time for the workers of Hawaii to keep a stiff upper lip?

Mr. MCELRATH. Until the battle is won by the workers on strike.

Senator INOUYE. In a jurisdictional dispute?

Mr. MCELRATH. Any strike.

Senator INOUYE. Could you advise this committee as to the current status of the negotiations? I think all of us would like to know—if you are free to do so.

Mr. MCELRATH. Our negotiating committee met last Friday in San Francisco, voted to direct the officers to contact PMA toward the resumption of negotiations. I assume they have been contacted. I do not know.

And right after that I heard about a secret meeting of the PMA where they decided to tell military, "We are not going to handle your cargo any more." They have cooperated extensively with military all during the strike. I talked to Commander McKelvey five times a week all during that strike. He is the coordinator of all military cargo here.

Senator INOUYE. Speaking of military cargo, who loaded and unloaded military cargo?

Mr. McElrath. The ILWU. In Oakland, Calif., at the Army piers, here at Pearl Harbor and the Seatrain operating area.

Senator Inouye. How many hours a week?

Mr. McElrath. How many hours a week? I couldn't tell you.

Senator Inouye. Were they working 30 hours, 35 hours?

Mr. McElrath. They were working less than normally. Our contracts here provide a guarantee and if work falls off by more than 35 percent, the guarantee goes out the window and you go to work on an hourly basis. We have some things here they don't have on the West Coast, 40 hours on the Oahu and 38 hours on the outside islands, guarantee. But when shipping falls off by 35 percent, the curtailment provision goes into effect and they are on an hourly rate. And they were on an hourly rate. However, there is an issue that is before an arbitrator right now. We claim they used the wrong pencil in figuring out their curtailment.

Senator Inouye. Which brings me to my last question. While some of your brothers in the Oakland area were loading and unloading government cargo—so they weren't completely unemployed. According to information received, they were working about an average of 30 hours a week.

Mr. McElrath. I doubt that. They were rotating the work.

Senator Inouye. So they came out to an average of 30.

Mr. McElrath. I doubt it very much. I think the most anyone could work there was two days a week, so that would be 16 hours.

Senator Inouye. So they weren't totally unemployed, were they, in contrast to someone who got unemployed here?

Mr. McElrath. They probably made a little bit less than our people were getting on unemployment compensation here.

Senator Inouye. I agree with you that one unemployed person is a matter of concern, as you have indicated. So while, according to your statistics, your brothers were working two days out of a week, someone as a result of the strike, and because of a jurisdictional dispute he had nothing to do with, goes out of work. Is that a fair situation? Because you are talking about equality in here.

Mr. McElrath. It is one of the casualties of a strike.

Senator Inouye. How long should we tolerate such casualties?

Mr. McElrath. I said until the strike is over and the workers have won.

Senator Inouye. But Dr. Shelly Mark indicated yesterday that 6.4 percent unemployed in the work force is intolerable. Would you agree to that?

Mr. McElrath. I certainly don't like it, and it is a fact, but we have had unemployment of 12 percent in the outside islands. At one time it was 14 percent on Molikai, and we were looking for some—Federal money was available but we couldn't put any Federal contracts on Molikai because all they have over there is pineapple. You recall that 14 percent—I believe it was 1951 or 1952.

Senator Inouye. This is my last question, and if you can answer, it would be very helpful to the committee and I am certain the people of Hawaii would be very interested.

Is the Hawaii local considering joining the strike?

Mr. McElrath. The situation here is this: At the request of Governor Burns, on December 4 we stopped the clock at 11:59. The

extension of the longshore agreement was to have expired at midnight. We stopped the clock at 11:59. The employers agreed with us. And we agreed that even if the clock was started, that there would be no work stoppage without giving him 72 hours notice. The clock has not been started. We have not given the 72 hours. We have not called our longshore committee in from the outside islands in the last three weeks. There has been no discussion.

But let me assure you if our brothers on the West Coast need any help, I, for one, will recommend that we get into the fight with them.

Senator INOUYE. What sort of help would you give?

Mr. MCELRATH. Whatever is necessary.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. Am I to understand, Mr. McElrath, that your agreement has expired here?

Mr. MCELRATH. Yes. Our agreements here have the same expiration date as the West Coast. They expired June 30.

They were due to expire June 30. We extended those agreements for 90 days. And then we re-extended them for 90 days and then we just stopped the clock.

Senator STEVENS. You haven't extended them but you are still abiding by them, both management and labor?

Mr. MCELRATH. Since the agreement hasn't expired, there is still one minute to go. As far as those agreements were concerned, today is December 4 and the time is 11:59.

Senator STEVENS. We used to run our Territorial Legislature like that.

Mr. MCELRATH. We used to run ours that way, too.

Senator INOUYE. And still do.

Senator STEVENS. We can't do that in Alaska any more.

Mr. MCELRATH. Once the Speaker of the House took the pendulum off the clock and put it in the back of his car. When he went to start the clock, he couldn't find the pendulum. Somebody had stolen it.

Senator STEVENS. Your people in Seattle have been most cooperative with Alaska in setting up alternative means of transportation, including the truck movements and, as I have said, the hydrotrain movements to Alaska. It has been incorrectly reported here we have been using military transportation. We have not been using military transportation to Alaska during the strike.

My question to you is: Have there been any attempts to establish alternate means of transportation to Hawaii during the strike?

Mr. MCELRATH. As I say, we will always cooperate with the administration to handle necessary commodities during this strike, or any strike.

Senator STEVENS. You can't handle the hydrotrain type of operation, strictly rail-barge operation here, I understand.

Mr. MCELRATH. The piers are not set up for that. But at one time when we had railroading here, the end of the track was right at the piers. But the track has all been pulled up and your basic pier today is at the opposite end of the railroad station.

Senator STEVENS. You do have containerized equipment handling here, though, don't you?

Mr. MCELRATH. Yes; it is one container to a chassis and it is pulled with a tractor.

Senator STEVENS. I see. But there has been no attempt to—those units are not on strike in the West Coast. The rail operation is not on strike in the West Coast. They were, but they are not now. There has been no attempt to bring that type of transportation in here?

Mr. MCELRATH. Northland Marine out of Seattle brings in a barge a month and did all during the strike. I believe it carries about 6,000 or 7,000 tons of cargo, about half in a container. One came in a week ago and it lost 130 containers overboard.

Senator STEVENS. You mean weather?

Mr. MCELRATH. Very bad seas. The lashing broke, tore a plate, the hull filled with water, and 130 containers just sank—automobiles.

Senator STEVENS. I am probably echoing Senator Inouye a little bit here, but if you do decide to go on strike here, that would become a full strike in the islands. Is there any alternative means of transportation available if the docks go on strike here, other than air?

Mr. MCELRATH. We would certainly sit down with the administration and work out some alternative methods. We did it in 1949, first with the cooperation of the Governor, and then in spite of the Governor, the then Governor, Ingraham Stainback.

Senator STEVENS. You don't have to answer this if you prefer not to, but does your executive council on the West Coast believe that Hawaii is critical to the strike in the sense of public pressure?

Mr. MCELRATH. I don't believe so. It was with their full knowledge and agreement, if you will, that we did not strike Hawaii. I said in answering a question of Senator Inouye that the request not to strike came to me and Harry Bridges personnally in the Governor's kitchen—we were having coffee with him one morning—and we felt it wasn't essential to winning the strike back there, and why go out of our way to unnecessarily bruise the islands economically.

Senator STEVENS. We are just now facing a situation in Alaska where we are losing competing air carriers in one portion of the State. One of the things that we have always tried to insist on is competition between air carriers because of the probability of a strike on just one; in areas served solely by one carrier, a strike by that carrier completely cuts off the area. I wonder if that is the same result here. You really don't have a competing means of surface transportation to the docks?

Mr. MCELRATH. Oh, yes, Seatrain operates here, Matson Navigation Company, Pacific Far East. Matson just sold its passenger ships to Pacific Far East. Seatrain is at least a ship a week, very new, large container ships.

Senator STEVENS. But if you went on strike now none of those could be unloaded, could they?

Mr. MCELRATH. Not without workers.

As I say and I repeat, we will make the arrangements to take care of the necessary commodities that are needed in the islands.

Senator INOUYE. Senator, will you yield?

Senator STEVENS. I have finished. Thank you very much.

Senator INOUYE. Your response to my last question has given me some concern. I asked whether the Hawaii local was contemplating closing the docks on strike and your response was: "If our brothers on the West Coast need our help, we will go on strike."

Am I quoting you correctly?

Mr. McELRATH. No, I said that if it appears that they need our help back there, that I, for one, will recommend to the local longshoremen that they go all out.

Senator INOUYE. On strike?

Mr. McELRATH. Whatever is necessary. I said that I will recommend this—this union here in Hawaii is autonomous and no one presses a button in San Francisco for us to do anything. Nobody tells us what to do.

Senator INOUYE. I find it difficult to understand how a Hawaii strike would benefit West Coast ILWU men.

Mr. McELRATH. Oh, there might be a little more pressure put on the ship owners.

Senator INOUYE. Well, the ships are not sailing now.

Mr. McELRATH. But these people are getting commodities and products, and have been, all during the strike from the East Coast, Canada, South Pacific, the Orient. There is a ship, I understand, coming in very shortly from New Zealand.

Senator INOUYE. Pressuring whom?

Mr. McELRATH. The steamship companies. They have ways of pressuring. I have a little secret memo in my files at the office from Lewers & Cook. It is addressed—it is inter-office memo from the president to the vice president in the San Francisco office:

> Matson has asked us to do a little intelligence for them. A Jap corporation, MEW, is trying to charter the *Barbara Olson* as a relief ship to Hawaii. Please see what you can do to stop it.

This was introduced as evidence in a court case in the splinter case. Lewers & Cook was supposed to stop the MEW from chartering the *Barbara Olson*, owned by the Olson Lumber Company. There are ways of putting pressure on. The biggest customer of the Olson Lumber Company was Lewers & Cook, which is now Boise Cascade.

Senator INOUYE. You feel by closing up Hawaii's docks and thereby putting pressure upon some of those companies that might benefit, it would help your brothers on the West Coast?

Mr. McELRATH. I say if it would, we would do it.

Senator INOUYE. Well, what about those that are not involved in the West Coast in any way, shape, or form? There are many companies. Not all of our concerns here, retailers, wholesalers, warehousemen, what have you, are related to activities on the West Coast.

Mr. McELRATH. Well, I believe that the benefits achieved by a union through collective bargaining, and bargaining from the picket line at times, trickles down to those who are unorganized, and usually when a pattern is set by a large organized group, that pattern is extended to smaller groups.

Senator INOUYE. Even a jurisdictional dispute?

Mr. McELRATH. Even a jurisdictional dispute.

Senator INOUYE. How would that trickle down?

Mr. McELRATH. This is not basically jurisdictional, Senator, and the record shows that.

Senator INOUYE. But it is one of the issues involved?

Mr. McELRATH. Yes.

Senator INOUYE. It is an important one?

Mr. McELRATH. It is an important one.

Senator INOUYE. Has that been resolved?

Mr. MCELRATH. Oh yes, it is important. When the shipowners moved across the street and said, "It is no longer a pier"——

Senator INOUYE. Has it been resolved?

Mr. MCELRATH. No.

Senator INOUYE. So it could be.

Senator STEVENS. Could I interrupt you.

As I understand it, ILA did sign an agreement which is pending before the Price and Wage Board now.

Mr. MCELRATH. Yes.

Senator STEVENS. Was that same agreement offered to the ILWU and rejected?

Mr. MCELRATH. I don't believe so. I am sure it was not because they had that 40-hour guarantee back there. We have been offered 36 hours for A men and 33 hours for B men in the East. In New York and Jersey they get a 40-hour guarantee. I understand that clause in their contract that provides there can't be chiseling where a person gets 40 hours here and then works across the street. I am positive it was not offered to us.

Senator STEVENS. Thank you.

Senator INOUYE. Thank you very much on behalf of the committee, Mr. McElrath. This commentary will be carefully studied by the committee before we take any action upon this measure. Please be assured your statement will be given our serious consideration.

At this point the committee will stand in recess until 1:30 this afternoon.

AFTERNOON SESSION, 1:30 P.M.

The hearing will come to order and we still resume the afternoon session.

We have with us as our first witness Mr. Robert Grunsky, the President of Hawaii Employers Council.

Welcome to the committee, Mr. Grunsky.

Mr. GRUNSKY. Welcome. Aloha.

Senator INOUYE. The same to you, sir.

STATEMENT OF ROBERT R. GRUNSKY, PRESIDENT, HAWAII EMPLOYERS COUNCIL

Mr. GRUNSKY. I am Robert R. Grunsky, president of the Hawaii Employers Council. There are over 600 member companies of the Hawaii Employers Council, large and small, covering almost the entire range of business and industrial activity in the State of Hawaii and the territory of Guam. It is principally through this wide association that our business communities have maintained a sharp focus on industrial relations and labor management practices which promote a sound business climate, encourage economic development and improve the business outlook for the fuutre.

During these hearings, you have already heard from several industry and business leaders who have given you detailed and specific testimony on the impact of the current West Coast dock strike on the economic health of Hawaii. I don't intend to repeat in detail any of that information in my testimony.

Whenever Hawaii has experienced a shipping interruption, there has been a marked effect on construction, employment and unemployment, personal income, retail trade, tourist arrival, price increases, and business failures. I have submitted to your Committee a review of the economic impact of a shipping strike on Hawaii. We prepared this research material back in June of 1969 at the request of the Department of Labor. At that time we were anticipating a possible strike by the seagoing unions and they asked us to do our best to determine what the impact might be and some timetables. The findings in that review were substantiated in the current situation. The review also includes a summary of the economic impact felt by Hawaii in the 1949 and 1952 shipping interruptions. I will summarize briefly here.

Generally, our research in this area brought out the fact that layoffs will start within 15 to 30 days after the start of the strike.

Inventories were quickly depleted in certain items, and we were in short supply in others within 30 to 45 days.

Additional warehouse storage area was required by sugar and pineapple since they could not ship bulk sugar and canned pineapple to the West Coast. It also meant a loss in marketing of these products.

The Consumer Price Index increased.

Retailers, of course, felt the impact in declining sales.

I would now like to direct the main thrust of my remarks to comments on the labor relations aspect of such stoppages and the impact of Senate Bill 2836 on labor relations as I view it.

With the exception of the 177-day strike of the Hawaii dock workers in 1949, all other major interruptions in shipping to Hawaii occurred as a result of a labor dispute outside of Hawaii. No other State in the Nation is so uniquely vulnerable to a shipping tie-up as Hawaii because of its complete dependence on shipping for the importation and exportation of goods. While giant strides have been made in airfreight, the bulky, heavy equipment and supplies cannot be flown in on an economical basis. The tonnage capacity of a single ship per voyage—at least 15,000 tons on a container ship—cannot be matched by the airlines.

I noticed an article in the paper just recently that the United Airlines, our largest freight carrier during the recent strike, carried 21,000 tons into Hawaii during the period July 1 through October 6, and 10,000 tons out. This is about the equivalent of two trips, of a container ship, and we average about five container ships a week to keep us supplied in Hawaii. So you can see that even combining all airlines, it is totally impossible to use airfreight as a substitute for shipping.

It is the combination of circumstances of dependence on shipping for the smooth running of our economy and the occurrence of a labor dispute in which Hawaii is an innocent third party which makes us an extremely interested party to the various bills which have been proposed in Congress to prevent this kind of a shipping interruption.

We have been told by various officials that Hawaii's situation while "unfortunate" does not constitute a threat to the health and welfare of the Nation and therefore does not constitute an emergency under the Taft-Hartley law. Events bear this out in the present situation in that the emergency provisions were not invoked in the West

Coast dock strike until after the East and Gulf Coast longshoremen walked out.

It is apparent, therefore, that if Hawaii itself is to receive any relief, we must look to changes in the present legislation or to new legislation. S. 2836 would specifically help Hawaii, provided it is practical and workable. I would like to make a comment here that I think for the general good of the United States as a whole, it is my personal opinion that S. 560 would probably be the broadest and hit the impact of transportation strikes, which I firmly believe we can no longer afford, in either airlines, railroads, or shipping, from the standpoint of a world market and our position in the world market. And I think we have gone beyond the time when we can continue in these areas. And there may be others.

It is also my considered opinion that at the present time there is very little chance of getting those bills moving, I have been so told, and therefore I say that in the interest of Hawaii, a bill like S. 2836, or something similar, is what we must look to if we are to get any direct relief.

Now, I'd like to address some comments to the areas in the proposed bill which appear to present problems from the practical standpoints.

Availability of ships. Although I do not have specific figures on the number of military cargo vessels available, it is my understanding that the military uses private bottoms for most of its supplies. Articles in today's paper highlight the fact that because of the action of PMA, our military may be hard-pressed to dig up their own ships just to supply their own needs, this highlights one of the problems I see in the proposed legislation.

Also I'd like to point out that in the event of a strike by the offshore unions who man the ships, there would probably be no American vessels which would not be involved in the labor dispute available for charter by the government. It would appear to be necessary if any practical amount of shipping was to be provided to make provision that the Jones Act be temporarily waived in the case of supplying Hawaii so that the government might charter foreign bottoms for the duration of the emergency.

Another avenue which is a possible source would be the use of Army tugs or military tugs to haul barges which would certainly be of help to the construction industry. These barges now supply lumber and other construction material to this vital industry. In my own opinion, it is a possible source of supply that would not necessarily have some of the complications I see in the use of chartered ships. Barges do not have manning problems of ships. The only manning involved is for the tugs themselves. The barges are unmanned; therefore, the impact on the unions is somewhat minimized.

Manning. The problem of loading and unloading these chartered vessels with men other than stevedores, should the stevedoring unions be involved, could present a problem. Much of the equipment today is mechanized and requires skills. I would urge the Committee to take the opportunity to view the Matson or Seatrain operations while they are here—I hope they are still moving material into the local port; I believe they are—to see how mechanized the stevedoring operations have really become.

Timing. While S. 2836 does not go into effect until after 30 days of a work stoppage, in my opinion, it is too long because of the time required to charter the ships, organize the manning for loading and unloading, set up freight billing and handling arrangements. I would guess—I am not in the shipping industry—it would probably be at least 60 days before any practical effect would be felt in Hawaii if the triggering of the law occurred at the end of 30 days. And as previous testimony has pointed out, by that time we are beginning to have serious problems with the economy of Hawaii.

Now, a few brief remarks on the labor relations impact. The thrust of this bill is to isolate the parties, limit the economic warfare—as I refer to it—primarily to the parties involved in the dispute and to minimize the impact on third parties—the public and others who have no direct control over the labor relations problem. Undoubtedly, the unions will oppose this because it would minimize their power, limit the economic impact and therefore reduce their bargaining power. However, I would like to point out that this bill, if passed, would not completely remove the pressures on the parties from outside sources.

Normal shipping supply lines would be broken causing tremendous inventory problems, increasing costs and limiting availability of supply to business and industry in Hawaii during the strike. They would not be at all content with the emergency shipping provisions of S. 2836 and would continue to bring pressure on the companies to settle their dispute.

The companies who hire the stevedores, would be unhappy as their revenue would be diverted to either the Government or foreign bottoms if the Jones Act were waived and they would continue to pressure for settlement.

There would undoubtedly be increased costs from this method of freight handling, and food costs in Hawaii which are dependent on mainland supply would be increased so the public would not be entirely satisfied; but I believe that the main benefit of S. 2836 would be (1) to eliminate any critical shortage that might occur, and (2) it would bring great pressure on the parties involved in the maritime industry in Hawaii to settle their differences without resorting to a strike and this, in my opinion, would be the most beneficial part of the bill. If we could avoid these matters, because of the dislike of both parties to seeing this bill put into effect, it might avoid the problems that we are worried about.

I appreciate the opportunity given me to testify before this committee. Thank you very much.

Senator INOUYE. Thank you very much, Mr. Grunsky. I appreciate your presence this afternoon, and your assistance to the committee.

I would like to ask a few questions relating to your suggestions here.

The matter of availability of ships—as you are aware, the matter of the waiving of the Jones Act provisions were rather thoroughly discussed in yesterday's session.

Mr. GRUNSKY. I read your comments in the paper.

Senator INOUYE. I can assure you that several members of the committee—you see two of them sitting here—have considered this approach, but we felt—at least I felt at the present time, to attach that to this bill would have meant greater difficulty than what we have

encountered to date. But I can assure you that the Jones Act is very current in our thinking.

On the matter of manning, I quite agree with you that this is a very critical problem, because if the men on the docks are on strike, and they have been trained to operate this complicated equipment, it would be very difficult to find replacements.

Now, how would you resolve that problem?

Mr. GRUNSKY. Well, I don't have the answers to that. I can only try to visualize what types of equipment might be coming in if we were to have other bottoms chartered.

The chances, are very slight of getting any of the modern container vessels which would not be directly involved, either with the stevedoring unions or the maritime offshore unions. So we'd probably be dealing primarily with bulk handling equipment, or the handling of barges—possibly cranes and other types of construction type equipment that are utilized. That is also skilled, but I think that the cost of bulk handling, of course, would be greatly increased. And therefore, again, the problem of winch handling—I am not close enough to the industry to tell whether you could train people to do this, running winches on these bulk cargo ships in time to make any safe handling of the cargo. But it's a problem that I see in this bill. I don't have the answers.

Senator INOUYE. I can add another problem to that. Even if we waive the provisions of the Jones Act, I would suppose that ships built with containers, foreign ships, that is, very likely would not be able to handle the containers that we have been using on the West Coast. The sizes may differ.

Mr. GRUNSKY. I think you have some people here who are very close to the shipping industry who can probably delve into that problem and give you much better answers than I can. I am not knowledgeable in that area.

Senator INOUYE. The other matter of timing, you indicated that you would prefer, if at all possible, that the Senate and the Congress consider S. 560, the so-called Administration bill. I believe you said that, didn't you, sir?

Mr. GRUNSKY. Yes. I said that for the long-range benefit of the United States as a whole, I think the Senate and Congress have to come to grips with the impact of transportation strikes generally on our economy, our position in the world markets. It is my personal opinion that we can't afford to allow those industries to shut us down in the future. But I don't think that is a practical solution to the immediate problem of Hawaii.

Senator INOUYE. That measure does not provide for regional emergencies.

Mr. GRUNSKY. No.

Senator INOUYE. Secondly, it is an extension of the Taft-Hartley law, so you will have a strike in progress for x number of days.

Mr. GRUNSKY. Yes.

Senator INOUYE. And that x number of days may well be determined by the findings of a Presidential commission.

It is your feeling that if this measure goes through the 30-day triggering date is too long?

Mr. GRUNSKY. Yes. I feel it is for the reason that I can't believe that any effective relief would be felt until at least 60 days, and by

that time it can be real serious. I mean the timing of chartering the ships, getting them from wherever they are to the west coast, finding the manning—I just can't believe that we can get anything here in Hawaii in less than 60 days. So those who might say this is going to be a quick relief, and interfering with the collective bargaining process too early, I think are not visualizing the practical impact of this.

Senator INOUYE. You indicated in your opening remarks that your organization had prepared a survey in 1969 and would make the results of this survey available to the Committee. We'd be very grateful to receive this.

Mr. GRUNSKY. It has been submitted. I submitted 75 copies to the committee, and you have that. It is a fairly long and lengthy document. So all I did was make a brief summary of the conclusions.

Senator INOUYE. Then without objection that survey will be made part of the record.

Have you made any survey or conducted any studies on the impact of the present dispute?

Mr. GRUNSKY. No, we have not. Those surveys, I believe, have been made by the banks. We, as an organization, did not make any specific survey at this time.

Senator STEVENS. I appreciate your testimony very much and will be happy to look over your survey. Your comments about the strike's impact on transportation are well taken. As an aside, are you familiar with the way they do it in Japan? People who go on strike start wearing an arm band, and as the strike continues, other working unions lend support and start wearing their arm bands. As those arm bands spread throughout the population, the government suddenly realizes that they are liable to mean business. They haven't had a strike since World War II. And the consequence of this is that as the support spreads throughout the working movement, the government steps in and in effect brings about the desired result, or at least moderates the dispute between labor and management.

Mr. GRUNSKY. No, I am not familiar with that, and it sounds a little frightening.

Senator STEVENS. I just want you to know where you are going in terms of the Administration's bill. It has the same impact on management as it does on labor, as far as the disputes are concerned, because the net result has got to be government interference with one side or the other if we are going to prevent strikes.

Mr. GRUNSKY. Well, I can only quote an old friend of mine, the late and great head of the PMA, Paul Venture, of the Maritime Association, who once commented to me that he never could understand why the government controlled every other aspect of the industry except the setting of wages. You remember the Bonner Act, Senator Inouye—that was when the Bonner Act was thoroughly aired and proposed as the solution to the problem of shipping strikes and a full bill was prepared back there and drew tremendous support from all segments of the Hawaiian economy. And that, as I remember it, went through a lot of stages of mediation and everything else but finally wound up with compulsory arbitration. And that is from my memory.

But that was his comment. And at that time when they were endorsing it, he said, "Hell, the government controls everything else we do.

Yet they leave it to us to set the wages and working conditions, which creates all these problems."

He is no longer with us, but he was—

Senator STEVENS. I remember the controversy. I am sure Senator Inouye does, too.

I now have a copy of your study of June '69 and am pleased to look it over. Thank you very much.

Senator INOUYE. Thank you very much, Mr. Grunsky.

Mr. GRUNSKY. Thank you.

(The study follows:)

THE IMPACT OF SHIPPING INTERRUPTIONS ON HAWAII—JUNE 1969

No other state (except Alaska) must depend almost completely on a single mode of transportation—shipping—for movement of its goods and supplies. In the other states, even if a major transportation strike occurs, supplies keep moving by alternate methods of transportation. For example, if railroads are struck, barges, coast-wide shipping and trucks are available.

Any interruption of shipping or a threat of an interruption has impact on Hawaii's economy. Because of the great concern about shipping stoppages over the years, reports and studies have been drawn up to highlight Hawaii's vulnerability to shipping strikes. In reviewing these reports and checking the present situation, we find that:

1. The economic effects of shipping strikes on Hawaii are grave. A review of certain economic indicators during the 1949 and 1952 stoppages shows that consumer's price index increased more than on the mainland, that the volume of retail trade and the volume of building and construction declined and were well below that of the mainland, that unemployment increased during this period, that total personal income declined and that the number of tourists arriving in Hawaii during the strike period was well below the expected numbers.

2. No one will go hungry because of a shipping strike; and the Governor has power to use emergency shipping for critical commodities.

3. Stockpiling as a hedge against maritime strike is not feasible. A special study of stockpiling as an answer to shipping interruptions points out that businessmen in Hawaii already have excessive inventories, many times, one to two months more inventory than is normal business practice on the mainland. It is also impossible to stockpile certain perishable and semiperishable items for too long a period. Therefore, stockpiling is already common practice and further increases in inventory as a hedge is not feasible.

4. Approximately 1.7 million tons of cargo (excluding petroleum) is brought into Hawaii by ship and of this total 87% is brought in on U.S. flag lines. A stoppage involving U.S. ships therefore has great impact. A current review of available air freight cargo space shows that only 1,015 tons can be used for additional cargo per week on all lines—scheduled domestic, military contract and foreign.

It would take a full month's usage of total cargo capacity on all lines to equal the carrying capacity of one ship. Even then, some heavier, bulky items could not be moved by air freight.

5. The current situation seems to be that while certain items will become critically short within a week to two weeks, inventories in general will be adequate for about 30 to 45 days. We find also that this threat of an interruption of shipping coming on the heels of the adverse situation created by the West Coast container boycott earlier this year already has created impact on the Hawaii economy. Also, although a maritime strike may be averted, or be short-lived, the impact created through business community's attempt to hedge against possible stoppage will be reflected in the cost structure.

Details of the various reports and information gathered are contained in the following sections:

I. Economic Effects of Shipping Strikes on Hawaii
II. Emergency Relief Shipments and Stockpiling
III. Surface Cargo Shipments and Cargo Carrying Potential of Airlines Serving Hawaii
IV. Assessment of the Present Situation.

I.

Economic Effects of Shipping Strikes on Hawaii

Over the years, Hawaii has been in the position of having its shipping lines interrupted. The chaotic effects in Hawaii, when its supply lines with the mainland United States are cut, are difficult for a non-resident of Hawaii to visualize, for no similar situation has arisen, or would be allowed to exist on the mainland. A shipping or longshore strike that interrupts transportation between Hawaii and the mainland creates a far greater economic impact on the State than does a "national emergency strike" on the mainland.

The degree of economic impact of a major mainland strike results from the number and extent of specific effects. When a strike is of such porportion and duration as to merit the designation of a national emergency strike, the impact of these specific effects is great. Hawaii's economy is so sensitive to shipping interruptions that the impact is almost immediately felt by every citizen in the State.

The following review was developed by Dr. Thomas K. Hitch for the Chamber of Commerce in 1955 and it outlines some of the economic impact of a shipping strike. Dr. Hitch is Vice President of Economic Research at the First Hawaiian Bank.

STATISTICAL COMPARISONS PROVE EFFECT

The following charts and tables show the magnitude of this generalized impact. They show, for Hawaii and the mainland, the trend in consumer prices, retail trade, unemployment, dollar volume of building and construction and total personal income for 2 periods when Hawaii was cut off from the mainland by strike action: the period May-October, 1949, when a stevedoring strike was in process in Hawaii and the period June-July, 1952, when the Pacific maritime strike was in process. In addition, Hawaii data on number of tourists are shown.

From May to October 1949, consumer prices on the mainland not only did not rise, but actually fell fractionally. Price trends in Hawaii are a direct reflection of mainland prices because such a large portion of goods consumed in Hawaii are mainland produced. The only significant divergence between the price series in the two areas is about a two-month lag in prices in Hawaii in comparison to the mainland, a lag based on the time involved in transportation and handling. With the Hawaii consumers' price index lagged two months, this shows that prices rose in Hawaii in May-October, 1949, by about 3%, which means that the real income of Hawaii residents was reduced by some 3% by price rises when, in fact, it should have been increased fractionally by price declines.

Much the same thing happened in the June-July, 1952 period. While prices on the mainland were stable, prices in Hawaii rose by more than 1%. Federal price controls were in effect during this period. The effect of the strike on local prices is demonstrated by the fact that the Office of Price Stabilization (OPS) issued special regulations (SR 1, CPR 69, Rev. 1 and SR 4, OPR 9, Rev. 1) authorizing increased selling prices resulting from increased costs brought about by the strike then in progress.

Comparing May-October, 1949, with May-October, 1948 on the mainland, we find no change in the dollar volume of retail trade. Other things being equal, we would expect no change in Hawaii but presumably because of the strike the 1949 volume of trade here was in the vicinity of $35 million per month in comparison to the 1948 average of around $40 million—a 12½% drop. Similarly in June-July, 1952, compared to June-July, 1951, we find the same thing. Whereas mainland trade was up appreciably in 1952 over 1951, Hawaii trade was down appreciably.

On the mainland, unemployment was slightly higher in May-October, 1949 than in May-October, 1948, The rise in unemployment in Hawaii was great, from around 10,000 to nearly 30,000, the highest level in Hawaii's history. In the June-July, 1952 period, while unemployment on the mainland was below the same 1941 period, in Hawaii it was above the same 1951 period.

Whereas the level of construction was essentially the same in 1948 and 1949 (May–October) on the mainland, during this strike period in Hawaii it declined precipitously during the first four months of the strike and then recovered somewhat as a trickle of essential materials came in. But even this recovery left the volume of construction activity at the end of the period as only some two-thirds of the same period in the prior years.

Whereas the rise on the mainland was great during both these periods, the decline in Hawaii was such as to constitute a serious encroachment on the standard of living of the residents. A 9% decline in income with a 3% increase in prices, when income should have risen by 4–5% and prices should have fallen slightly is a striking measure of the diverse trends in Hawaii and the mainland during the 1949 waterfront strike.

Based on fairly steady post-World War II trends, 1949 should have been growing for the tourist industry, but it turned out to be the only year of decline since World War II. Similarly, while 1952 was a bigger year than 1951, June and July were below the June and July 1951 totals.

Loss of markets

Markets for many millions of dollars worth of Hawaii's basic products have been lost as a result of shipping interruptions.

It must be emphasized that Hawaii is vulnerable to transportation disruptions, not only because of its geographical location but also because of the very nature of the goods and services it can produce.

The basis of Hawaii's economy is sugar, valued at approximately $140,000,000; pineapple, approximately $100,000,000; services to tourists, approximately $50,000,000, and income from expenditures of military forces, approximately $270,000,000. (Note: These data are for 1954 and have not been updated.)

Domestic sugar producers, including Hawaii, are protected by marketing quotas. But there is a world surplus of sugar, and when Hawaiian sugar cannot be delivered, consumers promptly receive and consume other sugar. Hawaii's normal market is the western states but when requirements in that market must be met from other areas, Hawaiian sugar, finally coming to market after a shipping stoppage, must be sent at great cost to far more distant areas. A permanent loss of markets has frequently resulted when consumers, especially commercial consumers, have consistently been unable to get Hawaiian cane sugar.

While Hawaii once produced virtually all of continental United States' supply of canned pineappple and pineapple products, production has been increasing elsewhere, and Hawaii now supplies only about 75%. Furthermore, pineapple, while now a common staple of diet, is not a necessity and competes with a wide and expanding range of fruit products. When the consumers cannot get Hawaiian pineapple, other pineapple or other fruits are consumed.

The same example applies to tourism. When tourists are discouraged from making trips to Hawaii, they have a wide choice of other areas to visit, and the business which might have come to Hawaii is gone. News of shipping strikes, although airlines continue to function, brings prompt and extensive cancellations of tourists' reservations for Hawaii.

Purchase of goods by the military forces stationed in Hawaii approximate $30,000,000 (1954 data) annually. This supply function is a substantial portion of the distributive commerce of Hawaii, with more than 800 individual firms participating in its development. Primary obstacle to increased local procurement is the fear of military commanders that local suppliers will be unable to carry out their contracts due to unreliable commercial shipping. Since the military operates its own shipping service (MSTS) local suppliers are by-passed in favor of West Coast suppliers.

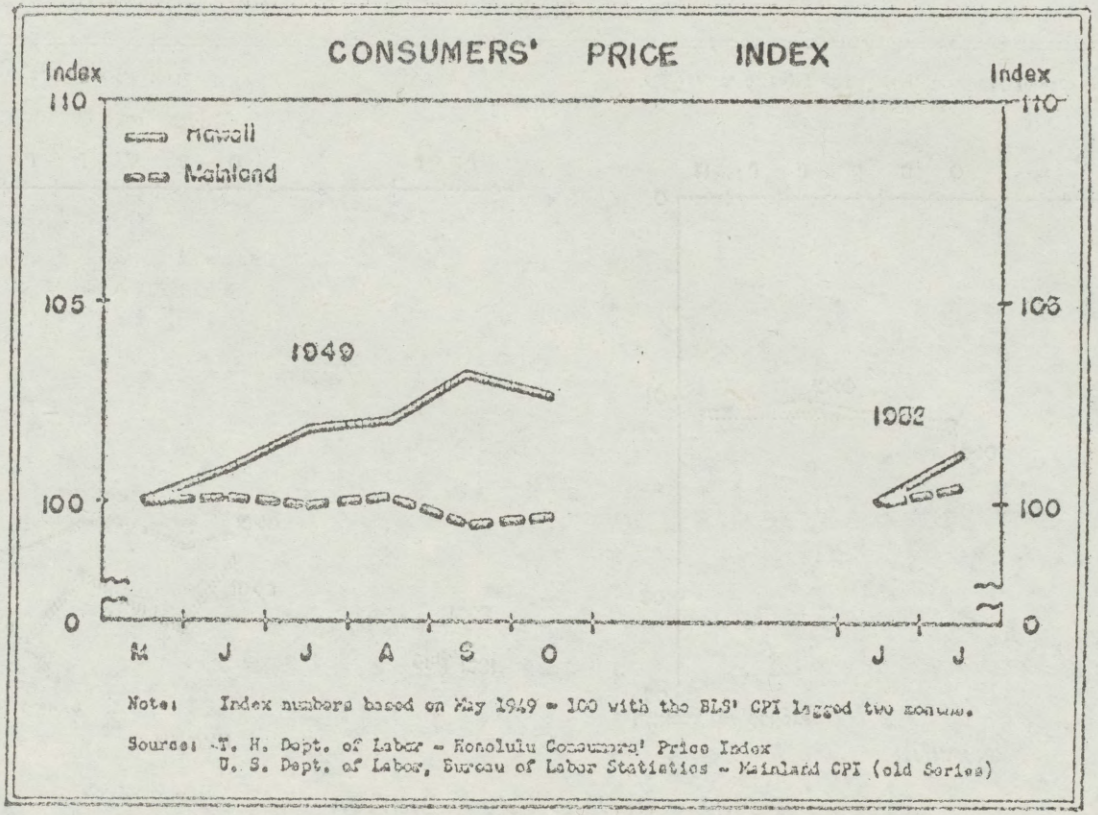
Furthermore, a substantial portion of the local suppliers' normal military market is lost due to threats of strikes or actual strikes, when the military transfers its procurement of these items to the West Coast. This loss of business also represents a loss of these cargoes to the American merchant marine.

Business losses and failures

All business firms operating within the State have felt the effects of maritime strikes and the everpresent threat of a strike.

The cost of doing business is normally higher in Hawaii than in the continental United States, due to the greater distance from supply and market centers. However, unreliable shipping has increased these costs with requirements for larger protective inventories and substantial transshipment and shortage costs for strike bound cargoes.

During the 63-day Pacific maritime strike of 1952, the Hawaiian sugar industry estimated direct increased costs, through such factors as emergency storage and refinery shutdown, at $1,785,000. This is, of course, a small part of the total indirect cost through loss of markets, employment and other factors.



Note: Index numbers based on May 1949 = 100 with the BLS' CPI lagged two months.

Source: T. H. Dept. of Labor - Honolulu Consumers' Price Index
U. S. Dept. of Labor, Bureau of Labor Statistics - Mainland CPI (old Series)

CHART I

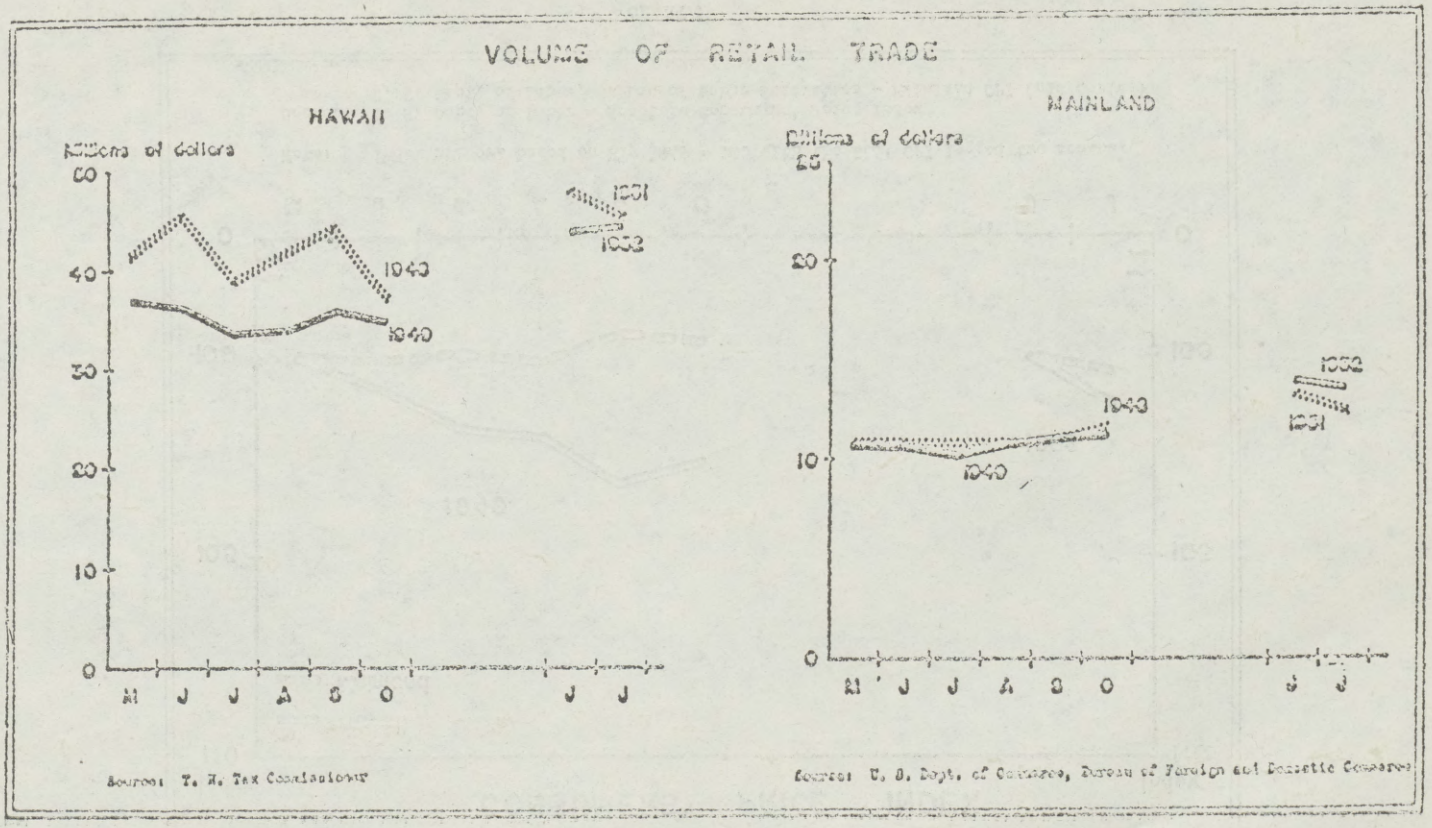

VOLUME OF RETAIL TRADE
HAWAII
Millions of dollars
60
40
30
20
10
0
1941
1942
1940
1940
M J J A S O J J
Source: T. H. Tax Commissioner
MAINLAND
Billions of dollars
20
10
0
1942
1941
1940
1940
M J J A S O J J
Source: U. S. Dept. of Commerce, Bureau of Foreign and Domestic Commerce

CHART II

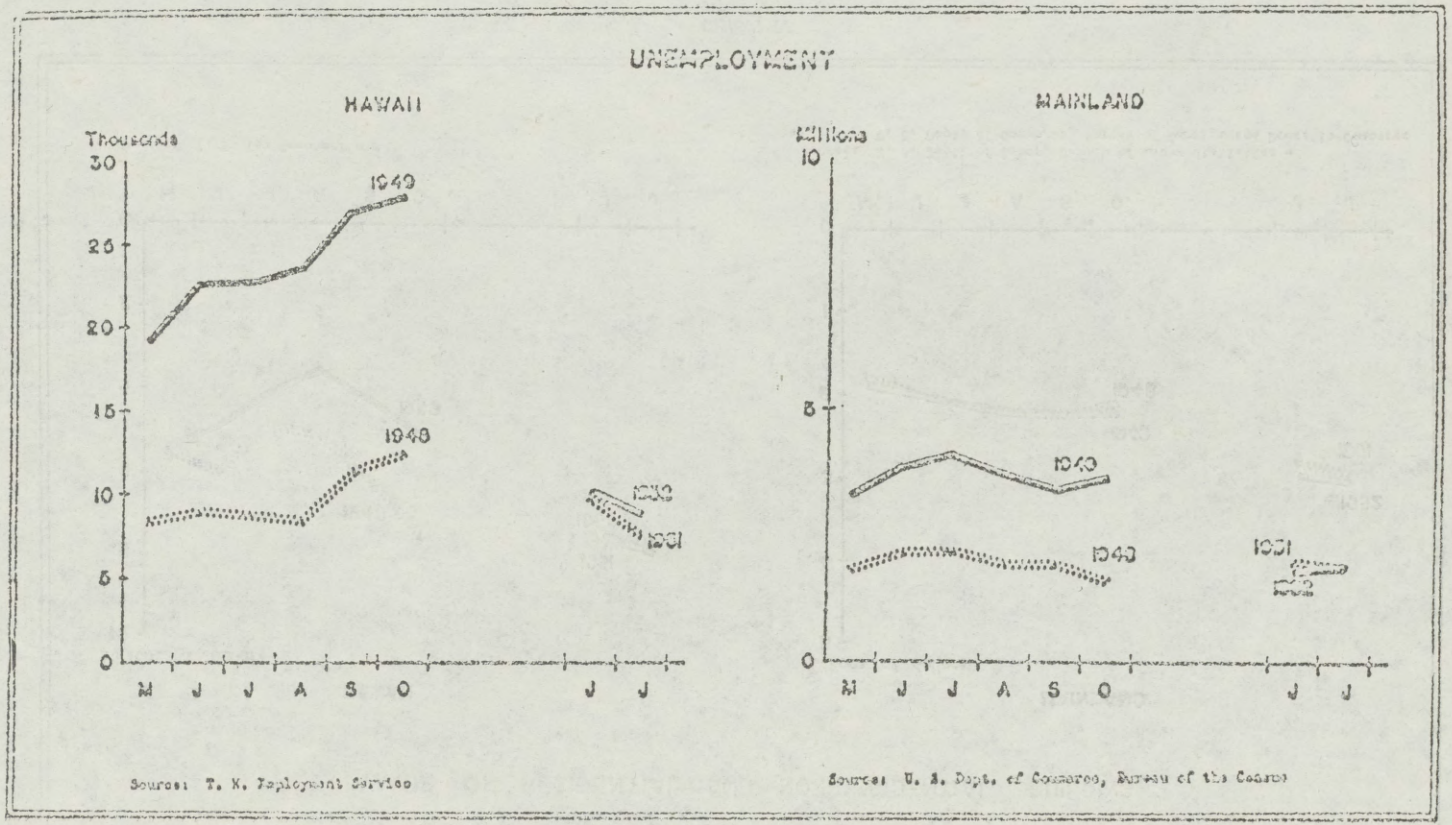
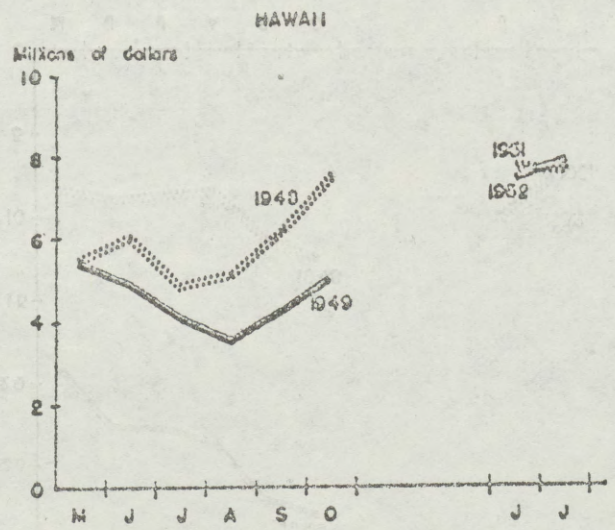
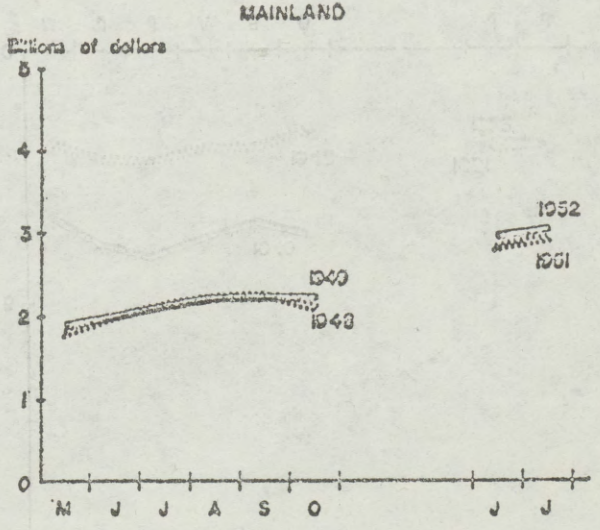

UNEMPLOYMENT
HAWAII
Thousands
30
25
20
15
10
5
0
1949
1948
1939
1931
M J J A S O J J
Source: T. H. Employment Service
MAINLAND
Millions
10
5
0
1949
1948
1931
M J J A S O J J
Source: U. S. Dept. of Commerce, Bureau of the Census

CHART II

VALUE OF RESIDENTIAL AND NON-RESIDENTIAL BUILDING



Source: T. H. Tax Commissioner



Source: U. S. Dept. of Labor, Bureau of Labor Statistics -
U. S. Dept. of Commerce, Bureau of Foreign and Domestic Commerce

CHART IV

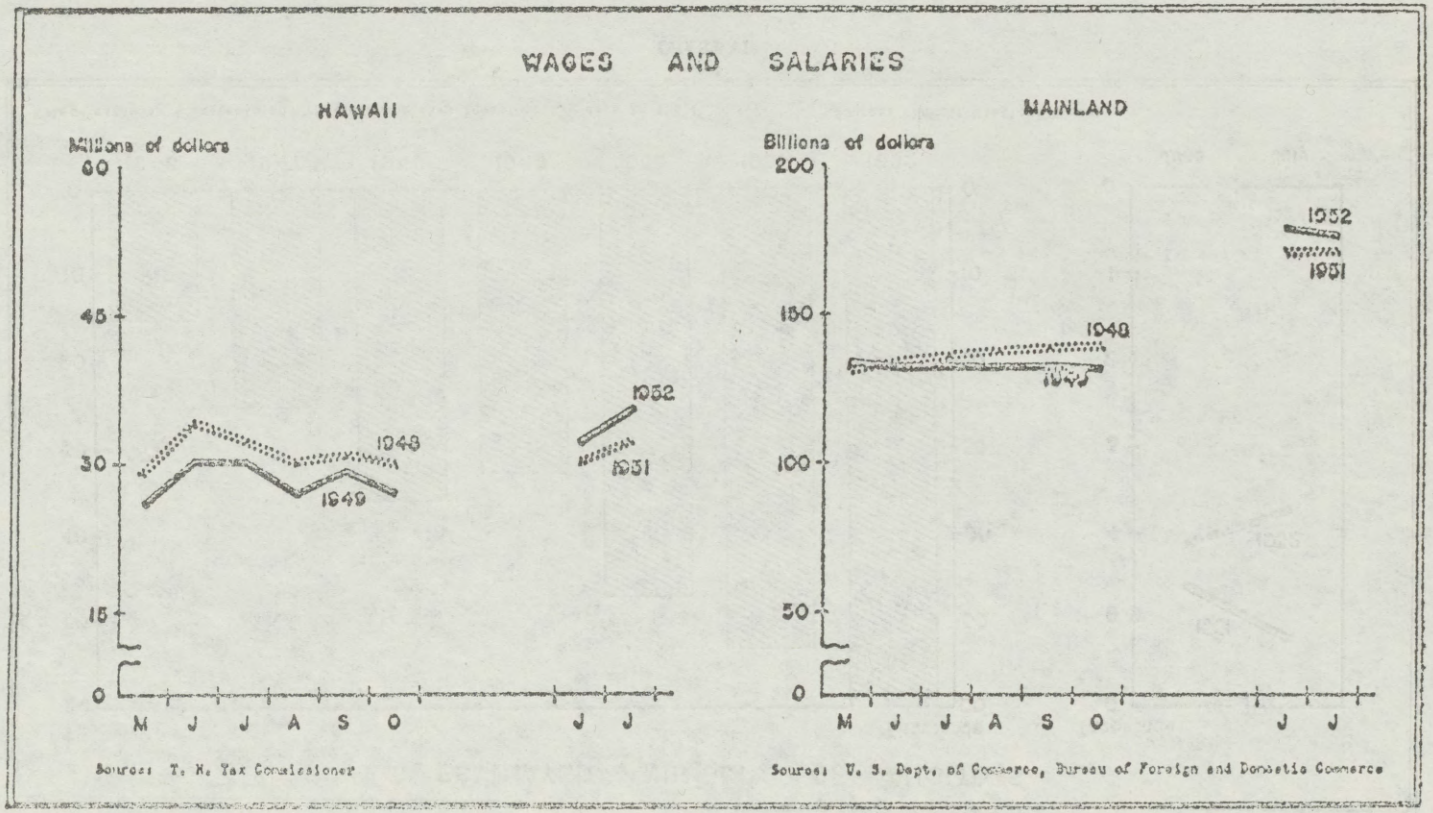

WAGES AND SALARIES
HAWAII
Millions of dollars
60
45
30
15
0
1948
1949
1952
1951
M J J A S O J J
Source: T. H. Tax Commissioner
MAINLAND
Billions of dollars
200
150
100
50
0
1952
1951
1948
1949
M J J A S O J J
Source: U. S. Dept. of Commerce, Bureau of Foreign and Domestic Commerce

CHART V

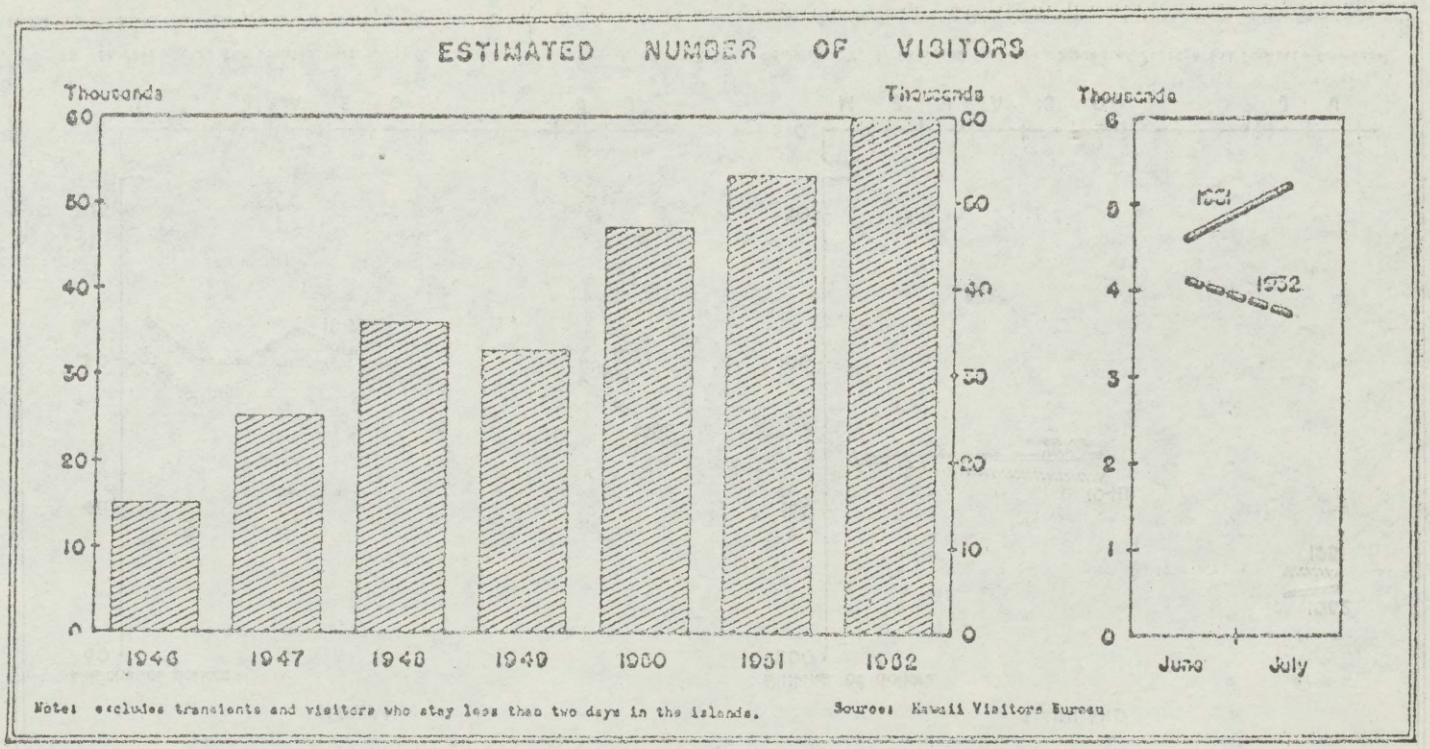

ESTIMATED NUMBER OF VISITORS
Thousands
60
50
40
30
20
10
0
1946
1947
1948
1949
1950
1951
1952
Thousands
60
50
40
30
20
10
0
Thousands
6
5
4
3
2
1
0
1951
1952
June
July
Note: excludes transients and visitors who stay less than two days in the islands.
Source: Hawaii Visitors Bureau

CHART VI

Dairy, hog and poultry farmers have suffered severely from feed shortages and have been forced to kill off part of their livestock. Both large and small farming have been hard hit by recurrent insecticide and fertilizer shortages.

Many small business failures in Hawaii can be directly attributed to shipping stoppages. Unable to secure inventories, and with working capital depleted, these firms have been forced out of business.

These and other adverse effects on business enterprises, resulting partially from the unreliability of shipping, have contributed to low corporate income in Hawaii, a decline in local stock transactions, the tightening of bank credit, a shortage in venture capital and a moderate out migration in post-war population.

EFFECTS OF THREATENED STRIKES ALSO SEVERE

The effect of strikes is clearly set forth in "The Economy of Hawaii in 1947" [1] as follows:

"The economy of Hawaii is much more susceptible to . . . 'shipping stoppages' than a mainland community of similar size would be. The extreme vulnerability of the island economy was clearly demonstrated in the spring of 1947 when . . . a shipping strike (was threatened) in June. As early as April, business firms began to cancel their advance orders for merchandise from the mainland. This was due to the fact that, during the strike in the autumn of 1946, merchandise delivered to West Coast docks for shipment to Hawaii remained there during the strike while the purchasers were billed for the invoiced goods which they could not sell. New business firms and small firms could not afford to pay for merchandise not actually in physical inventory and, rather than run the risk of bankruptcy, they cancelled orders. This later resulted in a loss of sales on such merchandise and created shortages of various types of consumer goods in the Territory.

"As soon as the shipping strike was threatened in 1947, practically all of the construction contracts that were in negotiation were postponed and even construction which was to start in April or May was held up because neither the owner nor the contractor wished to assume the risk of starting projects when there was no reasonable assurance that the materials for completing them could be obtained.

"These developments, in turn, affected employment and, in a number of ways, affected both wholesale and retail trade. It is significant that the banks tightened credit throughout the Territory as soon as the possibility of a strike in June became known.

"In the end the strike did not materialize, but the fact that even the threat of such a strike was so serious that its effect reached beyond shipping and stevedoring into financial, industrial and trading enterprises throughout the Territory clearly indicates the . . . 'predicament' . . . in Hawaii".

II.

Emergency Relief Shipments and Stockpiling

In the past, provisions for emergency relief shipments were made during four of the longest strikes (54 days in 1947, 96 days in 1948, 177 days in 1949, and 63 days in 1952), The last time that federally-owned and operated ships were used to bring emergency shipments to Hawaii was during the 63-day PMA-SUP strike (May 25–July 28, 1952). Navy and MSTS ships brought in several full and partial civilian cargoes during that emergency.

The plans which exist today for the administration of the Governor's emergency powers include provisions for obtaining inventories of critical commodities and for allocating space on emergency shipping as it may be made available. These plans, which have not been used in recent years, were administered by an Emergency Food Committee chaired by Edward Doty of the State Civil Defense Agency. The records of this committee demonstrate the pattern of the first shortages which appear in essential foods, pharmaceuticals and animal feeds. They show, however, that no one goes hungry even during a long strike.

Strike effects on inventories and the practicability of stockpiling as a hedge against maritime strikes were studied in 1964 at the University of Hawaii upon direction of the State Legislature. The report, "Stockpiling as a Solution to Shortages from Maritime Strikes affecting Hawaii," was conducted by a Professor of Marketing of the University of Notre Dame. A reprint of the Introduction, Summary and Conclusion of this report is attached.

[1] (Extract from "The Economy of Hawaii in 1947" by James H. Shoemaker; pp. 186, bulletin No. 926, U.S. Department of Labor, transmitted to Congress, Jan. 29, 1948.)

CHAMBER OF COMMERCE OF HONOLULU,
Honolulu, Hawaii, March 10, 1964.

To: Members of the Uninterrupted Shipping Committee.

From: Leonard Withington, Secretary.

Subject: "Stockpiling as a solution to shortages from maritime strikes affecting Hawaii"

This study conducted for the Economic Research Center, University of Hawaii, by Dr. E. J. McCarthy of the University of Notra Dame, is pertinent to the interests of this committee. We have reprinted the Introduction, Summary and Conclusion contained in his report and are forwarding you a copy herewith.

It is interesting to note how close Dr. McCarthy's findings are to the long-term recommendations of the Chamber of Commerce of Honolulu, calling for advance planning by the State and Federal Governments which would provide for interim shipping service in the event that normal shipping fails to function.

The Economic Research Center has also released a report, "Another Look at Hawaii's Ocean Transportation Problems", by Dr. Wytze Gorter, Professor of Economics, UCLA, and Visiting Economist, University of Hawaii. We have not reprinted portions of this report which is less pertinent to the specific interests of the Uninterrupted Shipping Committee. However, it does include some reference to, but no new light, on possible results from removal of cabotage laws and the introduction of foreign vessels into the Hawaii-mainland domestic trade.

If you wish to read the full text of either of these reports, a copy may be borrowed from the committee files.

REPRINT OF INTRODUCTION, SUMMARY AND CONCLUSION—"STOCKPILING AS A SOLUTION TO SHORTAGES FROM MARITIME STRIKES AFFECTING HAWAII"

(By E. J. McCarthy, Ph. D., Associate Professor of Marketing Management, University of Notre Dame with the research assistance of R. Brownell, M.A., Economic Research Center, University of Hawaii, Honolulu, Hawaii, February, 1964)

INTRODUCTION

In the early spring of 1962, a survey completed at the request of former Governor Quinn indicated that the people of Hawaii might face severe food shortages because of the maritime strike in progress. Survey results indicated that a two days' supply of rice and a seven days' supply of evaporated milk were in stock in retailers' and wholesalers' facilities and on strike-bound ships in Honolulu Harbor. Other food items were in somewhat better supply but nevertheless the situation appeared grave. (See Appendix III for a complete list of the items inventoried and their status.) The Governor was considering chartering ships to carry critical supplies (in fact the above-mentioned survey included questions which would enable the Governor's office to allocate the available space to normal shippers).

It was in this environment that the Budget Session of the First Legislature of the State of Hawaii passed House Resolution No. 100, which requested an investigation into the cost and feasibility of either a state or privately-operated warehousing system on state lands on Sand Island. (See Appendix I for H.R. No. 100.)

A basic assumption underlies this resolution: That Hawaii is continually and almost completely dependent upon a so-called "floating warehouse" system (and therefore any interruption of shipping or unloading results in a disruption of trade and commerce within the state and a resultant shortage of critical supplies). The "floating warehouse" concept is taken to mean that Hawaiian businessmen maintain little or no extra inventories—relying instead on a continual replenishment of supplies from the mainland.

This study will consider this basic assumption, as its validity has obvious implications. If, in fact, local wholesalers and retailers are using Matson ships as a floating warehouse, then some way may have to be found for increasing stocks or assuring more dependable deliveries.

The major thrust of this study will be concerned with the possibility of a stockpiling solution, if such is necessary. In other words, extensive discussion of other possible solutions, e.g. labor legislation or government intervention, will not be undertaken.

Even before evaluating the "floating warehouse" assumption, we will investigate the impact of maritime strikes on the State of Hawaii. Superficial questioning by the author indicated that no one was really hungry during the 1962 strike. Thus it seems important to determine if there really is a problem or whether public sentiment was unduly aroused about the graveness of the situation.

FINAL EVALUATION OF THE FEASIBILITY OF A STOCKPILING PROGRAM

(AN INTEGRATING SUMMARY AND CONCLUSION)

The basic thrust of this study has been to investigate the feasibility of the State of Hawaii encouraging or subsidizing the building of stockpiles as a hedge against the impact of maritime strikes.

Consumers interested in stockpiling

The supporters of House Resolution No. 100 correctly read the "pulse" of voters with respect to their interest in assuring adequate food supplies during strikes. Seventy-two per cent of those interviewed in the consumer survey conducted as part of this study thought that it was a good idea for the state to stockpile foods to make sure there would be adequate food supply during any strike.

Consumers not interested if stockpiling too costly

When the impact of higher inventory costs on prices was mentioned, however, interest dropped noticeably. In response to the question—"Would you still be interested if it caused a regular 5 per cent increase in your prices?"—only 40 per cent were still interested and only 14 per cent were still interested if it caused a regular 10 per cent increase in their prices. In other words, Hawaiian housewives have a tolerance level—they feel prevention of shortages due to strikes can become too expensive It seems probable that consumer support for a stockpiling program would dissipate if they knew the present and potential costs of carrying extra inventories and their impact on consumer prices.

Inventories already large where feasible

House Resolution No. 100 contemplated building stockpiles on the assumption that Hawaiian businesses were using Matson ships as "floating warehouses" and therefore not carrying their own stocks. But as we have seen, a "floating warehouse" system is not in operation. Irregular shipping schedules and the possibility of strikes discourage complete dependence on a continual flow of supplies from the mainland. Instead, Hawaiian businessmen hedge against possible shortages by maintaining substantial and larger than mainland inventories. In the aggregate, Hawaiian firms maintain excessive inventories by mainland standards—a supply one to two months above mainland inventories.

Even on perishable and semi-perishable items, higher than mainland stocks are maintained. But in the interest of product quality and brand acceptance, there has been a tendency to reduce storage times on semi-perishable staples such as canned milk and rice because their quality does deteriorate with time, especially in Hawaii's semi-tropical climate. In times of strike threats, large stocks are built up even though this may not be desirable from a product quality viewpoint. By extending liberal credit terms to Hawaiian businesses, mainland manufacturers encourage inventory buildups on semi-perishable items—up to 90 or more days, supply—sometimes beyond the limit of perishability. This type of buildup in 1962 resulted in some food items having to be destroyed.

Major manufacturers with well known brand names are willing to subsidize the buildup of stocks in order to keep their product in front of the consumer. Brand loyalty frequently follows from consistent and dependable service and high quality. This leads to repeat purchases and this "consumer franchise" is worth a considerable amount to these manufacturers. Some are willing to go to great lengths to protect it. One of the major cereal manufacturers, for example, flew in two plane loads of cereal at a cost of $30,000 during the 1962 strike, but before the "cooling-off" period (and lost money on every case). During the injunction period this firm brought in an additional two months' supply and placed it in local warehouses. These and similar "old" stocks were still being worked off months later by several firms because the strike was settled at the end of the injunction period.

Higher inventories are costly

The earlier analysis of the cost of carrying inventory indicated that the higher inventories needed to hedge against delivery uncertainties probably add 3 to 5 percent to retail prices in Hawaii during normal times. In addition, the buildup of inventory before and during strikes can only add additional costs at the rate up to 2 percent per month of added inventory—probably on an additional one to two months' supply. These added costs, of course, must be passed on to the consumer in higher prices. This is obvious as many wholesalers and retailers operate on a profit of only 1 to 3 percent of sales and cannot assume any additional cost.

Stockpiling cannot keep the economy going

The most damaging argument against the stockpiling approach is that not all of the items which are needed to keep an economy going can be stockpiled. A modern economy depends upon the ready availability of literally hundreds of thousands of items at widely varying rates of use. Unless an economy is completely self-sufficient, it must depend upon a continual exchange of commodities with the other parts of the system. To attempt to run any part of an economy without benefit of supplies from the other parts of the system is completely unrealistic. Here, Hawaii is a part of the United States economic system and cannot exist for long without continual interaction with the rest of the system.

Hawaii's insular position and almost complete dependence upon only one method of transportation and predominately one carrier is unique in the United States. All other states have access to several modes of transportation. In the extreme, if all common carriers were tied up with strikes, mainland firms could buy, rent, or lease their own trucks and assure a continual flow of supplies. This option is not open to Hawaiian firms.

Additional stockpiling not feasible or necessary

It appears that additional stockpiling is not needed at this time. Hawaiian businessmen already maintain large and higher than mainland stocks and are willing to, and do, add to these stocks substantially when they have adequate notice of strikes. In spite of these larger stocks, some items quickly become critically short. These are items which are relatively perishable and which would become short under almost any stockpiling system. (For some items—the special order, style, and design items—shortages cannot be avoided.)

Unfortunately, in spite of the higher aggregate inventories, some shortages can be expected. Specifically, it should be expected that a "food crisis" will always develop after a strike has progressed for a week or two because of the relatively limited supplies of some perishables and semi-perishables which are carried by Hawaiian businessmen. To be sure, some firms build their stocks when a strike threat looms—perhaps more than they should; but many businessmen probably can be expected to wait until the almost inevitable government intervention—either a Tart-Hartley injunction or use of the Governor's powers—permits the building of inventories, because it is not until this time that the extra cost of carrying additional inventory can be justified. Some expressed their philosophy as follows: "We would rather take a big hurt when necessary than many small ones". In other words, they cannot afford to hedge every threat and still hold prices down. Inventory carrying costs are too high. Also, they wish to offer new, high quality merchandise—not goods which have deteriorated or are almost obsolete.

Some of these perishable, semi-perishable, and special order items which are difficult or impossible to stockpile are critical enough so that some type of government intervention probably can be expected to permit these items to come in. But then where should the line be drawn on what is critical? Further, if some stocks are to be brought in, this would suggest that a patchwork solution which stockpiled only less critical items would be pointless and costly. A solution to the problem should provide for a supply of the critical items before handling the less critical ones.

The State could grant a monopoly to someone, or itself, in the distribution of critical items such as rice and canned milk. But then it would have to require all businessmen to come to these warehouses in order to facilitate rotation of "old" merchandise. And if it were to maintain larger inventories than are now voluntarily built at strike times, it would continually have to dump merchandise as it deteriorated. This would add to the already high inventory costs. Further, it would be necessary for the State to continually distribute "old" merchandise which had been stored close to its limit. In other words, Hawaii's residents would always be using "old" rice, canned milk, and other products. And probably, not occasionally, they would purchase spoiled merchandise if the stockpile managers were seeking to maintain maximum protection against strike threats. One way around this problem would be for the Governor to be willing to use his emergency powers to bring in stocks of items such as rice and canned milk just as soon as an emergency seemed to be developing. This, then, would enable the state monopoly to hold down average inventories and only build large stocks when it was obvious they might be needed. But this only simulates current business practice and does not require a state monopoly. With such a state monopoly, perhaps supplies would be brought in just a little sooner than can be expected with the present business system where businessmen must watch their costs and prices. But this modification of a state monopoly probably would

not lead to any different results than the present system if Hawaiian businessmen knew exactly if, when, and how the Governor would use his power to run ships in case of an emergency. These decisions would have to be made to make a state monopoly operable. So, if they can be made, it would seem preferable to modify an existing system which seems to be functioning quite well, rather than to create a whole new system which would yield similar results (and probably at no lower cost).[2]

In other words, the stockpile approach suggested in House Resolution No. 100 is considered (1) unfeasible to keep the Hawaiian economy running normally for any length of time, and (2) unnecessary in the short run because Hawaiian businesses are already providing this function about as well as possible, given the inherent perishability of some items and the purchasing behavior of consumers on others, notably on the multitude of items having style, design, color or special order characteristics.

Other solutions?

Any suggested solution must take into account the unique insular position of Hawaii. No other state must depend almost completely on one mode of transportation and one carrier. In all other states, even if there is a major transportation strike, supplies keep moving by alternate methods of transportation. For example, if railroads are struck, barges, coastwide shipping, and trucks are available. Given Hawaii's unique situation, it seems inappropriate to attempt to apply mainland collective bargaining procedures and practices and still expect the Islands to run on an even keel when all of its sources of supply are almost completely cut off. As we have seen, a stockpile approach cannot supply all the economy's needs.

One possible solution—which might dramatize and thus lead to more basic changes—would be the creation of a Labor-Management-Consumer Board which would be charged with the responsibility of estimating the likelihood and duration of strikes. It would be expected to make recommendations to the business community on how much additional inventory should be carried. Its recommendations, of course, would be a public announcement that inventories should be increased, that inventory carrying costs will be increased, and that therefore prices will be raised. This approach would dramatize the fact that the whole state—not just Matson and the unions—is affected by strikes.

This suggestion is not endorsed by the author because an extremely difficult task would be imposed upon such a Board. Many of the strikes which affect Hawaii are due to grievances between labor and management groups which are not controlled by any Hawaiian interests. National and international unions a face against a management group—the Pacific Maritime Association—which is concerned with shipping in the whole Pacific area, not just to Hawaii. Further, the approach, like the stockpile approach, does not get at the cause of the problem.

The only real solution the author sees is (1) for the Hawaiian people to recognize that they are in a unique position which calls for measures which might not be necessary on the mainland and (2) to act accordingly. Specifically, they should realize that they are already paying a premium—higher retail prices—for (1) their sanctioning unions' right to strike and (2) the irregular delivery schedules being maintained by Matson. Further, they should realize that building inventories before and during strike threats adds further to costs and prices. With this understanding, they might instruct their representatives to work toward a basic solution to the problem rather than a remedy, which is what stock piling would be.

A basic solution would entail keeping supplies moving, perhaps with government-chartered vessels in the time of strike threats, or legislation which treated Matson like a public utility and prohibited anyone interrupting shipping. Discussion of these possible solutions is beyond the scope of this study, but some such solution seems the only possibility in the face of this unique situation. The Hawaiian economy is an integral part of the United States economy and cannot sever all connections for long and still remain healthy.

Surface Cargo Shipments and Cargo Carrying Potential of Airlines Serving Hawaii

What is the present level of cargo shipments to Hawaii? How much cargo would be affected by a stoppage of U.S. flag ships? Mr. Wesley H. Hillendahl, Vice President, Bank of Hawaii has made the following summary of cargo shipments to Hawaii showing foreign and U.S. mainland imports.

[2] The costs might actually be higher as State officials would not have as much concern with cost. If in doubt, political considerations would probably argue for higher (and therefore most costly) inventories. Also, lack of competition would reduce pressure on cost control.

It is assumed that a stoppage would primarily affect the U.S. flag line's activity between Hawaii and the West Coast including Canada. Presumably, bulk shipments of petroleum products and foreign shipments other than Canadian would not be affected. It is not known if barge shipments (primarily lumber and construction materials from the Northwest) will be affected. Presumably military cargoes would not be affected (roughly a potential total of a tenth of all cargo if they import goods to supply post exchanges).

Assuming 10,000 weight tons to a ship, the effect of a strike is as follows (based on 1967 imports):

1. Food (including some non-food grocery items) amounts to 319,000 tons or about 2.6 shiploads per month. Demand for meats (about one-fourth of a shipload a month) would be reduced if lack of feed caused slaughter of animals, as happened in 1950.

2. Textiles total 5,500 tons a year of which only a thousand tons a year is apparel. Much of the imports could be handled by expansion of the current supply by air.

3. Newsprint and paper (including materials for pineapple cases) total 90,000 tons or nearly one shipload a month and would be badly needed but difficult to supply, from any other source besides the Pacific Northwest.

4. Metals, machinery and vehicles total 221,000 tons or nearly two shiploads a month, of which a major fraction could be supplied from Far East sources. There would be shortages of selected items, some of which would be essential and only some of which could be brought from the mainland by air.

5. Animal feed totals 173,000 tons or one and one-half ship loads a month. If this is stopped, it would necessitate that a major fraction of the chickens, pigs and milk cows would be slaughtered.

6. Construction and related materials total well over 279,000 tons or more than two shiploads a month. Shortages of larger items could possibly bring construction activity to an early stop (as in 1950).

7. Other categories total 191,000 tons or over one and one-half shiploads a month. There are many important items included in this which will be essential but the total tonnage is not known.

8. Chemicals and fertilizers total 197,000 tons or one and one-half shiploads a month. Most of this is fertilizer and similar materials which can be delayed.

Presently most cargo to neighbor islands is shipped to Honolulu and then transshipped by Matson's inter-island container ship to neighbor islands or carried to neighbor islands by Young Brother's barge line. The neighbor islands would suffer seriously from an interruption of this service, or additional lengthy stops would have to be made by scarce transpacific shipping.

The longer term impact on investment, the visitor industry, attracting workers for the rapidly growing economy, the cost of living, and so on would also be substantial.

	1967 imports (tons)	
	Foreign (except Canada)	From U.S mainland and Canada
Animal feed (grain, etc.)	2,114	172,722
Fresh meat, fish, fruits, and vegetables	8,798	75,177
Processed meat, fish, fruits, vegetables, dairy, flour, rice and miscellaneous food and groceries	14,090	243,843
Textiles, apparel, etc	2,360	5,510
Lumber	3,467	158,434
Furniture and wood manufactures	3,028	32,161
Various nonmetallic construction products (cement, glass, stone, clay, paints, etc.)	67,260	88,614
Newsprint and paper	651	90,095
Chemicals	2,068	79,453
Fertilizer and insecticide	31,601	117,231
Crude oil, jet fuel, fuel oil, gasoline, etc	3,347,071	1,950,665
Iron and steel (including tinplate)	64,448	93,577
Nonferrous metals	344	2,891
Machinery except motor vehicles	2,915	34,066
Motor vehicles and parts	7,428	55,450
Other manufactures (of metal and other)	6,578	35,047
Miscellaneous general—all other	230	191,495

The question then is posed whether some of the impact of a shipping interruption be lessened by using air freight. A summary of present freight load and margin of empty load available has been compiled by the Bank of Hawaii and is attached. It would take available space used for a whole month to equal the tonnage capacity of one shipload and this type of air freight could not possibly bring in the bulky, heavier type cargo.

CARGO CARRYING POTENTIAL OF AIRLINES SERVING HAWAII

I. SCHEDULED DOMESTIC CARRIERS

Maximum load capacity (existing conditions)	UAL	PAA	NW
Freighters (pounds):			
Civilian, weekly	280,000	980,000	
MAC	70,000	49,000	
Passenger (net of luggage) (pounds)	1,190,000	672,000	180,000
Total:			
Weekly (pounds) (7 days)	1,540,000	1,701,000	180,000
Tons	770	850	90

Note: 1,710 tons per week.

II. MILITARY, CHARTER, CONTRACTED

Total (estimate):	
Tons per day emply (now)	75
Tons per day total capacity	200
Days	×7
Tons per week	1,400

III. FOREIGN FLAG—QANTAS, JAPAN, NEW ZEALAND, PHILLIPINE

Total (estimate):	
Tons per day empty	20
Tons per flight capacity	75
Days	×7
Tons per week	525

	Space available (tons per week)	Total capacity (tons per week)
I. Scheduled domestic	50 × 7=350	1,710
II. Military, charter, contracted	75 × 7=525	1,400
III. Foreign flag	20 × 7=140	525
Total	1,015	3,635

An Assessment of the Present Situation

The situation at present is that most of the businesses in Hawaii has stockpiled and increased inventory contrary to their regular business procedure because of the threatened maritime strike. Information obtained from various industries and companies show that the normal inventory would run about 30 to 45 days. While many have added additional inventory because of the strike threat, many others have not been able to add to inventory because of the West Coast container boycott occurring March 17 to April 7 of this year.

Building and construction supplies have been increased but much heavy, special order equipment is still on the West Coast and could hold up construction completion of various projects. Retailers may have shortages but depending on space availability, air freight could alleviate it. The retailers who have computer inventory systems and normally have a 30-day inventory would be hard pressed to replenish stock on a timely basis.

There will be shortages of feed. Although some feed is shipped in from Australia, certain types of feed such as corn, milo and soybean are not available from Australia. There may be inventory lasting for 30 to 45 days on Oahu but inventory on the neighbor islands may be nil, thereby creating a greater impact on the

neighbor islands than on Oahu. Some of the independent feed companies may be severely affected since their normal inventory has not been built up beyond two-weeks supply.

With the sugar plantations harvesting and grinding cane and the pineapple companies at peak harvesting and canning of pineapple, problems of storage become critical. Bulk sugar storage space would be used up within a short period. Supplies of tin plate and corrugated paper for pineapple canning is adequate but since ship space is not available, the canned pineapple would have to be stored and warehouse space would be used up within a few weeks. This would necessitate temporary storage outside with the contingent problems of weather hazard and pilferage. A stoppage of flow of canned pineapple to the mainland would also affect the industry's summer sales promotion.

Food stores also have varied inventory periods and while certain items may have been stockpiled, fresh produce and meats would not be as plentiful. Food suppliers for restaurants would also feel the impact of a shipping storage. While certain meats and produce could be air freighted, there would be additional costs involved.

The travel industry would feel the impact both in terms of possible cancellations by tourist groups and also in delays of completion of new hotels scheduled for opening this summer. Occupancy rates in Hawaii are generally lower at present and the industry has launched an intensive campaign to boost travel to Hawaii. A shipping strike would add a negative factor to the total effort.

The impact on employment will be immediate. The retail stores will start layoffs as soon as the shipping strike occurs. History has shown that the consumers tighten their purse strings as soon as announcement is made of any interference with normal shipping patterns and this immediately affects purchasing in retail stores. So the stores protect themselves by initiating immediate layoffs of personnel.

Businesses involved in the unloading, loading, and trucking of items from the docks to the warehouses would be immediately affected by a stoppage of work. During the West Coast container boycott earlier this year, the trucking industry had to layoff about 160 employees because there was no work available.

It would seem in general that overall there would be no great impact in terms of shortages, delays, etc. for about 30 days perhaps 45 days. There will be certain items which will become short within a period of two weeks.

While a strike may not occur, there will still be a definite impact to be felt by the people in Hawaii. The need to stockpile and have inventory on hand beyond the normal level and the need to rent warehouse space and the allowance for spoilage and pilferage will be reflected in the prices of these items. The amount of money tied up in inventory at high interest rates further add to the cost of goods.

Senator INOUYE. Our next witness will be Mr. Howard Nakamura, the Director of Planning for the County of Maui.

Mr. Nakamura, we are pleased to have you before this committee, and you are welcome, sir.

STATEMENT OF HOWARD NAKAMURA, DIRECTOR OF PLANNING, COUNTY OF MAUI

Mr. NAKAMURA. Thank you very much, sir.

Senator Inouye, Senator Stevens, and members of the Merchant Marine Affairs Subcommittee of the Senate Commerce Committee. Thank you very much for the opportunity to appear this afternoon to offer comments regarding Senate Bill 2836, the Hawaii Public Interest Protection Act. My name is Howard K. Nakamura, Planning director for the County of Maui. The testimony which I offer today is on behalf of the Administration of the County of Maui. Our mayor, the Honorable Elmer F. Cravalho, regrets very much that he is not able to appear personally today regarding this matter which is obviously of such vital concern to the citizens, not only of our county, but of the entire State of Hawaii.

In general, we would like to go on record as supporting the legislation offered by Senator Inouye. We are in concurrence that the unique geographical situation of the State of Hawaii requires the enactment of legislation by the Federal Government which will insure that the citizens of our State receive a continuing supply of foods and other necessities during periods of prolonged labor-management disputes. Our recent experiences have indicated that although we can tolerate limited periods without shipping between the West Coast and Hawaii, increased hardship to our citizens will result as these periods exceed 30 to 60 days.

We believe that Hawaii's dependence upon ocean shipping is obvious. Rail and truck traffic is impossible between the West Coast and our Islands. Air freight has not yet progressed to the point where it can be handled economically in large quantities. The State of Hawaii is not in a position of being economically self-sufficient. Even a relatively simple island society such as exists on Niihau is not completely independent. To expect the more complex societies which exist on the other islands within the State to achieve a self-sufficient status, is virtually impossible.

We would like to emphasize that while we basically support this legislation, we do not do so in the spirt of strikebreaking or of interfering with the normal process of labor-management negotiations. We recognize the established role of the negotiation process in the labor-management field today. It is our feeling that labor-management relations in the State of Hawaii have generally demonstrated a maturity which can serve as an example to other areas of our country. Because of this maturity, perhaps the people of Hawaii have not had to endure the prolonged suffering and hardship which had the potential of occurring in the past. Nevertheless, from time to time, impasse does come about. In times such as these, where the welfare of our entire island community must be considered, it is necessary that some means of providing assistance, practically and expeditiously, be established.

With regard to specific provisions of the proposed legislation, we would like to make the following comments:

1. The 30-day period specified as the length of any labor dispute prior to the applicability of the legislation appears reasonable. Our experience has been that local wholesalers stockpile approximately a 45-day supply of foods and other essentials. Considering the period of time it would take to initiate an appropriate request; arrange for ships and labor; and load, travel, and unload the ships; the 30-day period appears to be appropriate.

2. The legislation provides that the Governor of the State of Hawaii may request the President of the United States for assistance. The bill also states that the Congress "pre-emptorily finds . . . that a sufficiently serious form of emergency exists . . ." Therefore, we would suggest that an alternative means of providing assistance be established, perhaps through an independent, fact-finding commission, should a substantial period of time in excess of 30 days elapse. We would also suggest that some mechanism be provided in the legislation for the counties, acting through the respective mayors, to request assistance through the Governor of the State.

3. The bill states that necessary seaport facilities, as determined by the Governor, shall be operated "in order to accomplish the earliest possible resumption of the normal flow of maritime interstate commerce by means of surface water transportation both to and from the State of Hawaii." The bill also states that the definition of "major seaports" as it applies to the State of Hawaii, shall mean the seaport of Honolulu. We are not clear as to whether this implies that transshipment of goods from the West Coast can be permitted only to and from the port of Honolulu. We recognize that intrastate shipping would be outside of the Federal jurisdiction. We would therefore suggest that the proposed legislation specifically state that service may be provided to neighbor island ports, to permit, if necessary, direct shipment of essential goods and supplies to and from the neighbor islands from the West Coast.

On behalf of the County of Maui we would reiterate our general support of this legislation and request the Honorable Subcommittee to give serious consideration to this matter of such vital interest to the citizens of our county and state.

Thank you very much.

Senator INOUYE. Mr. Nakamura, I thank you very much, and we convey to Mayor Cravalho our gratitude for sending you here. Your statement will be a very helpful one.

On the matter of the fact-finding commission, could you advise us as to what you think should be the function of this commission? Is this a Federal commission or the Governor's commission?

Mr. NAKAMURA. We feel that the commission would be appointed independently, perhaps a Federal fact-finding commission, appointed, say, by the President. And if the request for assistance is not initiated by the Governor after a period of 30 days or, say, a period in excess of 30 days has elapsed, that this commission could in effect declare that a state of emergency does exist and initiate the request to the President for Federal assistance as called for in the legislation.

Senator INOUYE. Now I understand.

You are suggesting that if the Governor of the State of Hawaii for some reason refuses to trigger the legislative mechanism, to call the President, that this independent commission can carry out this function to trigger the law.

Mr. NAKAMURA. That is right.

Senator INOUYE. This will be considered, sir.

As to your suggestion that the seaports of our neighbor islands be placed in there, please assure Mayor Cravalho that on an appropriate time I will propose the amendments to do so. It was not my intention to overlook the plight of our neighbor islanders, but when I spoke of major seaports, which included such ports as, say, San Diego, Los Angeles, San Francisco, Portland, Seattle, another major one would be Honolulu. Otherwise, we would have included every little port along the West Coast, and I suppose there are about 500 of them.

Mr. NAKAMURA. Yes, sir. On that matter, Senator, our review of the bill really—we weren't sure whether or not this would be permitted, the direct shipment from the West Coast to neighbor island ports.

Senator INOUYE. It was my intention that that could be done, because it was the State of Hawaii. But the necessary clarifying

language will be placed in there so when we speak of major seaports in Hawaii it will apply to all seaports in Hawaii.

Can you advise this Committee as to the impact of the present strike on your county?

Mr. NAKAMURA. In terms of specific industries, I don't have this information. In terms of the general public, we did an informal study during the period of the last strike, which was basically around 60 days after the initiation of this strike. And at that time we found that although there were certain inconveniences, certain materials were not available, that it did not at that point reach a situation of what we would have considered a local emergency.

We feel this was because primarily the wholesalers of food in particular had the opportunity to stockpile sufficient inventory. As I mentioned, in talking to them they mentioned that they generally keep about a 45-day inventory, and in anticipation of the strike they had approximately doubled this inventory, so they had about a 90-day inventory on hand.

At the time that the Taft-Hartley law was invoked, I would say we were probably beginning to get into a situation where real problems would have come about. The question is whether during this interim period these wholesalers have had the opportunity to adequately restock their inventory. We are not sure. I don't believe that they have.

Senator INOUYE. You have no information as to that?

Mr. NAKAMURA. No, sir.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. I have no questions. There are some very constructive suggestions and we welcome them. Thank you very much.

Mr. NAKAMURA. Thank you.

Senator INOUYE. Thank you very much, Mr. Nakamura.

Our third witness this afternoon is the President of the Taxpayers Union, Mr. H. E. B. Shasteen.

I am pleased to welcome you to this Committee, Mr. Shasteen.

STATEMENT OF H. E. B. SHASTEEN, PRESIDENT, TAXPAYERS UNION

Mr. SHASTEEN. Gentlemen, Senator Inouye. My name is Bud Shasteen, and as you have already said I represent the Taxpayers Union. This is a group of people very concerned, as the name implies, with taxes, and we are very concerned with the death of freedom in America.

I also am a businessman who will be gravely affected by the threatened dock strike. I should say that with more emphasis: Not only will I be gravely affected but possibly forced out of business. Even so the action proposed by Senator Inouye and approved by various officials of Hawaii, Governor Burns, Mayor Fasi and Senator Fong is wrong and dangerous.

It is wrong—it is the coward's way out—it asks government to protect us by interfering in the employee-employer relationship. It is dangerous because it invites more government control over our lives, particularly Federal control.

The problems we have today with these unions, their irresponsible demands and their strangulation of this country's economy, are caused by government interference in this basic employee-employer relationship. The unions have destructive power over our economy because government has given them exclusive right to use violence and coercion in dealing with employers and the public. Let the employer initiate violence such as occured at the Pearl City Tavern here in Hawaii and the government would move in full force to stop such an outrage. Let the employers attempt to band together such as the ILWU and ILA have agreed to do, should one of them go on strike, and government would strike management down with charges of monopoly and collusion. Yet we regard such actions on the part of the unions as legitimate weapons in the economic situation. Violence and coercion are never justified and the sooner we repudiate them the better.

The answer is to get government out of the market place and realize that there is no basic right for labor to strike. Labor certainly has a right to quit and even to picket, as long as it is done legally and peacefully, but as unions operate now they have no moral or legal right to strike in the fashion that we have become accustomed to. It is the same as if you had a serious illness and contracted with a doctor for treatment at a stipulated fee. Let's say the doctor comes to you and says, "Shasteen, I can't treat you for this fee. I am going to charge more," and I say, "I am not going to pay you any more."

Then if the doctor reacted the way the unions do, he would say, "Shasteen, you are not going to hire any new doctor and not only that, I am going to prevent any other physician from coming into your home or treating you, and I will prevent it by violence."

This, of course, would not be allowed by any right-thinking person, but we allow it every day in the case of the unions.

The answer to this problem is not more legislation begging for government control over our lives but restoration of freedom in employment relations. I think you know very well what would happen if the PMA should seek to hire outside help to unload containers and load ships. We'd probably have murders, arson, and all kinds of violence. We are circumventing the problem with this proposed legislation. Compulsory arbitration, the quote one of the gentlemen made in testimony here of the PMA past official, that the government controls everything else about the industry, why not control wages—all of these are circumvention.

We are going to have many problems with this bill as we face today, manning, the different problems of getting the ships to do this, and everything else. The only solution we have today is to recognize that no one has the right to use violence, whether it be employer or employee.

I ask that we all look into our hearts, whether legislator, businessman or union member, and do the right thing. Better I and thousands or hundreds of other people like me in Hawaii go out of business than to submit to the controls that would go hand in glove with Senator Inouye's legislation. I for one will not submit to totalitarian controls, asking President Nixon to have more control over our lives, and asking him and giving more power is not the answer. The unions have already indicated they will not; now let the American public and business com-

munity repudiate them also. Let us be men and refuse any act that takes our freedom from us. This proposed legislation—and I mean no rancor in saying this—is one such act. I pray it does not pass.

Thank you for the opportunity of speaking to you.

Senator INOUYE. I thank you for your contribution this afternoon. Your approach, as you may be aware, is a rather unique one. But how did you conclude that the government has granted union members the right to violence?

Mr. SHASTEEN. I think, Senator, in past situations, as we have seen in labor relations, the union gets away pretty much with as much violence as they want to use. For instance, I don't think—

Senator INOUYE. Don't we have criminal sanctions on assault and battery?

Mr. SHASTEEN. Sure, but how often are they used against the unions, though? That is my point. Let the employers do any of the things the unions have done—let the employers of this country, for instance, the steel companies, get together and say, "We are going to have collusion here; we are going to control prices," the government immediately hits these people.

Why then would the government allow the ILWU and the ILA to join each other? If you are going to have monopoly powers against employers, why not institute them against the unions also?

Senator INOUYE. If I had the time I'd enter into a colloquy with you on the philosophy of so-called controls. If we are permitted a hands-off policy on management or on business, we could conceivably return to the good old days when we had sweatshops, and no one can say it could never happen, because it has happened. And the government in just about every case stepped in because that was the only way to bring about some semblance of justice and some semblance of decency in worker relations and worker conditions.

You say that we have not prosecuted those who have been violent in labor-management negotiations. I cannot quite agree with you, because I used to be an assistant prosecutor and we prosecuted several who did commit violence in the picket line. There are other forms of violence, too, Mr. Shasteen. It need not be one punching another in the eye.

I think an unscrupulous businessman who would without any morality on his part, force a person to work under substandard conditions, or like that person out in South Carolina who just about held several men under slavery conditions to work—without government intervention, without any government laws prohibiting something like that, that would have been legal.

Mr. SHASTEEN. It would have been legal but impractical, Senator.

Senator INOUYE. And so, much as I agree with the general premise that the less controls the better, unfortunately the facts of life seem to indicate that we are imperfect beings; we all have our weaknesses, and therefore if the Supreme Being will not control us, laws made by imperfect men should control us.

Mr. SHASTEEN. Senator Inouye, do you believe, however, that management should have the right, without fear of retaliation, to hire new people? For instance, if in this situation the ILWU comes up with a demand for $1.80 an hour raise, just using that as a figure, PMA

should have the right to say to the union, "I cannot meet these demands," and hire new people?

Senator INOUYE. Once you did that you won't have a union.

Mr. SHASTEEN. That might not be too bad a situation. But I am saying the employer should have that right to hire new people. The union may lose temporarily, but if they do not face a possibility of management hiring new people, there is no leveling out of the potential available to both parties.

Senator INOUYE. Well, as we discuss this matter a strike is on, and your suggestion is that, notwithstanding the strike, as you say here.

Better I and thousands of other people like me go out of business than to submit to controls that would go hand in glove with this bill.

Mr. SHASTEEN. Right.

Senator INOUYE. So if necessary, you would think in the long run it would be better for Hawaii to go bankrupt.

Mr. SHASTEEN. I think it would be better for the people of this State to see the control that the unions have over this State's economy, and let it go as far as it is going to go, 90 days, 180 days, or whatever. The public sooner or later will see who is right in the situation. I think that they can read this from the papers. The ILWU already has obtained a $1.00 a ton stipend to them for every container not loaded through them. Now what they want are some things that the PMA cannot meet, I don't think. I don't think that the answer is to have Federal force come in here and say, "We are going to take over the shipping business," because in no way will this legislation be temporary. This will be permanent. In no other way can we say that this is not strikebreaking, because it is. And now I am talking about the union side. If I was a union head I would say, "We will absolutely not accept this."

Senator INOUYE. But you would like to have the PMA hire new workers.

Mr. SHASTEEN. If that is the only answer, of course.

Senator INOUYE. But that is not strikebreaking.

Mr. SHASTEEN. There is no basic right to strike, Senator. A man has a right to quit his job if he wants to but he has no right by violence not to force someone else to come in and fill that job. That is the basic point and that is why we have the problem we do today, because the government sides with the union everytime.

Senator INOUYE. My final question is: How large is your organization?

Mr. SHASTEEN. We have about 400 people involved.

Senator INOUYE. In the State of Hawaii?

Mr. SHASTEEN. Yes, and it is a national movement also. You probably know of it.

Senator INOUYE. How long has this organization been in being?

Mr. SHASTEEN. We have been organized going on two years now.

Senator INOUYE. Thank you very much, sir.

Senator Stevens.

Senator STEVENS. Did someone authorize you to present this statement for this group or is this your own idea, Mr. Shasteen?

Mr. SHASTEEN. I am the President of the organization, and I make appearances whenever we have hearings like this, and so forth. I don't go to every member and ask them if they approve of this testimony before I do it, no. I am the President, and if they, as they

probably will, see the statement and don't like it, they can vote me out. But most of the people in our organization have agreed with most of my thoughts on this.

Senator STEVENS. Are you affiliated with any other union or any other organization?

Mr. SHASTEEN. Well, this is the Taxpayers Union. We are not affiliated with any union as such. Let me say this, however, which may be a point of interest. I was involved with the longshoremen's union, oh, about 15 years ago, and I have seen some of the things that happened there. You brought up the point about manning, how this equipment would be run and so forth. I do not believe that this would be a major problem—this maybe helps your case here. But I have been on longshore gangs and they have been short of a crane operator or something like that, and they teach the guy how to run it right there. My dad's been a union man for most of his life. This would not be a particular problem, I don't think. But I really would like to have about a half-hour to discuss the sweatshop situation with Senator Inouye maybe some other time. I don't agree with his statement that there have been sweatshops and people forced to work when they did not want to work.

Senator INOUYE. Then you are saying the historians have lied to us.

Mr. SHASTEEN. I am saying possibly you read history a little bit differently than I do. One example: Henry Ford, who I believe was a fairly great man in our history, raised the wages of his workers to $1.00 an hour when the wage at that time was 50 cents an hour, and he did it without union coercion. He did it because he believed, as many businessmen do, that if you pay a fair wage, you are going to get better work out of your men.

I again come back to the basic problem, as I see it, and as I think maybe you should think about it. Our basic problem is government interference in our economy. Today we face a situation where we do not have a President; we have a dictator, and he controls every aspect of our lives, and you are asking us to give him more, and I object.

Senator INOUYE. I thank you very much, Mr. Shasteen, and you may be assured that your statement and this discussion will be given our serious consideration.

Mr. SHASTEEN. Thank you, Senator. Thank you, gentlemen.

Senator INOUYE. Our fourth witness this afternoon is Mr. Masato Kamisato, the Executive Vice President of the Honolulu Japanese Chamber of Commerce.

This Committee is pleased to welcome you, sir.

STATEMENT OF MASATO KAMISATO, EXECUTIVE VICE PRESIDENT, HONOLULU JAPANESE CHAMBER OF COMMERCE

Mr. KAMISATO. Thank you very much, Mr. Chairman.

The Honolulu Japanese Chamber of Commerce is grateful for this opportunity to express its support of the intent and purposes of S. 2836, the "Hawaii Public Interest Protection Act of 1972."

I am Masato Kamisato, Executive Vice President of the Honolulu Japanese Chamber of Commerce. I am duly authorized by the Board of Directors of that organization to represent their views on this bill.

A brief description of the Honolulu Japanese Chamber of Commerce is included in this testimony for your reference, and for the benefit of the members of your Committee who may not be familiar with the makeup of our organization.

Senator INOUYE. Without objection this description will be made part of the statement.

Mr. KAMISATO. Thank you very much, Senator.

May I proceed with the reading of the description?

Senator INOUYE. Please do so.

Mr. KAMISATO. Among the purposes and objectives of the Honolulu Japanese Chamber of Commerce are:

1. The promotion of commerce and industry within the State of Hawaii;

2. The development of trade and commerce between the State of Hawaii, the continental United States and foreign countries;

3. The expansion, growth and development of economic resources within the City and County of Honolulu and within the State of Hawaii;

4. The development of industries and the increase in the opportunities for work and employment.

As far as membership is concerned, any resident of the State of Hawaii who is engaged in business or a profession, or who owns property in the State of Hawaii, or who is actively interested in community affairs, is eligible to become an active member of the Chamber.

Membership consists of approximately 525 individual members representing more than 400 Honolulu-based business firms.

The Honolulu Japanese Chamber of Commerce was founded in March, 1900, as the "Shonin Doshi Kai," Japanese Merchants Association. The Association adopted the name "Honolulu Japanese Chamber of Commerce" in 1912.

The offices of the Honolulu Japanese Chamber of Commerce are located in its own building at 2454 South Beretania Street, Honolulu, Hawaii 96814.

In expressing support of the intent and purposes of S. 2836 may we first state that the primary objective of the Honolulu Japanese Chamber of Commerce in presenting this testimony is to seek the most effective means by which the people of the State of Hawaii can be protected from suffering irreparable injury caused by labor disputes which disrupt the normal flow of commerce between Hawaii and the Mainland United States.

An economic condition survey was conducted among members of our Chamber, September 10–30, 1971, to determine the extent to which the West Coast dock strike, which was then in its 10th week, was affecting their firms with respect to supplies and employment.

A total of 435 firms, including professional offices, that is, attorneys, accountants, and so forth, were surveyed, of which 101 responded. Among those responding were 23 retailers, 20 wholesalers, 17 construction firms, 3 manufacturing firms, and 34 service-related firms. Service-related firms included those in the financial, hotel, real estate, insurance and professional services categories.

The results of this survey may not be conclusive but we believe they provide sufficient indication of a real and urgent need for some

form of remedial legislation to protect Hawaii's people from undue hardships caused by labor disputes in the maritime industry. We therefore respectfully submit for your consideration a résumé of the statistical information compiled from this survey.

In the retail field, 75 retailing firms were sent questionnaires in this survey. Replies were received from 23 firms of which 5 were in the "less than 10 employees" category, 8 in the "between 11–51 employees" category, and 10 in the "more than 51 employees" category. The total number of employees employed by these 23 firms was reported as 2,598.

Of the 23 responding firms, 21 have reported receiving supplies by air or from ports other than the West Coast. However, only 6 of those firms have reported receiving adequate supplies. The remaining 15 reported otherwise.

In response to the question, "How long will your current supply last if shipment of goods from the mainland were completely cut off," the following replies were received:

	Firms
2 weeks' supply	5
1 month's supply	10
2 months' supply	3
3 months' supply	2
Longer	4

Of the four firms whose supplies were expected to last longer than three months, three were in the "over 51 employees" category and one in the "between 11–51 employees" category. Similarly, three of the five firms reporting no more than two weeks' supply were in the "over 51 employees" category.

With respect to the employment situation, the following replies were received:

1. Thirteen firms reported they would have been forced to lay off employees if the strike continued.

2. Of these, five reported that they would have begun laying off employees if the strike continued for one more month; four said layoffs would have begun in three months; and one if longer.

3. Only one firm reported it will reduce hours of work only.

4. If the strike continued, the cumulative totals of the number of employees who would have been laid off were reported as follows:

	Employees
1 more month	48
2 more months	135
3 more months	221

The survey showed that the larger firms faced a more serious employee layoff problem.

In the wholesaling field, 70 wholesaling firms were sent questionnaires of which 20 replied. Of those responding, 4 firms were in the "less than 10 employees" category, 11 in the "between 11–51 employees category" and five in the "more than 51 employees" category. Total number of employees employed by these 20 firms was reported as 1,943.

Of the 20 responding firms, 19 reported receiving supplies by air or from other than West Coast ports. Nine firms reported receiving adequate supplies and ten otherwise.

If shipment were completely cut off the current supply situation of these firms were reported as follows:

	Firms
2 weeks' supply	3
1 month supply	8
2 months' supply	5
3 months' supply	3
Longer	1

The one firm reporting longer than three months' supply was in the "over 51 employees" category. One firm in each of the three "employee-size" groups reported no more than two weeks' supply were left on hand.

The employment situation of the twenty responding firms were as follows:

1. Number of firms which would have been forced to lay off employees if strike continued: 9.

2. Number of firms which would have begun laying off employees if strike continued:

	Firms
1 more month	5
2 more months	3
3 more months	1

3. No firm reported that it would have reduced hours of work only.

4. Cumulative totals of the number of employees who would have been laid off if strike continued:

	Employees
1 more month	56
2 more months	194
3 more months	496

Here again the larger firms faced a more serious employee layoff problem.

In the construction industry, 65 construction firms were sent questionnaires of which 17 responded. Of those responding, one firm had less than 10 employees, 9 had between 11 and 51 employees, and 7 had more than 51 employees. The total number of employees employed by these firms was reported as 1,014.

Eight firms reported receiving supplies by air or from other than West Coast ports. Only one firm reported receiving adequate supplies.

Three firms reported having only two weeks' supply if shipments were cut off completely. Seven reported having one month's supply, five reported two months' supply, and two reported supplies would last longer than two months.

The larger firms appeared to be equally affected by lack of supplies as the smaller firms, although obviously the smaller firms, in general, had a more difficult time in adjusting to the situation.

The employment situations of those responding were reported as follows:

1. Fifteen firms said they would have begun laying off employees if strike continued.

2. Eight said layoffs would have begun if strike continued another month; three would have begun laying off employees after two months; and four after three months.

3. Only one firm reported it would have reduced hours of work only.

4. Cumulative totals of the number of employees who would have been laid off if strike continued:

	Employees
1 more month	210
2 more months	396
3 more months	585
Longer	625

In the construction industry, the larger firms were more seriously affected as far as the employee layoff problem was concerned.

In service-related firms, as mentioned earlier, this group included firms in the financial, hotel, real estate, insurance and professional services categories.

A total of 190 firms were sent questionnaires, of which 34 responded. Nine firms employed less than 10 employees, 13 employed between 11 and 51, and 12 employed more than 51. Total number of employees employed by these 34 firms was reported as 3,050.

Due to the nature of their businesses, 17 of the responding firms were not directly affected by the strike. These are firms which normally do not engage in direct importing of supplies from the mainland. However, they were affected to the extent that their suppliers or clients, in the case of those in the professional categories, were affected.

Of those who do engage in direct importing, 13 firms reported receiving supplies by air or from other than West Coast ports. Nine of these firms reported receiving adequate supplies.

One firm reported having no more than two weeks' supply should shipments be cut off completely. Three reported having one month's supply, eight had two months' supply, and three had three months' supply.

The large as well as small firms appeared to be evenly affected.

The employment situation of these firms were reported as follows:

1. Four firms reported that they would have been forced to begin laying off employees if the strike continued.

2. Three said they would have begun laying off after one month, and one after three months.

3. No firm said they would have reduced hours of work only.

4. Cumulative totals of the number of employees who would have been laid off if the strike continued:

	Employees
1 more month	4
2 more months	10
3 more months	15
Longer	28

In the service-related area, the small- and medium-sized firms were more seriously and immediately affected than the larger firms. The problem faced by most service-related firms was the decreasing volume of business from those directly affected by the strike or the delays in settlement of accounts by them.

We have not included a report on manufacturing firms in this testimony because of the insufficient number of replies received.

Some general observations on the result of our survey are:

We submit that the 101 firms which responded to our survey represent less than one percent of the total number of firms doing business in the State of Hawaii. We further submit that the reports from

these 101 firms may not necessarily constitute a representative sampling of the total effect of the strike on Hawaii's business community.

We do believe, however, that the hardships experienced by many of these 101 firms are typical examples of the experiences undergone by many other business establishments in the State.

While many firms continued to receive supplies during the strike either by air or from other than West Coast ports, this was being accomplished only at a tremendous increase in freight costs and long delays in deliveries. The construction industry was particularly hard hit with delayed deliveries. Many were unable to complete their jobs in accordance with contract due to lack of materials.

However, the fact that shipping service was available by air and from other than West Coast ports made it possible for many firms to survive the crisis, although we hesitate to speculate how much longer Hawaii's consumers could have survived the skyrocketing cost of living.

If the Taft-Hartley injunction was not invoked when the ports in the East and Gulf Coasts were also struck, it is apparent from the results of our survey that many firms would not have been able to continue their operations beyond one or two months. Even with the East and Gulf Coast ports open, many firms have suffered substantial decreases in business from normal operations because of the strike, according to a recent survey taken among our members. The recurrence of this deplorable situation cannot be allowed as it will seriously jeopardize the solvency of these firms.

The 80-day Taft-Hartley "cooling off" period is already up for the West Coast strike and soon will be up for the East and Gulf Coast strike. Whether or not these strikes are settled, the possibility of complete cut-off of ocean transportation service from the mainland United States will still remain as long as existing procedures for resolving such disputes are continued to be used without change. The urgency of the need to provide the people of Hawaii with adequate and more permanent protection from this disastrous possibility cannot be over-emphasized.

With respect to the technical aspects of the various provisions of S. 2836, the Honolulu Japanese Chamber of Commerce wishes to defer to other groups or individuals who are better equipped to provide expert testimony.

In conclusion we reiterate our support of the intent and purposes of S. 2836 and express fervent hope that this bill, or some modified form of it, will be given immediate consideration for passage by the 92nd Congress.

Thank you very much.

Senator INOUYE. Mr. Kamisato, on behalf of the Committee, I thank you very much for your assistance this afternoon.

Do you have any indication as to whether any member firm has over-extended itself with respect to credit as a result of the strike?

Mr. KAMISATO. We don't have specific information on that, Senator. However, we have heard of business firms having that problem.

Senator INOUYE. You gave us the result of a survey with respect to supplies. How do these compare with inventories that they had, say, on July 1?

Mr. KAMISATO. We haven't made that comparison, Senator. However, we do believe that because of the advance knowledge these businessmen had of the impending strike, they have made substantial stockpiling and perhaps the supply situation as we have reported in our testimony reflects the amount of stockpiling made before the strike.

Senator INOUYE. Do you have any information as to how many member firms have already laid off employees?

Mr. KAMISATO. No, sir. As my testimony indicates, the report on employee layoffs was what it would have been if the strike continued for another two weeks, for another month, and so forth. So we don't have exact information on whether or not employees have actually been laid off during that period.

Senator INOUYE. Have any of your member firms gone bankrupt since the 1st of July?

Mr. KAMISATO. To my knowledge, no.

Senator INOUYE. Am I correct in assuming, when you say that you are supporting the intended purpose of this measure, that you may have some reservation about specific provisions of it?

Mr. KAMISATO. The Japanese Chamber has not taken any position with respect to the specific provisions of your bill. I did have a question on a personal basis, if you will permit me to express it.

Your bill gives permissive powers to the Governor to implement this law. The question, of course, is whether or not the Governor will or will not, within 30 days, exercise his permissive powers.

The gentleman from Maui, Mr. Nakamura, has suggested a solution to that problem, which in my personal opinion, without looking further into it, appears to be a logical solution.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. Have you had any indication that new businesses have not been started because of the strike situation?

Mr. KAMISATO. No, sir. I don't have specific information on that, either. We haven't made a study of that. The studies which we have made were only those which involved our own members who were already in business.

Senator STEVENS. I have noted that the local advisory council to the SBA has sent a request to the Small Business Administration in Washington asking that low interest loans be provided here for those concerns that are most affected by the freight stoppage. Has your organization been involved in that at all?

Mr. KAMISATO. No, sir.

Senator STEVENS. Would you care to comment? Is it a necessity at the present time in terms of the businesses which are members of your organization, that working capital, extended loans, are not available through normal banking channels?

Mr. KAMISATO. I don't know of a specific case within our membership, but I am sure that such a plan would be a big help to our businessmen here.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you once again, Mr. Kamisato.

Mr. KAMISATO. Thank you.

Senator INOUYE. And be assured your statement will be given our serious consideration.

Mr. KAMISATO. Thank you very much.

Senator INOUYE. Our next witness is Mr. William R. Sewell, the President of Home Builders Association of Hawaii.

On behalf of the Committee, Mr. Sewell, welcome, sir.

STATEMENT OF WILLIAM R. SEWELL, PRESIDENT, HOME BUILDERS ASSOCIATION

Mr. SEWELL. Thank you very much, Senator. Senator Stevens, and gentlemen: I'd like to enlarge on our letter just a little bit, which I am sure you have read, our letter dated January 14. One of the reasons is that it is extremely difficult to document our facts and figures. Many of our members are reluctant to reply. This is, I think, throughout the nation among builders and subcontractors, that when asked if they can tackle a job they invariably say yes, they can do anything, and they are quite proud of this fact, that they can tackle a job and do it.

To ask them why didn't they accomplish a job or what are the stumbling blocks, they are reluctant to tell, particularly among our subcontractors who might be excluded from future building if they revealed they were in a bind or a pinch, and so we have had a difficult time documenting some of our facts and figures.

However, as I say, I would like to enlarge upon the letter.

At the end of the second paragraph there shows a very small decline in building permits for 1971. In the United States as a total, building permits were up approximately 50 percent in '71. We took a decline in '71 here, a very small one. There are many other factors. I am not blaming the shipping strike entirely for it, but it obviously played a part.

On the second page, in the second paragraph, we have 15 replies out of 150 subcontractors, or 10 percent responding to our inquiry that arrived at this figure of $100,000 they spent on air freight to keep their jobs rolling.

As I say, this is only 10 percent of our subcontractors, so had it responded, it could have added up to over $1 million.

In the same survey, the same subcontractors revealed that they had turned down or lost approximately $1 million worth of business because they were not able to handle it due to the strike, exclusively due to the strike. So here again, if this represents 10 percent of the members and it is projected in the same manner, it would represent almost $10 million lost.

The builders are hurt, as I am sure you have heard from previous testimony. The suppliers are hurt. One thing that maybe has not been brought out is that the owners are hurt. Let's assume an owner who is acquiring a new home sells his existing home and the new home is delayed just a month or six weeks. He is forced to move out of his existing home, rent a house or apartment, or move into a hotel, store his furniture, pay additional interest, and then move in. This is a hardship on the owner. Even though I'm representing the whole Builders Association of Hawaii, I'd like to speak up for some of our buyers at the same time.

I feel actually that our subcontractors and their employees were hurt the most in the recent strike and will be hurt in the present strike, particularly the employees, because as soon as there is an inkling of a shortage or a turndown, their employer, whether he is a plumber or electrician, will tend to either lay off employees or curtail their work week, reduce them from a 5-day work week to a 4-day work week, to a 3-day work week, and so on. It happened in the other strike and it will happen in this one.

They are faced with additional warehousing if they anticipate the strike. They do pay air freight. So materials are delivered to a job site. And it was promised to be ready for them and it suddenly becomes not ready for them so the materials sit there for an extra 2 or 3 weeks, and during that time the materials are damaged, stolen—anything. This hurts the owner of the materials. It slows down the job and invariably results in higher costs.

The ones in the light construction industry that were hurt the most were probably the unionized employees of our members.

And that's about all I wanted to add to the letter.

Senator INOUYE. Without objection, sir, your letter in total will be made part of the record at this point.

(The letter follows:)

HOME BUILDERS ASSOCIATION OF HAWAII,
HONOLULU, HAWAII, *January 14, 1972.*

MERCHANT MARINE SUBCOMMITTEE,
U.S. Senate, Honolulu, Hawaii

GENTLEMEN: The Home Builders Association of Hawaii is grateful for the opportunity to present its views regarding S. 2836, the Hawaii Public Interest Protection Act of 1972.

The Home Builders Association of Hawaii, as representative of the light construction industry, has taken a survey of homebuilding construction by its major builder members and finds that based on its survey reports, there were only 39 percent completions of the housing units planned to be built in the last half of 1971. We find that this figure does not tell the whole story because there were, among our membership, a good number of units which were constructed and completed as scheduled. In questioning these builders, we find that they were able to anticipate the strike and were sufficiently financed so that the stockpiling of materials for their projects was possible. We have noted that during the time of the shipping strike on the West Coast, East Coast, and Gulf, that there was limited ocean transportation available to the builders in Hawaii, and the fact that the docks on Hawaii were not struck, made it possible to ship in some materials to maintain a "medium" building rate. Many smaller items, such as doorknobs, paint, etc. were flown in and thus the homebuilding industry, as a whole, did not drop off drastically during the strike period. As represented by number of permits for housing units issued by the City and County of Honolulu for the 1971 versus the year 1970, we find that 7,976 units were authorized in 1970 and 7,858 in 1971.

We hasten to add, however, that the key to this whole situation has been the fact that the docks in Hawaii were not struck. There are those of us in the industry who can recall the shipping strike in 1949 at which time the docks in Hawaii were closed down. This brought the home construction in Hawaii to a standstill and this can happen again very quickly!!

Stockpiles of building materials in Hawaii are in general—good. Our suppliers tell us that they maintain a three-month, on-hand, enroute, and on-order inventory position. This would indicate that approximately two months of materials would be available in a normal situation at the start of a strike. It is difficult to say, however, that the two months would be a firm period of time inasmuch as all structures depend upon many components, and with a single component missing, the whole job would usually have to be shut down even though other materials that would go into the job were available.

We find in surveying our subcontractor members that they have spent considerable dollars (over $100,000 in the small sample taken) for air freight and

extra warehousing due to the strike of last fall. This causes an unreasonable increase in costs and, of course, these costs are ultimately passed on to the buyers—another contributing factor to the already high-priced housing in Hawaii.

With the above reasons we wish to advise your Committee that we support, in principle, the intent of Bill S. 2836. We are not wholly convinced that, as written, the Bill will provide the shipping required for the reason that shipping as provided by the Bill may not be available when needed. We suggest your Committee consider the possibility of further amending your Bill to provide for the suspension of the application of the Jones Act provisions in times of emergencies as defined.

We appreciate very much the interest your Committee is taking in the economic affairs of our State. The Merchant Marine has been our basic highway of commerce over the years. We are looking forward to the needed support of the Congress of the United States for the Merchant Marine to continue its role in our economy.

Very truly yours,

WILLIAM R. SEWELL, *President.*

Senator INOUYE. According to your testimony, the City and County of Honolulu issued, in the year 1970, 7,796 permits for building units, and in 1971, 7,858. If we use these as indicators of employment, it would appear that your statement "that the home building industry did not drop off drastically" seems to be supported.

However, in your second paragraph you indicate that only 39 percent of these approved housing units were completed the last half of 1971. This is a period affected by the strike.

Mr. SEWELL. Yes.

Senator INOUYE. What caused this drop? Is this the usual situation in the last half of every year?

Mr. SEWELL. No. It is primarily due to the strike. The permits were issued, and so the total number of permits issued stayed up. But just because you take out a permit doesn't mean you accomplish the project or complete the project. The projects were stalled due to a shortage of materials caused by the strike.

Senator INOUYE. Was adequate money available to contractors during this period?

Mr. SEWELL. I believe the money was no problem.

Senator INOUYE. You have mentioned that most of your contractors maintain an inventory of about three months' supply?

Mr. SEWELL. Our building suppliers do. The contractors themselves rarely maintain an inventory.

Senator INOUYE. The building supply houses?

Mr. SEWELL. The supply houses, yes.

Senator INOUYE. Is this the usual practice on the mainland for building supply houses?

Mr. SEWELL. No. Your mainland suppliers carry a much shorter inventory.

Senator INOUYE. Then would you say that this is part of the additional cost that has to be borne by the homeowner?

Mr. SEWELL. Yes, sir.

Senator INOUYE. Do you have any information as to how many of your employees have been laid off as a result of the strike?

Mr. SEWELL. I can give you man-hours. I haven't totaled them up. We asked for man-hours laid off, and, as I say, we only have a 10 percent response from them: 36, 300, 268, 40, 800, question mark, 660, 3,840, 1,750, 224, 6,815, 4,480, 600, 9,000, 600, Those are man-hours or one man for 8 hours.

Senator INOUYE. You have made an intriguing statement that during this strike period, those men who were members of unions suffered more than the non-union members.

Mr. SEWELL. No, I didn't say suffered more than non-union. I said it was ironic that the ones in the construction industry that suffered most were union.

Senator INOUYE. As members of the industry.

Mr. SEWELL. What I am saying is that employees suffered more than their employers, I think.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. What category of building would you say was most affected? Individual homes or the major construction items?

Mr. SEWELL. The small volume builder that builds six to twenty homes a year was slowed down, not completely stopped. The tract builder, building 100 to 300 homes at a time, in many cases was stopped cold. The high-rise, as I understand it—we have a few members in that category—anticipated the strike and loaded up ahead of time so their projects went along. They had a higher cost but the projects themselves still went on schedule.

Senator STEVENS. You have given us the figures for the permits for the city. Do you know if the comparison figures are available for Hawaii as a whole for 1971 and '72? They are very interesting.

Mr. SEWELL. They are available. I do not have them. But Oahu does constitute over 80 percent of the building in the State, and our association represents 90 percent of the activity on Oahu.

Senator STEVENS. That is very indicative. Even in spite of our slowdown and 14 percent unemployment, we had an increase in the number of building permits. It is very significant that you had an actual slowdown in building permits. In other words, people weren't willing to undertake new projects because of the strike.

Mr. SEWELL. In my own personal case I have two permits that were taken out in the fall of last year. The owners say, "Don't start now." They want to wait to see what the strike situation is.

Mr. Stasney, President of our National Association of Home Builders, was just here, and he was astounded to find that we are the only state that he knows of where there was the same or a decline in building permits, whereas nationally it has gone up 50 percent.

Senator STEVENS. Yes, that is very startling testimony. Thank you very much for taking the time to come to present it.

Senator INOUYE. Thanks very much, once again, sir.

Our next witness is the President of the Hawaii Air Cargo Shippers Association, Mr. Robert Hall.

Welcome to the Committee, sir.

ROBERT HALL, PRESIDENT, HAWAII AIR CARGO SHIPPERS ASSOCIATION, AND ROBERT W. HALL ASSOCIATES, MANAGEMENT CONSULTANTS SPECIALIZING IN TRANSPORTATION AND DISTRIBUTION

Mr. HALL. Thank you, sir. Senator Inouye, Senator Stevens, gentlemen of the Committee. I'd like to make one contribution. I wear several hats. I am President of the Hawaii Air Cargo Shippers Associa-

tion, but if you don't mind I'd prefer to testify as Senior Consultant, Robert W. Hall Associates, Management Consultants specializing in Transportation and Distribution, because my talk is on economics, and air cargo is only a part of that particular presentation.

This testimony will be in two parts. The first part will be on the effect of surface shipping strikes on the economy of the State of Hawaii, and the second part will be the effect of surface shipping strikes on the maritime industry.

THE EFFECT OF SURFACE SHIPPING STRIKES ON THE ECONOMY OF THE STATE OF HAWAII

Surface shipping strikes affect consumer costs mainly through the cost of distribution. Distribution costs accrue from the time goods leave the supplier until the item is sold and the goods reach the hands of the customer. Distribution costs are raised substantially when surface shipping strikes interrupt the normal methods of distribution.

Unlike the other 49 states, Hawaii has no truck or rail distribution system. Dependence upon a maritime surface distribution system frequently interrupted by dock strikes has created one of the most inefficient distribution systems in the country. Hawaii businesses have traditionally overstocked inventories as a hedge against surface shipping strikes.

It is well-known that good inventory control practices dictate the highest possible level of sales with the lowest possible level of inventories. As Hawaii deviates from this concept, the pipeline of goods from the supplier to the consumer increases. This tends to increase the costs of handling, warehousing, insurance, capital, shrinkage, and obsolescence. The cost of warehousing alone is approximately two-and-one-half times higher in Hawaii than on the mainland. I'd like to point out here that if you double your inventory because of a strike you are also talking about doubling that cost, which is two-and-a-half times higher than the mainland. That is an enormous load. The spread between Hawaii and mainland warehousing costs is also increasing. As a result, Hawaii probably has the highest distribution costs of any heavily populated commercial area in the world.

Recent computer studies done by our firm in conjunction with a major national firm with regard to the cost of distribution between Hawaii and the mainland show conclusively that air cargo, at five times the surface transportation cost, can make a significant long-term impact on present distribution methods. We know that businesses cannot afford the substantial difference in transportation cost between surface and air unless some of the other costs that we have previously mentioned can be reduced as a trade-off to the higher air freight cost. These computer studies clearly show the inefficiency of our present distribution system. Hawaii's distribution costs are so much higher than the mainland costs for a similar distance that they have absolutely astonished those who are more familiar with mainland distribution situations. A considerable amount of educating must be done before any significant switch will occur between surface and air. But there is evidence that this might well happen. And I might add that this strike might just prove to be the push.

Short-term use of air cargo during surface shipping strikes is no solution to the problem. Air cargo normally carries less than one percent of the total freight coming to and from Hawaii. During surface shipping strikes, capacity is saturated at between 2 and 2½ percent of the normal surface tonnage. These figures are rough approximations since no truly reliable figures are available. When higher air freight costs are used in addition to inefficient surface distribution costs, they merely compound the problem. Air cargo can only help in the distribution process when high-to-medium-value-per-pound items are involved, and then only when the distribution system is geared for air transportation and used in place of a surface system.

If merchants use air in emergencies, such as they are doing now, then obviously all of this inefficiency and extra cost will be passed on to the consumer.

SURFACE SHIPPING STRIKES AND THEIR EFFECT ON THE MARITIME INDUSTRY

Perhaps the best study that has ever been prepared on this subject was done by Henry S. Marcus, Assistant Professor of the School of Travel Industry Management, College of Business Administration at the University of Hawaii. Previously, incidentally, he was at MIT and several other schools, and he is back at MIT at the present time. His paper was first delivered before the Hawaii section of the Society of Naval Architects and Marine Engineers in Honolulu on May 13, 1971. A copy of this paper is attached. I will summarize it briefly by saying that a continued interruption of the surface shipping distribution system will have the effect of accelerating the switch from surface to air of high-to-medium-dollar-value-per-pound items. The loss of a relatively small amount of freight to air transportation could then result in a disaster to the maritime industry. The maritime containership industry is characterized by high fixed costs and economies of scale. Remember that. That is an important point right there. This isn't true in a lot of industries, but it is true in this one.

Mr. Marcus points out that as a containership operator loses cargo, the remaining tonnage must assume more of the fixed cost involved. Therefore, a loss of any given percentage of cargo normally results in a greater percentage of loss of profit. This is particularly true in a situation where competition has produced over-capacity. The growth rate of air cargo between the mainland and Hawaii is several times that of the rest of the country. There are also indications that the demand for air transportation will increase at a much faster rate in the future as a result of businesses looking to air transportation as a permanent means of distribution. This change is being forced and accelerated by surface shipping strikes. As an example, one company in the Ala Moana Center was shipping only one or two percent of their freight by air slightly more than one year ago. They are presently shipping 60 percent of their goods by air and are working towards a 100 percent air distribution system, and I am not talking about Sears here.

Company after company in Hawaii, whose goods have enough value per pound to afford the trade-offs necessary to absorb the higher air freight costs, are now looking to air transportation as a

permanent distribution system. This trend merely goes to reinforce the theory put forth by Mr. Marcus. That is that surface-container operators could be badly hurt financially by a relatively small diversion of freight from surface to air.

One can only speculate how this would affect the maritime industry, but there are indications that a financial squeeze could result. Less money might be available for wages, and there could be an ultimate loss of maritime employment through mergers.

We generally support legislation that will curb strikes in transportation and communications. There is every indication that the heaviest burden of these strikes does not fall on business, but on those consumers who can afford the extra costs the least. There is also considerable evidence in this and other industries that striking unions suffer not only short-term but long-term damage from strikes that might be far more significant than their leaders realize.

Senator INOUYE. Thank you very much, sir.

The statement by Professor Henry Marcus, entitled, "Marine Transportation and the Consumer," will be made a part of the record.

In your statement you have indicated that the heaviest burden of these strikes falls not upon business—this is in your closing statement—but upon those consumers who can afford it the least.

I believe I know what you are talking about, but for the record, could you amplify, sir?

Mr. HALL. Well, the point is that regardless of Phase 1 or Phase 2, I think there has been ample evidence over the last six months that sooner or later these costs are passed on. And right now, under Phase 2, for example, if a merchant brings goods in by air, he is allowed to pass on the extra transportation cost. Inevitably, in order to run the economy, a lot of goods are coming in by air, and that is just one facet of it.

Now, there are other facets.

Let's suppose, for example, that we saturate the air transportation system, which we did in late September and October. Let's suppose you have a bulldozer down for a crankshaft and they don't have the part and it has to be flown in. There may be two to three weeks' delay. Does the 'dozer operate or does the operator get laid off? Is the man forced to rent equipment from another operator at a much higher cost or premium? Is this cost passed on to the consumer?

So far we are not talking about the air freight cost of the crankshaft. I work for the Kalihi-Palama Community Council also in my free time, and over the years I have noticed a great gulf in this community between the "have's" and "have-not's." It wasn't so apparent nine or ten years ago, but I am noticing every day now that this gulf is increasing. And what I think we are doing is driving a tremendous wedge in this community between the "have's" and "have not's." It is not just surface shipping strikes, but there are other things coming into play here, the rising cost of land and buildings, land speculation. All of these things go together. There are no studies in this area to my knowledge. I think the government should conduct studies, the government and the unions. What is the long-term effect on the members of their unions and the general public as a result of these things? Our indications—and we have only scratched the surface—are that they are just enormous.

Senator INOUYE. In your statement you have said—and I quote—"The loss of a relatively small amount of freight to air transportation could then result in a disaster to the maritime industry."

What amount of loss would bring about this disaster?

Mr. HALL. This wasn't my paper, but according to Dr. Marcus, he thinks it is entirely conceivable that 10 percent of the freight could come by air in a very quick period of time. There are economies of scale in maritime transportation where higher-value goods tend to pay a higher rate for transportation than feed and grain and that sort of thing. If the higher-value goods are diverted from surface to air, there is a far greater loss of revenue to the maritime operator than the tonnage would indicate. When that happens, with your fixed overhead that you have in the surface business, I think it's going to be a real mess.

Senator INOUYE. I believe this paper should be made required reading for some of our members of the maritime industry. It might be of interest to them.

Mr. HALL. Senator, I might add that the airframe manufacturers who I work quite closely with—in fact, we are using their computers in Long Beach for these studies—have aircraft on the drawing boards that will compete directly against surface shipping in both cube and rate. We are talking a situation today where possibly as a round figure we are using five times the surface shipping costs. What we are saying here is that these people are completely competitive today, but they only lack the education system.

Stop and think of what would happen with these new aircraft. The Boeing 747 can lift 60,000 pounds of cargo to Hawaii, and there are an awful lot of them coming in and they are not filled now. So the means is there. And the education program I happen to be heavily involved in, and that is starting, too.

Senator INOUYE. You are suggesting the warehousing costs in Hawaii are approximately two-and-a-half times greater than on the mainland. Do you believe that surface disruptions have been the sole cause of this phenomenon?

Mr. HALL. No, sir. There was a paper done, which showed there is less than eight percent of the land here in Hawaii available for warehousing, and the costs are far greater than most people will realize. If you take the net square foot cost and sum total of all the expenses, the cost here is not the 15 or 20 cents per square foot that is batted around. It is truly 45 to 65 cents per square foot and those figures are three years old.

Again you have to read the full paper to understand why, but the reason is your highest and best-use taxation, the fact that you don't have much land. In a warehousing area there are a number of forces that would compete for the use of that land and bid up the price. You could put in a bank or a drive-in restaurant and both of those people would pay more for it than a warehouse would pay. So there is a squeeze on land.

Frankly, our studies are indicating that companies are already starting now to build warehouses or contract for warehouses on the West Coast, and I don't think it's unrealistic that in five, ten, or fifteen years there will be warehousing in Nevada, and the transportation will be heavily air-oriented because the indications are

that the costs are so enormous here that you simply can't afford to warehouse in the state any longer.

In a parallel to this particular strike, this suggests that if the leaders of these labor unions had these facts in front of the ı and were truly representative of their people, I wonder what their decision would be on the strike.

Senator INOUYE. Have you been able to develop any estimates or projections as to the amount of cargo which has now been diverted to air transportation, permanently diverted to air as a result of this strike?

Mr. HALL. No. In fact, that is one of the more interesting aspects of this thing. Peat, Marwick and Mitchell did an updated study on what they thought would happen in 1975, 1980, 1985 for the State of Hawaii. The first statement they make in that study was there is no provision whatsoever for a change in demand. Now, when you realize that when that study as done the demand was less than one percent of the total tonnage, then you realize just how little we know about this, how all we know is that the curve on my wall is going up like this (indicating). That we know, and it stayed up after the strike. I have a feeling that the psychological climate of the community is such, and for the first time we have had the computer tools that are available to us to go into business after business and quite easily tell the man what the trade-offs are all the way down the line. And get this, there is no cost for this. I can go in ith a three-page questionnaire to any business in this state and take any line of products—and we are doing it day by day—and tell them precisely, with every single factor involved, whether they should be on an air distribution system or a surface distribution system and why, and what will happen in their financial statement if they do it.

Again, the programming and computer time is free. I won't go into that any more, but obviously someone has something to sell.

Now, when you realize that every one of our studies shows that all the way down the line most businesses—let's take, say, a break value of a dollar per pound or more should have been heavily on an air distribution system for a long time now—and we have specific indications. There is a major corporation here in town where supposedly 40 percent of their goods are coming in air. It is a general lines department store. This is common knowledge. This is the largest, most profitable store of its chain in the world. When you realize they were able, in a broad lines department store, to go heavily by air quite successfully, then all we are saying is that the other businesses in town now have the tool to play catch-up football and match that performance. It is a brilliant distribution system.

Education is the only thing stopping this change.

Senator INOUYE. Senator Stevens.

Senator STEVENS. Are you suggesting that there is duplicated inefficiency if a person who has this high-cost warehousing space is actually using air transportation now; that one of the results of your study would be they should let go of this high-cost warehousing and shift to air transportation?

Mr. HALL. What is happening is that they probably don't really realize that they should be on an air distribution system in some areas.

I want to explain one more point. If you have one percent of the freight coming in by air, there are studies that have been done in

New York at the New York Port Authority that indicate that this might involve 22 percent of the value of the goods. So saying that there is some rough approximation of that here in Hawaii, we may be dealing in 22 percent of the financial statements of these firms. It is the old story where 80 percent of your sales are made up of 20 percent of your items.

If you apply that to what is happening here, generally most businessmen do not understand this concept, and as a result they won't give up the warehouse. They bring in air as an emergency. So they put that on top of an inefficient distribution system.

What we are saying is that some of the more alert ones are realizing maybe they'd better look at it, and the local sequence of events would be that they'd reduce their warehousing, reduce their inventories, and change their pattern of distribution.

Senator STEVENS. Have you got any figures to show the relationship of the high dollar volume to the total volume of goods coming in?

Mr. HALL. There has never been a study on that to my knowledge. No one has that figure. It is one I would like to have.

Senator STEVENS. You make a very good point. I hope someone is listening to you.

Senator INOUYE. I have just another question, sir, my final one.

You have given us a very interesting report on the effects of these strikes on the economy and on the maritime industry. Do you wish to advise this Committee as to your position on the bill we are considering?

Mr. HALL. The bill has some interesting features in it. I think, after giving it a lot of thought, that it might be some pretty good legislation.

I feel that the idea that it is not mandatory might, in our political system—and again it is not the system necessarily we all want nor Utopia, but the system as it is, the real system—it might place some interesting incentives and pressures in the right areas. I think that probably the architect of the bill realized that when he drew it up. And therefore—and I can only speak for myself—I would be in favor of the legislation.

Senator INOUYE. I thank you very much, Mr. Hall. You may be assured that your statement and also the study by Professor Marcus will be given very serious study by all of us. Thank you very much.

Mr. HALL. Thank you.

(The article follows:)

MARINE TRANSPORTATION AND THE CONSUMER

(By Henry S. Marcus*)

ABSTRACT

Although much research is performed within the maritime industry, it is not often that this research expands outside the context of the marine field. This paper will point out many aspects of marine transportation as it relates to other industries and the consumer. First the effect of wide-bodied passenger planes on the containership between the mainland and Hawaii will be analyzed. Next it will be shown how the benefits of marine transportation may not reach the consumer.

*Currently an assistant professor at the School of Travel Industry Management within the College of Business Administration at the University of Hawaii, the author is a graduate of Webb Institute of Naval Architecture, Massachusetts Institute of Technology, and Harvard University Graduate School of Business Administration.

Factors affecting this process are: lack of competition, the "pocket market" effect, the Merchant Marine Act of 1920, the Oil Import Control Program, and the consumer's own feelings. The author concludes with some brief comments concerning the Hawaiian consumer's future fate. Although few of the factors in this paper are considered in great detail, the author hopes that this paper will serve as a catalyst for the reader to relate marine transportation to the other elements in his environment.

INTRODUCTION

Although people are aware of the existence of modern ships, few bother to trace the effect of the maritime industry on other industries or on their cost of living. Although Hawaiians realize that efficient containerships, automobile carriers, and tankers dock at Oahu, they seldom try to determine the effect of the cost of transportation on the consumer. In this paper the author will attempt to encourage the reader to relate maritime transportation to other factors in his environment. The author will present an overview of many factors which affect both the maritime world and the Hawaiian consumer.

THE FUTURE OF FREIGHT MOVEMENT BETWEEN THE MAINLAND AND HAWAII

Containerships

The next five years should bring some interesting developments in freight movement between the mainland and Hawaii. In the area of surface transportation, Matson Navigation Co. has already put into service the largest U.S.-flag containership. United States Lines carries containers from the mainland to Hawaii in modern Lancer class vessels. Seatrain Lines plans to build fast gas turbine containerships to place in this trade.

Besides the investment being placed in this trade in the form of ships, terminal facilities, and containers, one must also be impressed with the amount of capacity which will exist on this trade route by 1975. If we assume the amount of containerized cargo carried from the mainland to Hawaii is approximately 1.5 million short tons in 1975, it can be seen that Matson alone can carry this tonnage with its current operating fleet. If Seatrain builds two huge gas turbine-powered containerships for this route, it also could easily carry this tonnage alone. U.S. Lines combined with minor freight carriers and passenger ships might also be able to handle 1.5 million short tons between them in 1975. Consequently, without ever talking about the entrance of a new major carrier such as SeaLand, it would be possible to have a container capacity equaling as much as 300% of the demand moving from the mainland to Hawaii in 1975. Although all this capacity may not actually exist on the westbound route at the same time, it is probable that overcapacity will exist on this route for the next several years. Note that if the eastbound tonnage from Hawaii to the mainland is only 35 to 50 per cent of the west bound traffic, overcapacity will easily exist on this route also. With such overcapacity existing in both directions, it is likely to expect severe competition between containership operators for years to come.

Air freight

In the past, air freight was not generally considered to be a significant competitor to containership movement of cargo. In recent years the cargo moved by air from the mainland to Hawaii equaled only 2.5 to 3.5 per cent of the tonnage moved by containership. The large-scale introduction of wide-bodied aircraft such as the Boeing 747, the L–1011, and DC–10 may change all this. Previously passenger aircraft had only small amounts of cargo space and the air freight could not be handled efficiently. Now the new wide-bodied aircraft or jumbo jets have large belly compartments to accept cargo in specially designed containers sometimes called igloos or hula huts. The 747 has more than 6,000 cubic feet of space in its belly compartment. The interesting feature of belly cargo space is that it will increase with the growth of passenger travel whether or not it is required by the demand for air freight.

Consider the following rough calculations which lead to the predicted air freight capacity moving westbound from the mainland in 1975. Only the westbound traffic is considered here because this is the high volume direction. Roughly 70% of containership cargo between the mainland and Hawaii moves westbound and perhaps almost 80% of air freight travels in this direction.

The Department of Planning and Economic Development of the State of Hawaii has forecast that 2.35 million passengers will travel from the mainland to Hawaii in 1975.[1] If the types of aircraft on this route in 1975 are represented by equal numbers of 747's, DC–10's, and L–1011's, each plane will have an average capacity of about 290 passengers. If the planes fly with a 50 percent load factor, a condition more favorable than present circumstances, then 16,200 jumbo jets will be needed to fly westbound per year.[2] Assuming an airfreight density of 8 pounds per cubic foot, an average plane has a capacity of 17 short tons. Consequently, the air freight capacity on passenger aircraft in 1975 will be 275,400 tons. Exhibit one shows the 1975 passenger plane air freight carryings as a percentage of containership demand westbound between the mainland and Hawaii, assuming various load factors for the airlines and various market demands for the containerships. If westbound passenger planes use only 50 percent of their belly cargo space, they will carry almost 10 percent of a possible containership market of 1.5 million short tons.

EXHIBIT 1

1975 PASSENGER PLANE AIRFREIGHT CARRYINGS AS A PERCENTAGE OF CONTAINERSHIP DEMAND WESTBOUND BETWEEN THE MAINLAND AND HAWAII [1]

	Estimated containership demand (westbound) (millions of short tons)				
	1.00	1.25	1.50	1.75	2.00
Estimated airfreight load factor (westbound):					
25 percent	6.9	5.5	4.6	4.0	3.5
50 percent	13.8	11.0	9.2	7.9	6.9
75 percent	20.7	16.5	13.8	11.8	10.3
100 percent	27.6	22.0	18.4	15.7	13.8

[1] To allow for the current movement of air cargo, either reduce percentage figures by approximately 2 percent, or assume that this amount will be carried.

All-cargo aircraft have not yet been discussed. According to the Lockheed-Georgia Co., "while 45% of all cargo moved in combination aircraft bellies in 1965, this will gradually drop off in the years ahead to less than 20% in 1980." [3] If all-cargo jets carry the great majority of the airfreight between the mainland and Hawaii in 1975, our problem of intermodal competition and overcapacity will be greatly exacerbated. In fact if the estimates of Lockheed hold true for the mainland to Hawaii traffic, airfeight could possibly capture 20 or 30 percent of the containership market by 1975.

Some persons may feel that it is ridiculous that the airlines could possibly obtain the huge increase in airfreight needed to gain 10 percent of the containership market in 1975. If the airlines were to carry 10 percent of a possible 1.5 million ton market, or 150,000 tons in 1975, this would represent an increase of 329 percent in six years from the 1969 figure of 35,000 tons.[4] However, the percentage increase in the six years previous to 1969 was 438%, a remarkable rate of grwoth.

RESULTS OF INTERMODAL COMPETITION

Containership profits

An overriding result of future intermodal competition will be a significant blow to containership profits. If airfreight captures 10 percent of the containership market in 1975, the decrease in containership profits will be far greater than 10 percent. This occurs because the containership industry is characterized by high fixed costs and economies of scale. Simply stated, as a containership operator attracts more cargo the cost to handle each ton of cargo decreases. Conversely, when an operator loses cargo, the remaining tonnage must assume more of the fixed costs involved. Therefore, a loss of any given percentage of cargo normally results in a greater percentage loss of profit.

[1] "The Economy of Hawaii 1969", Department of Planning and Economic Development, State of Hawaii, 1969, p. 47.

[2] Based on weekly schedules in mid-1970, 18,720 westbound passenger aircraft, mainly not wide-bodied aircraft, arrive annually at present; in addition, 936 westbound all-cargo aircraft arrive annually.

[3] Perreault, W. D., "Impact of Jumbo Jets on the Air Freight Industry", p. 3, presented at the Pacific Air Cargo Conference, Honolulu, Hawaii, Sept. 9, 1970.

[4] All historical data concerning air freight carryings to and from Hawaii were obtained from the airport division, Department of Transportation, State of Hawaii.

This problem is emphasized in the case of intermodal competition by a very important factor. The cargo lost by the containership operators to the airfreight industry will be high value cargo. The New York Port Authority reported that in 1969 airfreight handled less than 1 per cent of the tonnage but 22 per cent of the total dollar value of foreign trade moving through the New York Port District. Historically, transportation pricing policy has been based on value of service, so that higher value cargo has been charged higher rates per pound than lower value cargo. Consequently, the higher value cargo contributes more than its share to revenues and profits, on a per pound basis, than lower value cargo. Professor James R. McCaul of Webb Institute of Naval Architecture feels that if the air cargo carriers on the North Atlantic remove the top 5 or 10 per cent of containership traffic, containership profits on that trade could decrease by as much as 50 per cent.[5] Assuming that similar figures apply to the mainland to Hawaii traffic, some containership operators specializing in this trade could be seriously injured financially by 1975.

Air cargo pricing

A key factor affecting the growth of airfreight will depend on how airlines price their product. There will be great temptation for the airlines to lower rates to fill their greatly increased belly cargo capacity. Since the 747 can break even with a passenger load factor of only about 35 per cent and no cargo at all, the airlines could drastically reduce freight rates and still increase profits on their combination wide-bodied aircraft. The danger to the airline industry of adopting this pricing strategy is that when the volume of air cargo outgrows the capacity of belly cargo spaces, all-cargo freighters must be added and these planes cannot be operated profitably with such a low rate structure. However, this long-range problem may appear secondary to an airline in financial difficulty that is looking for short-term profits. Note that American Airlines has proposed to the Civil Aeronautics Board experimental rate reductions of up to 40 per cent for cargo shipped during off-peak hours on a standby basis between certain mainland cities.

Logistics

Persons familiar with air and surface freight transportation between the mainland and Hawaii realize that airfreight has barely scratched the surface in this trade and that airfreight rates are two to five times as great as containership rates. These persons could argue that even a 40 percent discount in airfreight rates would leave them higher than containership rates. Although this is true, one should realize that use of airfreight can result in decreases in warehousing costs and capital tied up in inventory. A look at the total logistical system may show a shipper that air cargo is superior even though the rates are twice that of containerships. A major problem currently facing the airlines is educating the shipper to analyze his entire physical distribution system rather than simply comparing freight rates between modes.

Airfreight terminal operations

Another problem which must be solved by airlines will be the handling of cargo in the terminal. As the volume of air cargo grows, airlines will require new freight facilities and will have to become more efficient in their ground operations. Although some of these same problems plague containership operators, the maritime firms have already had time to solve most of their terminal difficulties.

Air cargo frequency and schedules

Whenever a shipper is ready to ship his merchandise, he desires that the carrier he is using is ready to move his goods. Since airplanes depart more frequently than containerships, this aspect is an advantage to the airfreight industry. For example, if Sears in Hawaii needs merchandise from its San Francisco warehouse, a wait of a few days may be necessary in order to place it on a containership. However, there are several flights per day from San Francisco to Honolulu. Although combination planes have frequent flights, their schedules are arranged at a disadvantage to all-cargo aircraft. All-cargo jets fly mostly at night so that shippers can have their goods delivered at the beginning of the next work day. Naturally, combination plane schedules are affected by the desires of passengers who generally prefer to fly during daylight hours.

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[5] For an excellent look at intermodal competition on the North Atlantic, refer to "Air Cargo and The Ocean Shipping Industry", by Prof. James R. McCaul, presented before the New York Metropolitan Section of the Society of Naval Architects and Marine Engineers, Sept. 22, 1970. The author gladly admits that some of the ideas concerning the effects of air cargo in this paper were borrowed from Professor McCaul.

Future containership operations

If the profits of containership operations between the mainland and Hawaii are severely damaged as has been predicted, several possible changes may occur. Steamship companies may start taking their ships off this route. These ships might be used to service adjacent routes that are less competitive. In that way the vessels would hopefully attract more cargo and the U.S. terminal facilities would hopefully be better utilized by handling cargo from more trade routes. Companies contemplating building new vessels for the mainland to Hawaii route may decide to delay such action. If a containership operator on this route were to get financially desperate, a merger could possibly occur.

Containership schedules and frequencies

As containerships have become larger, faster and more economical, the sailing frequencies offered by steamship companies have decreased. Consequently, while the shipper now has the advantages of faster transit time and more efficient ships, he has the disadvantage of less frequent sailings. In addition, containership operators often have similar sailing dates caused by the weekly peak demands of shippers. This situation may be to the advantage of the airfreight industry since the shipper has fewer shipping dates from which to choose.

All-cargo wide-bodied jets

Eventually all-cargo wide-bodied jets will be flying between the mainland and Hawaii. These planes will greatly increase the capacity of airfreight in this trade since one L–500 can carry as much as 150 tons. Seven Boeing 747's in an all-cargo configuration will have approximately the same annual ton-mile capacity as a new containership. All-cargo jumbo jets will present the lowest cost method of moving airfreight since operating cost per ton-mile will decrease as the size of aircraft increases. Consequently, containership operators must become accustomed to air cargo competition.

STRATEGY FOR CONTAINERSHIP OPERATORS

A growing awareness

Containership operators must first become aware of the threat of airfreight. Although air cargo has done little damage to their present profits, they must realize that wide-bodied aircraft will change the situation. Containership companies must also become aware of logistical analysis as well as the needs of their customers. The airfreight industry will tell present marine shippers that switching to air cargo will save them warehousing costs, capital tied up in inventory and also provide them with marketing advantages. While these claims contain some truth, containerships must realize the needs of their customers and be able to analyze their logistical systems so that they can determine whether the benefits of airfreight will outweigh the extra transportation costs. Although some customers may be better off switching to airfreight at sometime in the future, the containership operator should try to hold onto those customers who would switch on the basis of faulty analysis.

Restructuring of rates

In the future, containership companies will have to be extremely careful in altering their rate structures. Raises in the rates of very high-valued goods may cause them to be shipped by air. Raises in the rates of very low-valued goods may cause them to travel by barge. Only by careful analysis will containership companies be able to raise their rates on certain commodities without losing revenue to other forms of freight movement.

Premium service

Containership operators may wish to experiment with new types of premium services at premium prices in order to keep potential air cargo customers. One example would be to guarantee, for a slight extra charge, that one group of containers would be the last ones loaded and the first ones unloaded. The extra speed and convenience produced by this type of innovation might appeal to time-sensitive customers.[6]

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[6] However, at present containership operators sometimes perform a similar service for some refrigerated cargoes without additional charge.

CAB hearings

Containership operators have never been too concerned with hearings of the Civil Aeronautics Board. However, the author feels that there is reason to change this situation. The maritime world must become aware of rate reductions in the air cargo industry which will take cargo from containerships. All rate reductions must be approved by the CAB. Moreover, if the rates are unreasonably low, containership operators can ask the CAB to disapprove the rates on the grounds that they would create unfair competition for the containerships.

Intermodal corporations

A containership company may want to consider the possibility of owning both airplanes and ships on the same trade route at sometime in the future. In this way one company could serve the needs of the shipper whether he requires the characteristics of air or water transportation. Although an intermodal corporation of this type is illegal at present, it may be possible in the future.

EFFECT OF INTERMODAL COMPETITION ON THE CONSUMER

Low transportation costs

Recently Matson has proposed and introduced freight rate increases on certain commodities traveling westbound from the mainland to Hawaii. These are the first such increases granted since 1961. The author predicts that over the next decade or two competition will keep the cost of transportation at bargain prices relative to other costs during this period.

As airlines and containership operators fight to find traffic to move in the eastbound or backhaul direction, they may create special rates low enough to create new industries in Hawaii. This situation could favorably affect the local cost of living in two different ways; (1) If carriers could maintain a better balance of trade between the mainland and Hawaii, their costs will decrease and, in theory, this cost reduction will eventually be passed onto the consumer, and (2) If new industry is created here, the consumer should, in theory, receive benefits from the added tax revenue produced.

Effect on retail prices

Unfortunately, it is not obvious that low cost transportation will have much effect on future retail prices. Transportation rates on containerships from the mainland to Hawaii actually account directly for very little of the retail price. The following commodities all have freight charges of approximately two cents per pound or less: alcoholic beverages, beer, canned food, detergents, flour, cake mixes, laundry soap, paint, rice, salt, and wax paper. People write in to the local newspaper asking if it is transportation that causes the cost of a pair of pantyhose to be 98 cents more in Hawaii than on the mainland. [7] Since the containership freight movement only accounts for approximately one cent per pair of pantyhose, other factors must now be considered.

"Pocket market" effect

Many factors contribute to the high cost of living in Hawaii. One factor can be referred to as the "pocket market" effect. This term is usually used to describe that Hawaii has too low a population to support any major industry. The author would add that this low population may also create a market too small to provide effective competition for many products.

Remember that the entire State of Hawaii comprises a population roughly one-third the size of the Boston metropolitan area or one-fifteenth the size of the New York City metropolitan area. In addition, Hawaii is, of course, isolated by over 2,000 miles from other major centers. Consider the sale of outboard motors in the United States. In 1970 only the State of Wyoming sold fewer outboard motors than the State of Hawaii. Even the communities of Flint, Michigan; Denver, Colorado; Louisville, Kentucky; and Tacoma, Washington sold more than five times more outboard motors than Hawaii, and one of these cities were among the top thirty metropolitan markets nationally.[8]

In a small isolated market served by relatively few competitors, there is always the temptation for the competitors to raise prices so that they can all share in the benefit. (In economics this is the classical oligopolistic situation.) Note that if these circumstances have occurred or do now exist in Hawaii, the consumer has little alternative but to pay the higher prices.

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[7] Honolulu Star Bulletin, p. A-3, Dec. 23, 1970.
[8] Honolulu Star-Bulletin, Jan. 27, 1971, p. F-3.

Consider the price of automobiles in Hawaii. In the past the price of a Volkswagen in Hawaii exceeded the price of one in Boston by more than one hundred dollars. This difference might be explained by the additional distance of more than 5,000 miles a Volkswagen must travel from Germany to arrive in Hawaii versus Boston. However, this would not explain why Toyota's prices in Hawaii also exceeded its Boston prices by more than one hundred dollars. In this case the geography would have favored Hawaii rather than Massachusetts.

Although various reasons can be given to explain these price differences, the author would simply claim they are due to the fact that Boston is a more competitive market than Hawaii. Consequently, competition drives down the price. For a small isolated market like Hawaii the competition was simply not severe enough to warrant lower prices.

As competition grew and Volkswagen began losing its market share in Hawaii to the Japanese car manufacturers, Volkswagen and Toyota both reduced prices in Hawaii. Although modern marine transportation including ships able to carry thousands of cars were used by both manufacturers, the author believes that it was the competition not the ships which reduced the retail price. Presently both manufacturers price their cars on essentially a nation-wide basis so that there is little or no difference in price between any two spots in the U.S.

INSTITUTIONAL BARRIERS

Fair-traded items

Many institutional barriers exist that adversely affect the cost of living in Hawaii. One such barrier is the policy of permitting fair-traded items. Under this policy a price is set on certain merchandise and retail merchants are not allowed to sell for less than this price. Probably the most controversial fair-traded items in Hawaii are certain types of liquor. Neither savings in more efficient marine transportation nor increases in competition can force a decrease in these prices.

The Merchant Marine Act of 1920

The Merchant Marine Act of 1920, commonly known as the Jones Act, requires that cargo moving from one U.S. port to another U.S. port must be carried in U.S. built ships manned by U.S. crews. This law is meant to strengthen the U.S. shipbuilding industry and the U.S. maritime unions so that they can be relied upon during a war. Naturally, trade between the mainland and Hawaii is included in this category. Ship construction costs in the U.S. are roughly double those in various foreign countries while U.S. crew costs are approximately four times greater than certain foreign crew costs. In the mainland to Hawaii surface trade, these additional costs are paid for in large part by the citizens of Hawaii.

Mandatory oil import control program[9]

The Mandatory Oil Import Control Program was created to restrict the importation of foreign oil by setting quotas so that the United States would not become dependent on foreign powers for its energy sources. Since Hawaii has no fuel resources of its own and is isolated from the mainland by more than 2,000 miles, critics have claimed that Hawaii is at the mercy of a small number of oil companies that control the oil which can be imported from foreign countries into this state. In theory Hawaii should have low cost electricity since the oil imported into Hawaii comes mostly from Iran, Saudi Arabia, and Indonesia, some of the least expensive sources of oil in the world. The freight movement to Hawaii is made in foreign-flag tankers, one of the least expensive ways to move cargo. However, Hawaii is one of the U.S.'s most expensive producers of electricity because the oil companies have decided to price petroleum products in Hawaii high above identical products on the mainland. Even when gasoline is refined in Hawaii and sold on the mainland, the gasoline shipped from Hawaii sells at a lower price on the mainland than in Hawaii. The State of Hawaii is attempting to reduce Hawaii's prices by legal recourse against the oil companies. To date, they have not been successful. Hawaii's Congressional representatives have testified that Hawaii could save $14 million annually if it were excluded from the Oil Import Program.

The price of fuel in Hawaii is important to the cost of living since energy sources affect our lives in many ways. Directly they influence the price of electricity in our homes and gasoline for our cars. Indirectly, Hawaiian citizens pay for the higher cost of electricity used in publicly operated street lights, in restau-

[9] For a thorough analysis of the mandatory oil import control program, refer to "Governmental Intervention in the Market Mechanism," hearings before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, 91st Cong., The Petroleum Industry, July 1969.

rants, in office buildings, and in factories. In fact it has been charged that high fuel costs have been a significant factor in keeping industry out of Hawaii.

Other parts of the U.S. have succeeded in finding loopholes to institutional barriers.[10] In 1962 Congress passed a law which for a one year period permitted a foreign-flag company to move lumber from ports in the U.S. to Puerto Rico if "no domestic vessels are reasonably available to serve such ports." This action was taken primarily to aid lumber producers in the Pacific Northwest. In 1963 Congress made this exception to the Jones Act permanent.

For many years the Port of Brownesville, Texas made use of a loophole in the Import Oil Program. The original program restricted only imports of foreign oil brought in by water transportation. Consequently, the Port of Brownesville imported oil by bonded tanker from Mexico. Then the oil was shifted to tank trucks and driven just across the Mexican border and back. This one-half hour truck ride permitted the oil to be imported overland without any restrictions. Recently, the Oil Import Control Program has been modified to permit unrestricted waterborne shipments from contiguous countries. Consequently, Brownesville can continue to import Mexican oil while eliminating the truck loop.

Hawaii has considered solving its energy problems by importing liquefied natural gas (LNG) from Alaska. Since this would be a domestic fuel movement, it could not be hindered by the Oil Import Control Program. However, it does come under jurisdiction of the Jones Act. Because there are no American-flag LNG carriers in existence and because it would not be profitable to build a huge LNG tanker just to carry a small amount of fuel from Alaska to Hawaii, a waiver from the Jones Act was sought. This would have permitted the company carrying LNG from Alaska to Japan to make a few stops with its foreign-flag vessels at Hawaii each year. Although this waiver would not conflict with the objectives of either the Jones Act or the Oil Import Control Program, it was not granted.

A loophole to the Jones Act which has been studied would bring the foreign-flag LNG tankers from Alaska to Vancouver where the American LNG could be unloaded into Canadian tanks and replaced by Canadian LNG. Then the vessel would proceed to Honolulu. Although it would be unusual to take a ship off its route just to unload it and reload it with the same commodity, it would be just as logical as driving trucks around in circles near Brownsville, Texas. Unfortunately, the economics of the side trip to Vancouver do not make it feasible at the present time.

The consumer's viewpoint

From the previous discussion it is obvious that many different factors affect the cost of living in Hawaii. However, the driving forces which can bring down Hawaii's cost of living in the future probably consist of: a greatly increased population that can encourage greater competition in the sale of consumer products; more local industry which will appear with increased population and low backhaul rates; and a decrease of institutional barriers, which would further encourage the previous two actions.[11] Nevertheless, while people complain about Hawaii's high cost of living, same feel that the "cure is worse than the disease". People who would like to discourage immigration to Hawaii and stop the bulding of polluting factories may feel that our high cost of living is the best weapon they have. Consciously or subconsciously, they may feel that our high cost of living is the only thing holding back the floodgate of immigrants, new construction, new industries, and more pollution. Although people want to minimize these individual budgets, they feel that a statewide high cost of living is in their best interests.

Results

The previous discussion has shown that although modern marine transportation can provide efficient containerships and economical tankers to bring goods to Hawaii, the low cost of transportation will not necessarily be reflected in the price to the consumer. Natural population growth will help these problems in some respects. Just as population growth has helped to bring a second major containership operator into the Hawaii-mainland trade and has aided in lowering certain automobile prices, further increases in the market demand of Hawaii should create more competitive pricing in retail products. Pricing competition may be further encouraged by "Nader-like" consumer activities. Whether public comparisons are being made of supermarket prices or brand name appliances,

[10] Wytze Gorter, "Another Look at Hawaii's Ocean Transportation Problems," Economic Research Center, University of Hawaii, January 1964, p. 16.

[11] The author should point out that there are arguments opposing this statement. For example, population growth may increase land costs and property taxes, possible offsetting savings in other areas.

bringing the public eye to bear on various retail pricing practices can only help the cause of more competitive pricing. It is interesting to note that a major oil company in Hawaii is currently financing a consultant's study relating to its public image. As long as companies are concerned about their public image, consumer action can be a strong weapon.

In the area of institutional barriers, continuing governmental action on a state and federal level may bring results in lowering Hawaii's cost of living. Action concerning the Oil Import Control Program could have the most direct effect on the consumer.

Although an increase in population should help the Hawaiian consumer by decreasing the "pocket market" effect and increasing competition, the problems associated with population growth cannot be overlooked. Long-range planning is necessary to provide facilities for expanded growth.[12] Better use of existing land may be possible. Critics have claimed that forms of land hoarding exist today in Hawaii and that sugar plantations may be better utilized for other purposes. Another tact that makes extensive use of the maritime world is to create new land in the form of floating cities. Dr. John Craven, Head of Marine Programs at the University of Hawaii, is a leading proponent of this idea as a solution to increasing population while "preserving paradise" in Hawaii. Floating cities would decrease the need for further construction on limited island land. At the same time if these floating platforms were serviced by hydrofoils for passengers and barges for freight, the existing highway system would not be serverely taxed by increased population. Dr. Craven feels that technologically and economically floating cities can become a reality in the near future. Hopefully, research work presently being conducted at the University will shed further light on using floating cities to solve some of the problems of Hawaii.

CONCLUSIONS

The author hopes that this paper will make the reader aware of the many ways in which the maritime industry affects his environment. Modern containerships, automobile carriers, and tankers, all have their influence on the Hawaiian consumer. However, this effect is often overshadowed by factors in the business market place and institutional barriers. An informed public has a better chance of deriving the benefits of efficient marine transportation by making its views known to the business world and to its government representatives. Hopefully, the maritime world will be able to aid Hawaii in the future with innovations such as floating cities. Although the author certainly does not claim to have presented here all the answers relating to the maritime world and the Hawaiian consumer, he hopes that this paper will serve as a catalyst for a growing awareness and future research in this area.

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U.S. Congress, Senate, Subcommittee on the Antitrust and Monopoly of the Committee on the Judiciary, *Governmental Intervention in the Market Mechanism, Petroleum Industry Hearings*. Ninety-First Congress, July 1969.

Senator INOUYE. This concludes this afternoon's session, and we will resume once again tomorrow morning at 9:00.

Until then, this Committee will stand in recess.

(Whereupon, at 3:25 p.m., the hearing was recessed, to reconvene at 9:00 a.m., Thursday, January 20, 1972.)

[12] Another alternative would be to find some way to legally restrict immigration into Hawaii. However, the author does not feel this is practical or desirable at this time.

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HAWAIIAN PUBLIC INTEREST PROTECTION ACT OF 1971

THURSDAY, JANUARY 20, 1972

U.S. SENATE,
COMMITTEE ON COMMERCE,
MERCHANT MARINE SUBCOMMITTEE,
Honolulu, Hawaii.

The subcommittee reconvened at 9 a.m., in the Pacific Ballroom, Ilikai Hotel, Hon. Daniel K. Inouye presiding.

Present: Senators Inouye and Stevens.

Senator INOUYE. The hearing will come to order.

The first witness for this morning's session, the most distinguished citizen of the State of Hawaii, Mr. Randolph Crossley, the president and chief executive officer of the Hawaii Corporation.

Welcome to the committee, Randy.

STATEMENT OF RANDOLPH CROSSLEY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE HAWAII CORPORATION

Mr. CROSSLEY. Gentlemen, thank you for giving the people of Hawaii a chance to be heard on a very vital subject, the uninterrupted flow of goods from and to the State of Hawaii.

My name is Randolph Crossley. I am president and chief executive officer of the Hawaii Corporation.

The Hawaii Corporation is a diversified Honolulu-based company. For the fiscal year 1971 sales and revenues totalled approximately $86 million, net earnings of approximately $1.7 million. The Hawaii Corporation is organized into two broad groups, the Merchandising and Services Group, and the Construction, Real Estate and Property Management Group. The Merchandising and Services Group includes the following:

Hawaiian Textiles, a converter of high-fashion fabrics, imported approximately 3,000 tons of merchandize in 1971.

Datsun of Hawaii, automotive division of Von Hamm-Young, which has imported approximately 8,278 tons in 1971.

Firestone of Hawaii, a retailer of tires and miscellaneous automotive supplies from the mainland United States of America, imported 1,488 tons in 1971. This roughly converts to 177 containers.

VHY Home and Industrial Products, a retailer and wholesaler in furnishings and appliances from the mainland United States of America, 1971 tonnage, 1,264, or approximately 325 containers.

Other merchandise not included above, but imported from the mainland United States to Hawaii, about 69 containers.

Our various retail outlets and so on in the neighbor islands have all been included in the above figures.

The Construction, Real Estate and Property Management Group includes the following companies:

Pacific Construction Company.

Pacific Contractors.

With the above diversification, it is obvious that there are varying degrees of negative effects of the dock strike. Furthermore, the me chanics of any economic sector, whether it be an individual business operation or the aggregate of business, involve large numbers of interrelated factors that can dampen or magnify the true effects of a situation such as the dock strike. For this reason it would be difficult to explicitly quantify beyond direct tonnage figures the effects of the dock strike. Proponents of the strike could easily judge numerical arguments as statistically unsound and be correct in their accusations not because the numbers are in error but because the story they tell cannot be traced in entirety to the incidence of the strike.

We feel that more meaningful presentation is to isolate selected operating aspects that can be represented with numbers and look at them before, during, and after the strike. Inventory levels is one factor that above all other aspects of our business or any business has to be directly affected by a shipping strike. In small businesses with little staying power, the strike could and has meant the unavailability of materials or products necessary for the continuance of operation. The result was, of course, termination of business or, in many cases, bankruptcy. In the larger firms inventories were expanded in anticipation of the strike; a move which results in increased carrying costs, greater exposure to obsolescence, and greater consumer cost. With a price freeze this could mean greatly reduced profits, or no profits at all.

In seven out of eight of our operating divisions listed above—with Pacific Contractors inventory is not always an element of their operations—inventory levels in the "strike time zone" significantly exceeded the average inventory level for the months January through May. The timing of inventory expansion was, of course, different with the various operations; for example, automotive's build-up occurred during September. Since it deals primarily in Japanese imports, the West Coast dock strike did not directly affect inventories of automobiles and parts coming from Japan but the subsequent threat of a a local walk-out caused the level to be raised to 168 percent of the January-May average. More directly affected was the Home and Industrial Products Division whose merchandise is largely supplied from West Coast ports. Its inventory exploded to 179 percent of the January-May norm. The low end of the increases was 119 percent of normal levels. Only in Pacific Construction did inventory levels remain constant—only because the phase of construction in progress at the time did not require materials supplied from the mainland.

A typical inventory level for The Hawaii Corporation is about $11 million. Annual inventory expenses are often estimated at 20 percent of value by financial analysts. Using this estimate the overall increase in inventory at THC has been 50 percent for a duration of three months. This then computes to some $275,000 increased costs to continue our operation in a manner necessary to supply normal

consumer demand. This cost represents 16.2 percent of our 1971 net earnings, a very significant figure.

THC is a relatively large concern in Hawaii's business society and has significant staying power. If the effects of the strike on the single area of inventory are so heavily felt by an $87 million corporation, they could be disastrous to a smaller organization and regardless of size will cost the consumer more.

There are, however, many additional factors beyond the inventory problems created by the strike that are serious detriments to profitable business. Such aspects as consumer reluctance to spend when normal conditions do not exist, a reduction of tourism, whose effects are manifested in sales levels, are difficult to statistically quantify but they are directly attributable to the shipping situation. We have tried to develop a meaningful yardstick to give indication of the economic harm that results from such disruption as a prolonged dock strike. We believe that yardstick to be actual earnings in relation to normal earnings. In preparing this earnings analysis, the automotive division has been removed because of a strike within that division by its service people during the period of the shipping strike and its relative independence on West Coast ports.

Year-to-date earning figures for the other eight divisions have been compared to the expected earnings at seven points during fiscal 1972 beginning with the end of May and proceeding through the end of November. The results are summarized below using relative numbers where expected is assumed to be 100 percent.

And there you will see, gentlemen, that from May through November, the expected, the normal, and the budgeted, in May was 100, in June had taken its normal increase to 107, and then began to drop off and has dropped off drastically into November. This continued on into December as a result of a carry-over, and to a lesser extent into January.

The trend above suggests an obvious correlation between earnings and the duration of the strike. Part of this is a higher cost of inventory levels than normal and a higher cost of money as debt-equity ratios change. This I have added from my prepared script simply because this is a fact of life that we face in our financing of our total operations, and that is when debt-equity ratios change, the rate of money, the rate of borrowing goes up, this becomes an added cost that cannot be passed on to anyone.

A strike of any duration over three months would be crippling to even Hawaii's largest firms. Small business in Hawaii could be substantially destroyed rather quickly. The snowball phenomena of this situation would soon throw the Hawaiian economy into a deep depression.

In summary, we feel that the closing of mainland ports have the following serious effects upon the Hawaiian economy:

Rising operating costs due to increased storage costs, transportation costs, ordering costs, and obsolescence.

Depressed sales due to consumer reluctance to spend, decrease in job security, fall in tourism, and unavailability of merchandise.

The accumulation of the above results is depressed earnings. Depressed earnings many times result in the closing of marginal operations and thus the loss of jobs.

The closing of Hawaii's ports would compound these problems manyfold. While our products are not absolutely critical to existence, they are very important to the well-being and standard of living of the people of this State. It is our opinion that closure of our own ports for any period is untenable and for longer than 30 days becomes catastrophic.

Approximately 1,300 people in Hawaii work for the Hawaii Corporation. Over 5,000 of its direct and indirect shareholders reside in Hawaii. In the opinion of the management of this enterprise, it is felt that true collective bargaining has not been possible, because the main issue has been the unresolved question between rival unions of who loads and unloads a container. For this inter-union power play, the consumer, the business enterprise, the entire economics of the State of Hawaii has been put in jeopardy. If it takes legislative action to stop such abuses of power, then it is time to enact such legislation.

S. 2836 is not a complete measure, and is not completely a strong measure, and leaving many questions unanswered as to where do the ships come from? Is it mandatory for this to take place, or is it elective? And if it is elective, where is the power then to force this to take place?

There are other bills before the Congress, but with some political background and some political experience I realize that those that are in the Labor Committee probably have less chance for a hearing than those that might come to the floor through other areas.

But I repeat that if it takes legislative action to stop such abuses—and I think it is significant that the President this morning, in the State of the Union Message, selected the West Coast dock strike by name and title as one of the areas of abuse that must not be permitted to continue.

And so if it takes this, then I say God bless your bill, and let's try and get something done, Senator Inouye and Senator Stevens, and the rest of your colleagues—get something done that will protect the people, the businesses and the citizens of Hawaii.

Thank you very much.

Senator INOUYE. Thank you very much, Mr. Crossley. Your presentation has been most helpful.

I note that you have computed the increased costs of inventory during the period of the strike of three months to $275,000.

If the price freeze had not been on at tlat time, am I correct to assume that this additional cost would have been passed on to the consumer?

Mr. CROSSLEY. It could have been, but you must recognize, Senator, that we are in a very competitive field. And if there was some reason competitively that we couldn't, why we would have had to absorb it.

But normally, yes, I think it would only be fair to state that every enterprise tries to get its normal margins. And if these can be passed on, this then reflects on the cost of goods to the consumer.

Senator INOUYE. So it would have meant either a loss of profit or increase in consumer cost.

Mr. CROSSLEY. Correct.

Senator INOUYE. Now, in your earning analysis, have you made any similar analysis for a similar period in 1970?

Mr. CROSSLEY. Yes.

Senator INOUYE. Did it come out 100 and 100 all the way?

Mr. CROSSLEY. No, it would start from 100 and go up to 130. In other words, our normal has always been an increase. We have been increasing five, six, seven, and in our last fiscal year before this one about sixteen percent in our total gross profit relationships. That was anticipated for this year. There was no reason to feel that it would be any different. But there was a noticeable change both in the cost of operation and in gross volumes beginning at the time of the strike.

Senator INOUYE. So in all of your experience during similar periods, you experienced increase in actual earnings, and this is the first time you have had a decrease?

Mr. CROSSLEY. No, you can't say that in all the years, but I would say that in four out of the last five years this has been true. There have been other factors that have decreased earnings, but those factors are not present in this analysis.

Senator INOUYE. And you would attribute much of this decrease to the strike situation?

Mr. CROSSLEY. Yes.

Senator INOUYE. You have indicated that if our own ports—these are the Hawaiian ports—were closed for a period longer than 30 days, it would become catastrophic. Would that also apply to The Hawaii Corporation, a large corporation?

Mr. CROSSLEY. No. I think I have used two terms in there; one, it could be catastrophic, and that would be, of course, to the smaller concern. We certainly have greater staying power than a smaller concern.

And when I say that we are a large one, Senator, we are only large in Hawaii. We are small in the national averages.

Senator INOUYE. Now, what sort of experience have you had in unemployment and layoffs during this period?

Mr. CROSSLEY. We have tried to keep pur people working, regardless. We felt a great sense of responsibility to these people because we are a 72-year-old company. Many of these people have long tenure with us. We do everything that we can to keep them working, because we kept feeling that perhaps the dispute would be resolved and we could be back to normal patterns again.

It did begin to drop off in the latter part of the year, and about 100 people—we were employing about 100 less than at the beginning of the strike.

Senator INOUYE. Could you make any projection as to what the picture would be like if the Hawaii docks were closed for 30 days?

Mr. CROSSLEY. I wouldn't want to hazard just an idle guess, but if that is meaningful to you, Senator, we will certainly make an attempt to carry this forward and supply the information to you.

Senator INOUYE. We'd be most pleased to receive that information, sir. Thank you very much.

Senator Stevens.

Senator STEVENS. Have you switched in any way to foreign countries for your supplies, as opposed to getting them from the United States?

Mr. CROSSLEY. Well, 40 percent of our total gross dollars are generated with our imports. We are the largest converter of high-fashion fabrics, for instance, in the textile field. We are the largest converter of high-fashion fabrics in the United States. So a great deal of our total gross dollars come from that and Datsun automobiles.

Senator STEVENS. So, so long as there is not a full strike, you are not as directly affected as someone who is relying entirely on the mainland?

Mr. CROSSLEY. That is why in these figures, Senator Stevens, we said we had removed those things from our analysis that were not affected. In other words, the things that were coming in from Japan from an open port were not used in our analysis. We took only the other 60 percent of our gross revenues and net dollars to try to make it meaningful to the tie-up on the West Coast.

Senator STEVENS. In regard to the mainland suppliers, have you converted to any appreciable extent to air cargo for your operations?

Mr. CROSSLEY. I should say. As a matter of fact, I might say that of our goods from Japan, 85 percent are sold in the mainland United States, where we maintain 29 offices throughout the United States for the distribution of these goods. And all of that cargo had to come by air from Osaka. This was $27,500 a week in extra added freight to get that merchandise into the market. And this meant that the profit went out of the thing, but we kept our lines full. The net employment figure is not contained in this because these are not necessarily direct employees of the corporation. They are commission salesmen and selling agencies throughout the country. That all had to come by air, because we had no way—we did try to bring it in by ship to Hawaii and go out by air from here, but there is always the threat that Hawaii would not be open any longer, or the constant threat that it would be closed for 30 days, made it impossible for us even to bring the cargo this far, which would have saved us a great deal of money, by surface and then go by air.

Senator STEVENS. Have these conversions due to the strike led to any permanent changes in your supply picture, that is, air cargo as opposed to ocean-going freight?

Mr. CROSSLEY. Oh, we had to make some very drastic changes.

Senator STEVENS. No, what I mean is: Do you feel that when the strike ends you would go back to the other means of distribution?

Mr. CROSSLEY. Absolutely.

Senator STEVENS. You would?

Mr. CROSSLEY. Oh, yes.

Senator STEVENS. Thank you very much.

Senator INOUYE. I have just one other question.

What is your normal rate of inventory, warehousing? In other words, do you maintain a three-months' supply or a two-months' supply?

Mr. CROSSLEY. Well, we have done it by dollars simply because some items you have for a longer period than you do other items. This depends on the suppliers themselves. Some suppliers can only supply certain items at certain times of the year and you inventory these. If you miss those inventory dates, then you are out of luck completely because you will then go to a next period of manufacturing.

As you know, many of the eastern manufacturers close down for 30 to 45 days in the Christmas holiday season. If you anticipate that

you'd have a higher inventory at that time and you'd be down in inventory. So there we would carry, say, a 90-day or maybe 120 days even longer.

In parts and supplies you try to carry normally at least a four or five or six times turnover in the course of a year. This is prudent management if you can possibly do it, When you face a strike, you don't have that open to you at all.

So we have done it by dollars. We have said that our normal inventory runs around $11 million and that has had to increase very significantly.

Senator INOUYE. Would you say that the threat of a strike is as significant as an actual strike?

Mr. CROSSLEY. Absolutely. Because if we have to order 30, 60, 90 days in advance, and we know that there is no remedy, that there is no legislative remedy to cure that, and that this can go on indefinitely, then certainly we have to be prepared to go a long time with it, because we don't know whether it's going to come about, how long it will last, and we also recognize the Taft-Hartley was only a temporary stopgap.

Senator INOUYE. In other words, with the threat, the cost to the consumer may increase or your profits may decrease?

Mr. CROSSLEY. That is correct.

Senator INOUYE. Thank you once again for your assistance this morning, sir.

Mr. CROSSLEY. Thank you, and thank you again for giving us this opportunity.

Senator INOUYE. Our next witness is the Vice President of the Pineapple Growers Association, Mr. Joyce Roberts.

Welcome to the Committee, Mr. Roberts.

STATEMENT OF JOYCE ROBERTS, VICE PRESIDENT, PINEAPPLE GROWERS ASSOCIATION; ACCOMPANIED BY GEORGE J. BOZZINI, DIRECTOR OF TRAFFIC AND DISTRIBUTION, DOLE PINEAPPLE CO., CHAIRMAN OF THE TRAFFIC COMMITTEE OF THE PINEAPPLES GROWERS ASSOCIATION OF HAWAII

Mr. ROBERTS. Senator Inouye, Senator Stevens, Committee, we appreciate the opportunity. I am Joyce Roberts, Vice President of the Pineapple Growers Association, representing the companies operating in Hawaii. With me is Mr. George Bozzini, Director of Traffic and Distribution for the Dole Company, and Chairman of the Traffic Committee of the Pineapple Growers Association.

Because of the importance we attach to this hearing we asked Mr. Bozzini to come down from San Jose, Calif., where he is directly responsible for the shipping and distribution of approximately 60 percent of the canned pineapple produced in Hawaii. As an operating man Mr. Bozzini is in a position to discuss shipping tie-ups specifically as they affect the distribution and ultimate sales of pineapple.

In addition to the Dole Company, the other three companies operating in Hawaii are the Del Monte Corporation, the Maui Land and Pineapple Company, and Hawaiian Fruit Packers.

These four companies operate on five of the six major islands and provide summer employment for many students from the sixth island, Hawaii, as well.

About 6,000 people depend upon pineapple for year-round employment, with total employment peaking around 18,000 to 19,000 men, women and students at the height of the summer harvest.

With a total pack valued at about $135 million, pineapple contributes about $50 million in wages and salaries plus another $35 million in local purchases to the Hawaiian economy—with millions more in taxes.

These four companies vary greatly in size, operations, and marketing problems. All, however, are today faced with the most serious competitive challenge in their history—this the competition of low-priced foreign pineapple in our all-important domestic mainland market.

At the present time we are in negoitaitons with the union, the ILWU—representing both the plantations and canneries—over the terms of a new contract. The one recurring topic in these negotiations is that of improving Hawaii's competitive position in the all-important mainland market where we meet the low-priced foreign competition. During the last 10 years this low-priced foreign pineapple has not only taken away all the anticipated increased sales due to the growth in population but has also taken away about a million cases of the market previously enjoyed by Hawaii.

Under such competitive conditions a shipping tie-up which either adds greatly to the costs of getting Hawaiian pineapple to the mainland market—or keeps it out of the market altogether—can be doubly damaging. And that is exactly what the 1971 shipping strike did—and its resumption now threatens to do again.

To the extent that the recent, and now resumed, shipping tie-up handicaps Hawaiian pineapple's competitive position in the mainland market, to that extent the effects of these shipping tie-ups may be felt in this basic industry long after the eventual—and inevitable—restoration of shipping.

It is enough to try and meet the competition of pineapple produced in Taiwan—where men earn 17 cents an hour and women earn 10 cents an hour in the fields, and other women earn 8 cents an hour in the canneries—by pineapple produced in Hawaii where the current wage rates run from $2.49 an hour to $4.44 an hour—and are headed up in the current negotiations.

But we cannot do this with pineapple that sits in the warehouses in Hawaii, or takes the long and expensive way to market because of a shipping strike that has denied us a normal access to our all-important mainland market.

Now each pineapple company, to the extent that it is possible to anticipate a strike, attempts to accelerate shipments and build up stocks on the mainland, even though this necessarily increases warehousing and handling costs. But this doesn't solve the problem, and it can only temporarily lessen the losses.

Mr. Bozzini, therefore, will discuss more specifically the effects of a tie-up in deliveries upon sales and promotions.

In reading the news accounts, and later the testimony of the Director of the State Department of Planning and Economic Development on Tuesday, I was impressed with the complacent tenor and content with which he apparently views the impact of the past summer's dock strike upon Hawaii. In pineapple, we cannot share that philosophical evaluation. We have to face the realities of the market.

In his testimony, the Director noted that production of solid pack pineapple was down somewhat for the period ended September 30, and pineapple juice up. I do not know the source of his figures nor the exact period to which he was referring, but in any event the variations, if factual, were not significant in such an industry as ours.

The Director of Planning and Economic Development then concluded with these words:

"The dock strike came during the peak canning season and the industry was unable to ship its products to the mainland until October. Thus, most of the production for the year had to be stored in Hawaii for a couple of months, at additional cost to pineapple firms."

And with that, the impact of the past summer's strike upon Hawaii's $135 million income from pineapple was dismissed by the Director.

This testimony, however, ignored these related and pertinent facts:

From July through October, as pineapple deliveries were halted by the strike, pineapple deliveries dropped $21 million from the same period the year before—and these are the figures reported by the State's own department of taxation.

Furthermore, the additional storage of a major part of the year's pack, not for just a "couple of months" but for more, and some of it, I understand, is still around, not only incurred additional and abnormal storage costs as were rather lightly dismissed.

This pineapple, sitting in Hawaii unsold, could not pay wages—and July and August are the two heaviest payroll months of the pineapple year. As a result, companies were forced into increased borrowings at the then high interest rates to meet summer payrolls.

A question was asked of alternative carriers and aircargo was mentioned in the director's statement as well. In pineapple we deal in millions of cases and hundreds of thousands of tons, and we have no alternative to surface transportation.

And as Mr. Bozzini will also note, these were not all the additional costs and losses.

You will understand, then, why we in pineapple cannot view the past shipping strike or the resumed one—or any others in the future—as of anything but critical importance to the future of pineapple in Hawaii.

And for this reason we believe that legislation to either prevent such shipping strikes, or to protect Hawaii from their consequences, is urgently needed.

We have heard questions raised as to the probable effectiveness of S. 2836—the Hawaii Public Interest Protection Act of 1971—and we recognize some of these problems. In one measure, however, it has already been effective.

That in itself is demonstrated by these hearings which have at long last brought this attention to Hawaii's vital and primary dependence upon ocean shipping, and the consequences to her economy and people of any prolonged disruption.

If S. 2836 is not 100 percent perfect as a solution to these problems, it would not be the first time that a piece of legislation has been something less than perfect, in either its conception or final form.

But for Hawaii not to welcome this legislation would be like a man who has fallen overboard, lost his ship, and is adrift at sea—to refuse a liferaft because he doesn't like its color, or is afraid it might have some holes in it.

And I look upon these hearings as one step in giving Hawaii a dependable liferaft.

But right now, Hawaii doesn't have a life raft when the ships leave us adrift 2,500 miles from the mainland.

Thank you; and now I would like to call on Mr. Bozzini.

Senator INOUYE. We'd be very pleased to hear Mr. Bozzini and after Mr. Bozzini we'd like to question both of you.

I'd like to identify Mr. Bozzini, George J. Bozzini, the Chairman of the Traffic Committee of the Pineapple Growers Association of Hawaii.

Mr. BOZZINI. Thank you. Mr. Chairman and others. My regular occupation is that of Director of Traffic and Distribution for the Dole Company with headquarters in San Jose, California. In this position, I am responsible for the direction of the shipping and world-wide distribution of Dole's entire finished product line, which includes about 60 percent of all the pineapple produced in Hawaii.

We likewise appreciate the opportunity to appear before you today to express our support of legislation to prevent or at least minimize the effects caused by U.S. maritime and waterfront disruptions.

To further support our conclusions, I would like to add some facts and effects encountered by the pineapple industry during the recent 99-day West Coast longshoremen strike.

1. Estimated dollar loss sales to supermarket operators and wholesalers amounted to $9,500,000.

These losses were suffered for two reasons. The first, and obvious one, is that in some markets we ran out of product and there was nothing to sell.

But the second reason, though less obvious, is more serious, and in many ways of longer-run importance.

These are the sales losses that resulted from the inability of the members to have grocery retailers promote, display, and feature pineapple products. Pineapple is not considered or used as a staple item, but rather as a complement and a luxury item. In other words, it is used in conjunction with other products, as an example pineapple and ham and pineapple and cottage cheese. Therefore, it must be prominently displayed in the retailer's supermarket to achieve draw off the shelf—that is, to have the housewife purchase it. Because supply of product cannot be assured, the retailer will be reluctant to feature pineapple before and after a disruption. Also, a lost promotion is never regained simply because the retailer allocates promotional time and activity for certain products over the year. This planning is done months in advance. Therefore, if our products are not available at the time a promotion is scheduled, we lose those case sales and they cannot be recaptured later.

In addition, as I noted, there is also the loss of sales due to the fact that products were unavailable on the West Coast during most of the period of the strike.

2. Estimated additional transportation costs incurred were $813,000 which is equal to approximately 80 cents per case. We also added additional costs of warehousing and handling of $400,000.

This cost transportation was incurred due to the necessity to ship product for the West Coast to Gulf Ports via charter vessels. A good

portion of the product was back-hauled from the Gulf Port to the West Coast. This action was taken to reduce stock-outs of our product at the retail level. These are tangible losses and costs that can be immediately identified.

However, there will be additional loss of sales, costs incurred and other complications encountered after the strike. Because of the unavailability of pineapple, lack of continuity of supply, shelf space, which is product-stocked and properly positioned on the supermarket shelves, is lost. The space will be used to stock and position competing mainland fruits, such as peaches, pears, fruit cocktail, and convenience foods such as prepared desserts.

The prevention of loss of shelf space for pineapple in the supermarket is a top priority for each pineapple company. Obviously, if the product isn't stocked, the consumer cannot purchase it. The result is loss of sale. Further, we are competing with 6,000 to 7,000 items stocked by a supermarket, all of which emphasizes the importance of keeping space once you have it.

Then there are other costs involved, and losses incurred. These are the costs involved in getting a product back on the shelves once it has been taken off, and the loss of sales during the time that it takes to get the product back on. This, in turn, is dependent upon the particular customer, consumer demand, amount of additional moneys expended by the individual members for advertising, and merchandising to force acceptance of the product back on the shelf. From past experience, however, we know the length of time can be months and years before reinstatement is accomplished by some members, and sometimes never for other members.

I have deliberately been brief in referring to these interactions in the distribution and marketing chain—feeling that perhaps the time might be better used answering any specific questions you may have concerning our distribution and marketing problems during a shipping tie-up.

If you have questions, I will do my best to answer them because, I repeat again, on behalf of the Pineapple Growers Association and its member companies, the urgency and importance which we attach to legislation which will prevent future shipping tie-ups or protect Hawaii from their consequences.

Thank you.

Senator INOUYE. Thank you very much, Mr. Bozzini and Mr. Roberts.

The questions will be directed to either one of you, so you can decide as to who will respond.

Now, you have not discussed the employment impact of the strike upon your industry. Did it have any employment impact?

Mr. ROBERTS. No measurable amount, Senator, because we have a perishable pack. It has to go into the cans or it spoils. And the pack itself was not essentially affected by the strike. But where it did have an effect was, as I mentioned, on the increased carrying cost of payrolls at a time when you were not able to sell and make deliveries. But there was no measurable effect upon the amount of the pack or consequently the employment. It couldn't go on too long, you understand, because if we lose our competitive ability, then we will necessarily——

Senator INOUYE. Are you advising the Committee that the industry had to absorb all these increased costs, warehousing, extraordinary shipping?

Mr. BOZZINI. That is right, Senator, they were all absorbed. As we mentioned, we are competing with the mainland products. It is one of our primary competitions and we absorbed all these costs.

Senator INOUYE. So the price on the shelf did not increase at all?

Mr. BOZZINI. It did not.

Senator INOUYE. But your expenses increased?

Mr. BOZZINI. Yes, which directly affects our profit.

Senator INOUYE. What would the profit picture be? Can you give this Committee an idea of what it might be for 1971 as compared to '70?

Mr. BOZZINI. I don't have that information.

Mr. ROBERTS. There are no figures available, Senator, on an industry basis, and Dole and Del Monte's figures are part of their consolidated reports. Maui Land and Pineapple Company is a publicly-held company now and they do issue profit and loss figures. And then Hawaiian Fruit Packers does.

Mr. BOZZINI. I think we can relate, though, that the $813,000 I testified to here and the additional $400,000 in warehousing is a direct loss of profit that we had because of the strike. The effect on the profit because of the over $9 million loss of sales—I don't think I could venture a guess. It depends on the individual company.

Senator INOUYE. In your projections, have you decided how long this industry can continue to absorb these increased costs in order to maintain shelf space?

Mr. BOZZINI. Not very long. It was forced on us this year to absorb them, but again it affects the profit, and within the Dole Company I know that our profit hasn't been what it ought to be in relation to the return on investment and in relation to dollar sales.

Senator INOUYE. I believe Mr. Bozzini can answer this: For the record, can you tell this Committee something about your distribution system. For example, are all the finished products shipped to the West Coast, or are they in containers. And what is the cost of transportation in relation to the total cost.

Mr. BOZZINI. The movement of pineapple from Hawaii is primarily to the West Coast, but there are also vessels chartered by the industry for the carriage of pineapple back to the East Coast. The cost of transportation in relation to total cost of the product.

Senator INOUYE. Yes.

Mr. BOZZINI. Transportation is somewhere between 8 and 9 percent of the total cost.

Senator INOUYE. And this strike has increased that proportionately?

Mr. BOZZINI. Yes.

Senator INOUYE. You have noted in your testimony that as a result of the strike you have had to make special charters of ships.

Mr. BOZZINI. Yes.

Senator INOYUE. Where did these ships come from?

Mr. BOZZINI. They were charted from East Coast operators, States Marine Lines, C–3 vessels. As you know, they have to be under American-flag vessels. We were fortunate that they happened to have one or two situated in position where we could bring them in and

ship the pineapple to the Gulf and back-haul it back to the West Coast. But we only had an opportunity to do that twice because of lack of availability of American bottoms.

Senator INOUYE. Do you need specially constructed ships for your distribution system?

Mr. BOZZINI. No, although the C–3 is the best suited for the carriage of pineapple, for getting the maximum utilization of the cube in a vessel and carrying it at the lowest cost.

Senator INOUYE. You have indicated that the estimated loss to the industry attributable to the strike was $9.5 million. Is this actual loss or projected loss?

Mr. BOZZINI. That is actual loss, actual sales dollars loss.

Senator INOUYE. If the strike continued for 30 more days could you make a projection as to what it would be?

Mr. BOZZINI. Somewhere in the neighborhood of another 30 days, another $2.5 million or $3 million.

Senator INOUYE. In your experience, can you advise this Committee as to how long it would take the industry to recover lost space, shelf space?

Mr. BOZZINI. As I indicated, depending on the customer and how much money a member wants to expend for advertising and merchandising to force that the product gets back on the shelf, it can be a matter of 6 months, it can be a matter of years, and can be a matter that you will never get back on again.

And speaking for the Dole Company, we know several customers where we have had disruptions in the past where we haven't been able to get back on yet.

Senator INOUYE. In your experience in the distribution of pineapple products, do you find that consumers once forced to purchase another brand might rely on that brand in the future?

Mr. BOZZINI. Very definitely.

Senator INOUYE. What percentage would you say would permanently shift their preference to another brand?

Mr. BOZZINI. I don't have any information or statistics that I can venture as a percentage, but we know that it does happen. If a housewife switches to another brand, she may just stay with that brand from here 'til eternity.

Senator INOUYE. So in other words, the $9.5 million in actual loss in sales does not include future losses?

Mr. BOZZINI. Yes, yes.

Senator INOUYE. Can you give any percentage of that as being future losses?

Mr. BOZZINI. It is just a hearsay guess, you know, and I'd have to say like another one percent. I have no idea. There are no statistics available to us.

Senator INOUYE. I gather that you have done much to stockpile your products on the West Coast. How is your inventory situation there?

Mr. BOZZINI. On the West Coast? Today we have about two-and-a-half to three months' supply. Yes, we accelerated the movement and moved everything out in anticipation of the Taft-Hartley expiring.

Those additional costs, by the way, Senator, are not included in this presentation. These costs I gave you were just for the actual 99-day period.

Senator INOUYE. What would be the additional cost for this warehousing?

Mr. BOZZINI. For the additional product we have up there now?

Senator INOUYE. Yes.

Mr. BOZZINI. About $50,000, $50,000 to $60,000.

Senator INOUYE. What is your normal inventory on the West Coast?

Mr. BOZZINI. About a two-month supply.

Senator INOUYE. So you have had to about double that?

Mr. BOZZINI. Yes.

Senator INOUYE. If this strike is resumed and continues, how long will it be before you really feel the pinch? You said you have got a three-months' supply.

Mr. BOZZINI. Yes, a three- to four-months' supply. So up to that point, with our estimated sales by items, we for another three months think we will be able to get by without losing shelf space or sales.

Senator INOUYE. But at the end of four months you will completely lose it?

Mr. BOZZINI. Yes.

Senator STEVENS. Being somewhat the devil's advocate, Mr. Roberts, the indication was that the pineapple companies had some interrelation with the shipping companies. Is this a true set of facts? Does your company also own some of the shipping companies in PMA?

Mr. ROBERTS. No. In the first place, I should clarify. I am with the association of four companies—Dole, Del Monte, Maui Land and Pineapple Company, and Hawaiian Fruit Packers. Certainly Dole has no connection with shipping companies and PMA, Del Monte not to my knowledge. Maui Land and Pineapple Company was bought out of A and B who are the owners of Matson and there is certainly no participation there. And Hawaiian Fruit Packers is part of Stokely-Van Camp and there is none there at all to my knowledge.

Mr. BOZZINI. To be specific, to our knowledge, no, none of the pineapple companies have any interest in the shipping companies or vice versa.

Senator STEVENS. Let me ask you another question: I am impressed with the fact that since the forties there has been a constant threat of disruption of traffic in some way or other. Have you contingency plans to deal with this threat of strike in terms of your annual production? Do you maintain more inventory than your competitors?

Mr. BOZZINI. No. We work—I will talk for our company, Dole. We work from a marketing plan. We determine what we think the market will absorb and take, and from that point we get back in and determine what we ought to plant in the field.

Senator STEVENS. What percent of the market of pineapple is supplied in the United States by foreign packers?

Mr. ROBERTS. About one-third, I'd say.

Senator STEVENS. Has that changed during this recent strike?

Mr. ROBERTS. Not during the recent strike as such, but it has been rising steadily during the past ten years.

Senator STEVENS. I see.

Mr. BOZZINI. I think we'd have to say no, Senator, because they had the same restrictions we did. They couldn't get their product into the West Coast. They could get it into the East and Gulf and so could we. So I think in all fairness, no.

Senator STEVENS. Other than wage rates, which you have mentioned, how are your costs compared to the foreign producer? He has longer transportation routes, I take it. What is your relative efficiency to these foreign producers?

Mr. BOZZINI. The irony is that the longer the route from the foreign producer, the lower the cost. What I am telling you is that our ocean freight cost on the West Coast is cheaper from Hawaii, but our freight cost to the East Coast is cheaper from foreign sources.

Senator STEVENS. I see. You mentioned the perishable quality of pineapple. How long can you warehouse fresh pineapple?

Mr. BOZZINI. Fresh pineapple normally has a life of 21 days once you take it off the mother plant.

Senator STEVENS. So you have to move it——

Mr. BOZZINI. Immediately.

Senator STEVENS. —to a packing house.

Mr. BOZZINI. The packing house is here at the fields and it is put into refrigerated containers, and during a strike container supplied by the airlines, and air-freighted over and delivered immediately to the supermarkets which have about a week to ten days to sell it before it has to be disposed of.

Senator STEVENS. Did you change to any appreciable extent your distribution pattern during the strike for fresh?

Mr. BOZZINI. For fresh we went to air.

Senator STEVENS. But did you move more of your product into fresh sales than into canned product?

Mr. BOZZINI. No; no.

Mr. ROBERTS. Senator, I might comment on that, that the percentage of fresh pineapple is infinitesimal compared with the amount of tonnage that goes into the canned product.

Senator STEVENS. What is a C–3?

Mr. BOZZINI. That is a type of a vessel, about 560 or 580 feet long and it has a cubic capacity of about 680,000 cubic feet.

Senator STEVENS. Which line runs these?

Mr. BOZZINI. We were able to charter them from States Marine-Isthmian Lines based in Stamford, Connecticut.

Senator STEVENS. Is this your normal transportation means?

Mr. BOZZINI. Normally to get products to the East Coast, yes, that is from whom we charter our vessels. They indicate they have to be American vessels and they primarily have this type vessels.

Senator STEVENS. If we had a full dock strike here, could you tell us what the difference would be in terms of your operation? I mean if these ports were closed as well as the West Coast ports, how would it affect your operation?

Mr. BOZZINI. It would come to a complete standstill. For the Dole Company, better than 50 percent of our outlet market is in the East Coast. So if we couldn't get anything out, we'd come to a complete standstill.

Senator STEVENS. Are the effects seasonal if this strike continues? How long would it be before you enter your harvesting season next year?

Mr. BOZZINI. The harvesting season is primarily from the middle of April through May 1 to September 1. There is about a four to four-and-a-half months' span where we harvest and pack the product.

Senator STEVENS. We heard some testimony concerning pressure people want to bring on the shipping companies by virtue of perhaps shutting off the docks here. Would a strike of three months right now affect your operations very drastically?

Mr. BOZZINI. No. As I have indicated, we have already anticipated so we have got about a four-months' supply of finished, canned product on the mainland.

Senator STEVENS. And it is not your growing season or harvesting season?

Mr. BOZZINI. It is minor. Maybe we are working one or two days a week. The heavy, 80 to 85 percent of the season is the period I indicated earlier.

Senator STEVENS. As far as the pineapple growers are concerned, there would be no pressure on the shipping companies?

Mr. BOZZINI. That is right.

Senator STEVENS. Thank you very much.

Senator INOUYE. In your testimony you have concentrated on the impact of shipment out of Hawaii. Do you have any figures on the increased cost of shipment into Hawaii of any supplies?

Mr. BOZZINI. No, I don't Senator. We do bring in some tinplate. Well, that comes from the East Coast so we weren't affected.

Senator INOUYE. Any supplies from the West Coast?

Mr. BOZZINI. There are some, and I guess I have to preface it. I don't handle the incoming supplies. But it is minimal and they took the steps, also, of stockpiling in anticipation of the strike.

Mr. ROBERTS. Senator, if we had the Hawaiian docks closed, there is a certain amount of lead time. For example, we need to bring in tinplate well in advance of the season because of the necessity of stockpiling cans, for example. And much of that tinplate comes from Japan at the present time, so if we had a tie-up here at a time possibly well in advance of the harvest we could also be seriously affected, depending on what the tinplate supplies were as well as other supplies.

Senator INOUYE. Well, I thank you both for your assistance this morning and your statements will be given our most serious consideration. Thank you very much.

Mr. BOZZINI. Thank you.

Senator INOUYE. Our next witness is Mr. Robert Obrock, the senior vice president for Corporate Administration, DILCO.

Welcome to the Committee, sir.

STATEMENT OF ROBERT OBROCK, SENIOR VICE PRESIDENT FOR CORPORATE ADMINISTRATION, DILCO.

Mr. OBROCK. As stated by Senator Inouye, my name is Robert Obrock, and I am a senior vice president for Corporate Administration, DILCO.

I want to thank you for this opportunity to appear before your committee and present a statement on Hawaii's critical need for emergency legislation which would prevent the disruption of the free flow of ocean surface commerce between the West Coast and Hawaii. Our islands lie geographically isolated in the Pacific. Hawaii's citizens are entirely dependent upon the transportation services of major shipping lines to provide the essential continuous flow of foodstuffs,

consumer goods, raw materials, and fuels to sustain their livelihood and economic well being. The history of the many damaging interruptions of this lifeline caused by strikes, lockouts, and jurisdictional disputes involving the maritime and longshore industries is well documented.

Once again, a west coast shipping strike from July into October 1970 has seriously damaged Hawaii's economy. Since then, we have been under the gun, confronted with the uncertainty of unresolved issues between the International Longshore Warehousemen's Union and the Pacific Maritime Association which again has caused a resumption of the strike. The history of shipping strikes in Hawaii shows that they have geometrically greater effects upon the economy as the span of the strike increases.

Dillingham Corporation is one of Hawaii's major corporations, the largest in gross revenues. Our concern is but part of the collective frustration and sense of helplessness that is shared by all of Hawaii's citizens, as innocent and helpless third parties. This testimony mirrors attitudes broadly shared by the people of this State.

Dillingham is a multi-industry company. In Hawaii, we are engaged in interisland shipping, property development, construction, quarrying and paving, ship repair and harbor tug services, and industrial merchandising. We own and manage Hawaii's largest shopping center. Dillingham Corporation revenues in 1970 were $552,517,000, 25 percent of which were earned by our Hawaiian operations. The shopping center merchants separately generated revenues of approximately $180 million this past year. Dillingham employees number 12,309, 2,386 of whom work in Hawaii. We have over 12,000 shareholders.

Apart from the impact on certain of our operations on the Pacific Coast, all of Dillingham's Hawaiian operations are ultimately affected by a shipping strike. Some suffer immediate impact; in others, the reaction is delayed. Any interruption, no matter how short, results in a disturbance of the orderly conduct of our diverse business activities.

With the recent strike, commencing on July 1st, retail sales at the Ala Moana Center immediately reacted. Sales were down by 23 percent in July, 21 percent in August, and 57 percent in September below their projected increase. By end of October, sales had returned to normal. The company's industrial merchandise division sales fell in August by 38 percent, in September 46 percent, in October by 37 percent below projected volume.

Our maritime operations in Hawaii were not a party to the dispute but nevertheless they suffered directly from the strike. With commencement of the strike, our West Coast to Hawaii barge service was idled and remained idle until the West Coast ports were ordered open. Our tug services in Honolulu harbor were almost at a standstill.

Our construction operations, however, did not suffer the early impact in this strike which has been experienced in previous strikes. The dominant amount of heavy construction which we held under contract at the time did not require immediate delivery of strike-interrupted components. Greater interruptions would occur in our construction operations with extension of the strike.

In other Dillingham operations, the measurable impact of the disruption is more difficult to assess. It is difficult to calculate the extent of loss of revenues from postponed or indefinitely delayed property development projects. Real estate sales are slowed during a strike. Sales of our condominium apartments reflected the uncertainties in the marketplace.

Serious problems are created by the imbalances and distortions of stockpiling prior to a strike, and inventory replenishment afterward. These exaggerated business peaks with their unnatural source in a shipping strike are costly in terms of overtime wages, executive overhead, warehousing costs, and the nonliquidity of assets during the period that goods are delayed on the docks, in transit, or stored in warehouses.

In every shipping interruption, some measure of trade and commerce is lost and never recaptured. Wages not paid are irretrievably lost to those who rely on the wage earner's dollars: retail merchants and consumer services, banks and financial institutions, and perhaps most germane to these hearings—local, state and Federal taxing authorities.

Strikes of the gender of the 1971 shipping strike weaken balance sheets and marginal or borderline business projects are often deferred indefinitely or canceled. As a major business enterprise, Dillingham expects to take a normal range of business risks; when such risks are compounded by the threat and indefinite impact of a shipping strike, we are usually inclined to postpone or abandon a decision to proceed.

Resumption of the West Coast docks strike in January would produce, in our opinion, acute effects on Dillingham Corporation. A 90-day disruption could reduce gross revenues by $18 million, $1.5 million in net profits before taxes would be lost. Resumption would quickly cause curtailment of weekly payrolls and, as time passes, would result in increased layoffs of employees. Lost wages would amount to an estimated $10 million. But the Dillingham Corporation cannot afford to suffer any major part of this loss in profits in 1972, following on the losses already incurred in the strike in 1971, without taking immediate counter-measures to protect the interests of its 12,000 stockholders. It will be forced to relieve itself of the burden of all fixed costs possible. There are no alternatives available but to take drastic steps which will directly affect the well-being of many of our employees and the community-at-large. Regularly employed hourly employees and salaried employees may be involved in layoffs, part-time work, furloughs without pay, enforced vacations, early retirements, together with any other means of reducing our fixed outgo. We have no other choice that can be made.

We wholeheartedly commend in the embodiment of S. 2836 the effort to protect the people of Hawaii from further economic strangulation in the recurrence of West Coast shipping strikes. We do, however, have reservations on its timely effectiveness. To better protect the public interest, we urge your consideration of the following:

a. A disruption of the normal flow of surface transportation of any duration immediately interrupts the orderly progress of business. Therefore, we would propose that a fixed 30-day waiting period as presently provided in the bill should be eliminated; thus, enabling the Governor to act at any time in his discretion after the commencement

of a strike or lockout. Further, we would propose that it would be mandatory at the expiration of 30 days that the Governor request the President to act.

b. Prolongation of a disruption increases economic impact. Therefore, we propose that the restrictions placed upon the President in locating ships, equipment, and labor to handle cargo be eliminated. There would be no restriction on his mandate to provide the protection of the public interest intended in the spirit of the bill.

In summary, the bill in its present form would not provide the emergency protection needed for the State of Hawaii, for there is no assurance it would obtain the desired result within an acceptable time frame. We, therefore, urge that the bill incorporate provisions to eliminate the waiting period; to limit the discretionary action period of the Governor to 30 days; and to eliminate the uncertainty of obtaining ships, equipment, and men.

We urge that your subcommittee, the Senate Commerce Committee, and the Congress of the United States take definite and immediate action to protect the State of Hawaii with adequate emergency legislation.

Thank you, Mr. Chairman and members of the subcommittee, for permitting me to testify on this most important matter.

Senator INOUYE. Thank you very much, Mr. Obrock. The statement will be most helpful to the committee in its consideration of this measure.

On your two suggestions, the first that the 30-day period be eliminated, and that at the expiration of the 30 days the Governor's action be made mandatory, it was made discretionary because it was felt that if it was common knowledge that the strike would be settled within a week after 30 days then if it were mandatory it would be a costly triggering device to be chartering ships when such ships were not needed.

Mr. OBROCK. You have a point. I believe your emphasis is one that whatever legislation is passed, it be in such a form that there can be effectiveness as quickly as possible.

I think we are well conversant with the practical problems of obtaining ships, et cetera. Even if you waited 30 days and mandated the Governor to act, it would not be an easy task to organize shipping. And all that we are saying is that too much depends on the feelings of the Governor as to how serious the problem is.

Senator INOUYE. Excuse me. I notice a lot of school children in the back. There are a lot of seats in the front if the boys and girls would like to come up front.

In your second suggestion of eliminating restrictions on the ships, equipment, and labor, are you suggesting that we waive the requirements of the Jones Act on using foreign bottoms?

Mr. OBROCK. Yes, that would be most helpful. However, equipment and men would be most difficult to obtain.

Senator INOUYE. This, as you may be aware, is under very serious consideration, but because of the practicality involved it was felt by the author that the bill in its present form was sufficiently controversial, and to add this on may have been just enough to prevent this hearing here.

But you may be assured that in the consideration of this bill by the Subcommittee, the Jones Act provisions, sir, will be foremost in our minds.

You have indicated that your barge service was idle during the strike. Could you have used the barges to go to, say, the Canadian ports?

Mr. OBROCK. Not too easily. The transfer of our joint operations between foreign ports and Hawaii is not too practical. We don't have that flexibility.

Senator INOUYE. Are your barges members of the PMA?

Mr. OBROCK. Are our barges?

Senator INOUYE. Yes. Are you a member of the Pacific Maritime Association?

Mr. OBROCK. No, we are not.

Senator INOUYE. Then your barges were not struck on the West Coast, were they?

Mr. OBROCK. No, but all our West Coast operations in Los Angeles, Portland and Long Beach were affected. As soon as the docks are struck we shut down immediately.

Senator INOUYE. Won't the workers unload your barges?

Mr. OBROCK. No. On the West Coast?

Senator INOUYE. No.

Mr. OBROCK. Of course not. The longshoremen are doing the unloading and we can't go into those ports.

Senator INOUYE. I thought your ships were not struck. You are not a member of the PMA.

Mr. OBROCK. We are talking perhaps of a technicality here. When we say our barges are not struck, the people involved in the towing of the barges, the tugs, et cetera, are not involved in the dispute, but the utilization of the ports—we can't go into the ports; we just tie up. We can go in but no stevedores will work our barges.

Senator INOUYE. You have indicated in your statement substantial loss in the projection of sales at Ala Moana Center. Do you have any figures to compare this with a comparable period, say, of last year?

Mr. OBROCK. Yes. The data we gave in the testimony here may tend to be slightly misleading. It is there for emphasis. At Ala Moana Center, as you might well appreciate, over a ten-year period we have had a constant growth of sales. It seemed more than coincidence that during the period of the strike the growth that had been suspended in the preceding months started to terminate almost abruptly. We are not naive enough to believe that there are not other forces that would have an effect on the sales at Ala Moana. We just wanted to make the point that it was more than coincidence that the sales fell off.

Senator INOUYE. Several of the witnesses and the panel here have referred to the disruption as a half a strike because ships from the Orient were being operated, loaded and unloaded, and were able to to go to and from the East Coast and Gulf ports until they were struck.

What would be the effect if this becomes a full strike, when Hawaii docks are closed?

Mr. OBROCK. What would be the effect if both Hawaii docks and the West Coast docks—the effect, if they included the East Coast

docks, of course, would be total. We are basically not an inventory company. We are not like the pineapple business or clothing or something like that. We are service-oriented and we purchase tremendous amounts of materials and equipment for many of our operations, all of which have to be scheduled over a time frame, and generally for economic reasons are scheduled to come off the West Coast to Hawaii. We import very little into Hawaii from foreign sources. It is a scheduling problem. When the West Coast shuts down, a complexity of the problem may be $150 million worth of contract construction in a planning stage, all planned for surface movement of materials. We then have to change all of that by re-routing and rescheduling.

Senator INOUYE. Did this strike have any effect on your employment level, reduction in hours or layoff?

Mr. OBROCK. It had most impact in our West Coast operations and some impact on our local operations. It did not cause a significant employee layoff in many of our local operations, construction, transportation. We got along all right. But it certainly cost us some money.

Senator INOUYE. Thank you very much.

Senator STEVENS. What is the relationship of your wages to your total cost?

Mr. OBROCK. Of our wages to our total cost?

Senator STEVENS. Yes.

Mr. OBROCK. Well, being a very diversified company, Senator, it is difficult to answer, but perhaps 30 percent.

Senator STEVENS. I mean locally.

Mr. OBROCK. Locally in our construction operations? In about that area.

Senator STEVENS. What about the timeliness of this extended period now of the strike in regards to your operations? Are your operations related to any seasonal activity, or are they about evenly spread throughout the year?

Mr. OBROCK. In Hawaii they are very even. We are not in a seasonal business in Hawaii.

Senator STEVENS. Have you made any permanent changes in the distribution pattern of your goods, including either imports or exports from Hawaii as a result of this? Have you permanently switched to air in any category of freight that has gone by water before?

Mr. OBROCK. We are basically a service business. In the construction portion of our operations, we could not afford air transportation for construction materials. We only use air transportation for critical pieces of equipment and critical components of a structure. Economically, the construction dollar does not afford the luxury of air transportation.

Senator STEVENS. Well, that's all relative, you know. Our North Slope oil development is all being conducted by air. It is just a question of necessity sometimes. I wondered if you had made any permanent change, though. You haven't switched any permanent lines from water to air?

Mr. OBROCK. Only in our consumer merchandising operations where we had projects under way—where we were committed to provide certain furnishings and so forth. But it is not economical, Senator.

Senator STEVENS. You mentioned this very dramatic decline in your merchandise division sales. What type of activity was that? What lines were hardest hit during this period?

Mr. OBROCK. Well, most of the lines we represent—and it is not a major portion of Dillingham Corporation's annual sales. It is perhaps two percent of our total annual sales. But all the products that we represent by and large are mainland products and we have some flexibility there, trying to plan ahead, but then you have an inventory, warehousing problem. We are trying to emphasize that it has an immediate effect. And I would like to further emphasize—we don't have any running room for any further impact on any of it. I don't care how small it is. I am serious about that. We have exhausted the alternates. We are not tough, but we are certainly tough-minded.

Senator STEVENS. You predicted a loss of revenues of $18 million and $1.5 million of net profits if there is a 90-day extension. Do you have the figures regarding the damage caused by the 1971 strike?

Mr. OBROCK. Approximately the same. They had that impact.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you very much, sir.

Mr. OBROCK. Thank you.

Senator INOUYE. We appreciate your assistance.

Our next witness is Mr. Jack Remick, the Vice President in charge of Marketing, California and Hawaiian Sugar Company.

Welcome to the Committee, sir.

STATEMENT OF JACK REMICK, VICE PRESIDENT, MARKETING, CALIFORNIA AND HAWAIIAN SUGAR CO.

Mr. REMICK. I am delighted to be here, Senator.

Senator Stevens and members of the Committee, my name is John A. Remick. I am Vice President, Marketing, of the California and Hawaiian Sugar Company, headquartered in San Francisco. Our company, generally known as "C and H," is the marketing cooperative which has responsibility for selling all of Hawaii's production of sugar and molasses to obtain the best return possible. I have been associated with C and H since 1930. I was elected Vice President, Marketing, in January, 1961. Prior to that time, I had served in various marketing capacities. My responsibilities have given me an intimate familiarity with the Hawaiian sugar industry and with the effects on that industry of any prolonged interference with C and H's ability to move the Hawaiian product to market.

Since C and H markets the entire crops of Hawaiian sugar and molasses, anything that affects our ability to do that job to best advantage is felt directly by the Hawaiian sugar industry. All of Hawaii's sugar is always sold as either raw or refined sugar, but only a part of it can be sold at a higher price as refined sugar, and only a part of what is sold as refined can be sold in the more favorable Pacific Coast market, the balance having to go east.

Whenever C and H's ability to serve its refined sugar customers suffers because of a closing of our Crockett refinery, the Hawaiian sugar industry sustains a double loss. First, there are lost sales associated directly with the shutdown, through inability to deliver refined sugar to our customers. Secondly, there is a residual loss of refined sugar sales that continues even after we are able to restore normal refinery operations and deliveries. This results, at least in part, from a lessening of customer confidence in C and H's ability to maintain a continuous

supply of refined sugar to meet their requirements and suggests to the customer the need to turn to alternate suppliers. It gives other suppliers an advantage they would not normally enjoy. C and H's market position is unfavorably affected by any labor dispute interruption—our own, or one affecting our supply channels. And this has a cumulative effect.

Since sugar not marketed as refined sugar, because of a strike, must eventually be sold as raw sugar to Gulf and East Coast refiners, we can measure the direct cost of strikes as the reduction in return to the Hawaiian sugar industry from marketing this as raw sugar instead of as refined. We estimate that, since the Second World War, shutdowns at Crockett caused by strikes in the raw sugar transportation system, whether of seamen's or stevedore's unions, have cost us lost opportunities to sell refined sugar amounting to 800,000 tons. In terms of 1971 dollars, the net value of this volume of refined sugar sales, over the return for raws, amounts to about $30 million of revenues lost by the sugar growers in Hawaii.

These estimates, moreover, are based upon revenues under marketing patterns which have developed for Hawaiian raw sugar over the years, patterns which in themselves have been severely and adversely affected by strikes. Had there been no strikes disturbing Crockett's ability to produce and deliver refined sugar, there is no doubt whatsoever that the market for Hawaiian refined sugar would be much greater today. It is possible that C and H could be disposing of a much larger share of the Island sugar production as refined in the Pacific Coast market. This would increase the net return to the Islands by $10 million annually.

More than any other single factor, C and H refinery shutdowns have encouraged expansion by beet sugar companies in the West, particularly in California and Arizona. In the period immediately following World War II, the beet sugar companies, as well as all other suppliers to the mainland United States market, were limited by the Sugar Act in the amount of sugar they could market. However, the beet sugar industry then was not producing enough sugar to fill its yearly quota. A succession of C and H plant shutdowns in the late 1940's and 1950's then became one of the contributing factors which gave the beets sufficient incentive to increase production—not only to fill the area's quotas as then constituted, but also to press for substantially increased quotas.

In the late 1940's beet sugar production in California was about one-third of a million tons annually. In contrast, the beet sugar production from the most recent crop in California was more than a million tons. There has not been any serious interruption of beet sugar production due to strikes.

Up to the period following World War II, C and H dominated in sales to housewives through grocery stores. This is the segment of refined sugar sales which yields the highest return to the Hawaiian sugar industry. Strike interruptions, however, created vacuums into which beet sugar brands flowed—onto the grocers' shelves and into the home. Such changes tend to become permanent, resulting in the continuing loss of sales to which I have already referred.

Furthermore, the marketing opportunities presented to the beet sugar companies led to their expanding their grocery products items.

The opportunity presented them was such that it even became economically feasible for them to enhance their grocery products lines by buying certain products from Gulf area cane sugar refiners. These products were direct replacements of C and H grocery products items.

Strikes have interrupted service to our industrial customers as well as our grocery products customers, again opening the way for other sellers to take business previously supplied by C and H. As a continuing effect of this, in a number of instances where C and H enjoyed all, or a large share, of the industrial sugar user's business, the situation has now become reversed—the C and H share has been greatly reduced or lost.

We have recently formulated plans which we hope will put us, within a few years, back into the same market position we had two years ago prior to the refinery strike of 1970 and the stevedore strike of 1971. It is impossible to recoup the losses of the earlier years. Since 1946, when C and H had 44 percent of the total market in the five Pacific states, our share of that market has shrunk to 29 percent.

Obviously, this decline in share of market has adversely affected C and H returns to sugar growers and suggests that the $30 million measure I have indicated earlier—as the directly identifiable loss to the Hawaiian sugar industry because of transportation strikes—may be an understatement.

While I recognize that the future undoubtedly will continue to confront us with labor difficulties of all sorts, certainly I believe it is clear, from our experiences, that any improvement will mean a great deal to the economy of the Hawaiian sugar industry and, therefore, to Hawaii as a whole. Certainly, any steps which can be taken to shield C and H and the Hawaiian sugar industry from the impact of strikes in which neither is a party would be one such improvement, one of major importance. It could only lead to less erosion of the Hawaiian industry's sugar business and could result in greater opportunities for sound economic development in the years ahead.

Thank you, gentlemen, for the time you have given me to make this statement on behalf of C and H and I would just like to add that Mr. Marshall expressed his regrets that he was unable to appear as originally scheduled, but unfortunately a bug got into him and he didn't want to import it into the Islands.

Senator INOUYE. We appreciate Mr. Marshall's concern for the islands.

Thank you, Mr. Remick. You have been very helpful.

You suggested that strikes, since 1940, have done much to place our competitive position with beet sugar at some disadvantage.

When you speak of these strikes, are you speaking of just shipping strikes or transportation strikes?

Mr. REMICK. The strikes referred to in the $30 million is strictly transportation strikes. Those were the strikes of '46, '48, '49, '52, '62, and '71. They do not include our own strikes or interruptions that were not related to transportation.

Senator INOUYE. These are all transportation strikes?

Mr. REMICK. Right.

Senator INOUYE. So they are not plantation strikes.

Mr. REMICK. That is right, Senator.

Senator INOUYE. You have also indicated that your C and H share of the Pacific States' market has been reduced from 44 percent to 29 percent?

Mr. REMICK. That is right, Senator.

Senator INOUYE. And you have attributed this to strikes as being one of the major factors. I assume you are including all strikes there?

Mr. REMICK. That is right. There is no separation there of what could be called transportation effect as against other strike effect.

Senator INOUYE. Has this strike, last year's strike, had any effect on employment at Crockett?

Mr. REMICK. Yes, a direct effect. When we were anticipating the strike, we built up raw inventories as best we could. Subsequently those were depleted and there was an effort made to bring raws in through Vancouver. There was one barge and one bulk vessel that was taken into Vancouver, unloaded under very difficult and costly arrangements, and that sugar railed down to Crockett, where it was practically manhandled out of those cars because they are not equipped to handle it in that way. So we were able to put those people back to work again.

And subsequently we depleted that stock just before the Taft-Hartley became effective. This would involve approximately 1,200 refinery employees who were out for two different periods during that 100-day strike.

Senator INOUYE. During this period, are you in communication with the PMA to urge them to come to terms with the union?

Mr. REMICK. We do everything we can to convince the PMA of what our needs are, although I think that we are not in a position to tell them what they have to do. They have their own business to run and we must fit in with that, Senator.

Senator INOUYE. I ask this question because during yesterday's session, the Regional Director of the ILWU intimated that the Hawaii docks may be closed if the West Coast local requests assistance on the part of the Hawaii local. And in further questioning, it was suggested that this dock closure would have a positive effect as far as the union was concerned, in pressuring Hawaiian companies to in turn pressure the PMA to come to terms, because of common ownership of sugar and shipping.

In your mind, does this have any validity?

Mr. REMICK. I don't think we are passing up any opportunities to solve the problem, because our job is marketing the Hawaiian raw sugar crop. And we do our best to make sure there is no interruption of that. So I am certain there is no effort on the part of C and H to soften their approach toward the problems between the PMA and the ILWU.

I do know we are in daily touch with the people that move our sugar, trying to find out what the situation is and keeping them well aware of what our problems are.

Senator INOUYE. Can you advise this committee, just for the record, as to the distribution system you have for raw sugar and refined sugar?

Mr. REMICK. C and H is an agricultural cooperative, owned by the plantations in the Islands, distributes all of the raw sugar produced by the Island plantations. About 75 percent of that moves to Crockett

and is distributed as refined sugar in the area we refer to as our northern, southern, and central sales regions, which on the map means Chicago, Mississippi River, and West.

Our more important regions from the standpoint of return are what we call northern and southern, and that would be roughly Los Angeles and the Southwest; San Francisco and the Northwest. The sugar that moves through Crockett is all disposed of as refined sugar and the returns are better to the sugar growers on what we are able to dispose of as refined. The 25 percent that is sold as raw sugar moves from the Islands generally in vessels on which we have a continuing arrangement with Reynolds Metal, bulk sugar vessels, that take it to the Gulf and it is disposed of in the Gulf.

Senator INOUYE. So your shipment of raw sugar to the Gulf ports is not normal practice?

Mr. REMICK. Yes, normal in the sense that 25 percent of the crop is generally disposed of as raw sugar. We hope that will lessen as time goes on and we will be able to market more of it as refined, because our return to the Islands is better for refined sugar. But it is normal to dispose of about 25 percent of the cargo as raw sugar, C and H taking the full production from the Island and selling about 75 percent of it as refined and disposing of about 25 percent of it as raw sugar.

Senator INOUYE. One of the weaknesses in this measure relates to the availability of ships, even if the President does have the power of chartering ships. There is a question as to whether the proper type of ship might be available, such as container ships or bulk cargo ships, or reefer ships. What type of ship would you need in your industry?

Mr. REMICK. The part that you are touching on, Senator, causes us some concern because we do need what we call bulk raw sugar vessels. They are a specialized type of equipment. And if, under the Hawaiian Public Interest Protection Act, provision is made that the ships that normally move the product cannot be used, we think it is highly unlikely that alternate vessels could be found that would be American-flag vessels.

During the period when there were loadings in Hawaii and we were able to move a little more raw sugar into the Gulf, which was then operating, we sought charter vessels. And I can assure you it is very difficult to find charter vessels today that can handle bulk sugar. So this would be a serious difficulty.

Senator INOUYE. Are there foreign bottoms that can accommodate you?

Mr. REMICK. Not normally in this area. And I think it would be some time, even if we had permission to use foreign bottoms—it would be some time before you could locate those to move the sugar as it was necessary.

Senator INOUYE. Even if you are able to locate ships with the proper equipment to handle your raw sugar, what would be the normal time span required to charter an emergency ship? Is it like my calling a cab?

Mr. REMICK. No, it is subject to a lot of variances, the reason being that if you are fortunate enough to find a vessel in the Pacific returning empty, you can find it in two weeks. On the other hand, if there is nothing and you are trying to find something that is in one of the other oceans, first of all the owner is reluctant to move from his normal channels of trade, and secondly there is quite a time lead in getting that.

That could be anywhere from two to three months depending upon what trade he was in right at that time, how soon he could complete that obligation and move into your trade.

And I might point out that with that kind of lead time it makes it difficult to convince some owner of a vessel he ought to move into this area to try to help out on an interim basis.

Senator INOUYE. If this strike should be resumed for any prolonged period, say 30 days, what would be the effect on your operations?

Mr. REMICK. We have anticipated the resumption of it, knowing that Taft-Hartley was to expire, and built up raw sugar inventories and refined sugar inventories in anticipation of that. We have raw sugar that would permit us to operate at Crockett for approximately one more month, up to about the end of February, and refined inventories, with some exceptions as to items, through March. So we would continue pretty much on a normal basis on a refining basis through February, at which time the refinery would shut down and these 1200 people would have no work. We would consider distribution of refined sugar through the month of March and at that time we'd be faced with the same problem we were at the early portion of the strike when we had to bring sugar through Vancouver to supply some of our needs.

Senator INOUYE. Are the workers in your Crockett organization members of the organized labor?

Mr. REMICK. Yes.

Senator INOUYE. What unions are they members of?

Mr. REMICK. There are two unions involved. The refinery union, an AFL union, sugar workers union. In the warehouse is the ILWU, a local that handles the warehouse operation.

Senator INOUYE. Thank you.

Mr. REMICK. Thank you, Senator.

Senator INOUYE. Senator Stevens.

Senator STEVENS. You mentioned the 44 percent that you had of the market in the forties, and your market has substantially declined now. What is the relative size of the market in '46 as compared to the present market in the five Pacific states?

Mr. REMICK. The market has expanded considerably since that time, but in the sugar industry what we try to accomplish is a continuing participation in a share of that business, because as new business develops with population increases, if we don't get our share of that, our market is going down. So expressing it as a percent shows that we have lost what had been a share of the market to other distributors.

Senator STEVENS. In that period of time we also lost the Cuban supply.

Mr. REMICK. The Cuban supply would not directly affect us because that went to the East Coast. The West Coast and the East Coast are two different sugar markets. On the East Coast you have sugar coming in from foreign sources. At one time it was heavy Cuban and that has since been revised. But on the West Coast it was C and H and beet sugar, and the C and H was Hawaiian raw sugar that came into Crockett. The beet sugar is all that that is processed in California, Oregon, Washington, and Utah.

Senator STEVENS. You haven't lost any portion of that market to suppliers from outside of the region that have come in?

Mr. REMICK. Not really. There has been some peripheral loss, but not sufficient to really make that important, Senator.

Senator STEVENS. During this past 99-day strike, did you move any increased portions of your raw product from Hawaii to the Gulf? Is that in your testimony?

Mr. REMICK. Yes, Senator, we were forced to lift raw sugar and that is when we sought charter vessels, and as I explained to Senator Inouye, they are difficult to find. But as we found those we loaded those vessels and took it into the Gulf.

Senator STEVENS. How substantial was that in terms of your total product here?

Mr. REMICK. We normally would deliver about 250,000 tons and I think that increased up to the point where it was about 400,000 tons—so roughly about a 60 percent increase that was diverted into raw rather than refined.

Senator STEVENS. It may be a strange question, but why don't you refine it here?

Mr. REMICK. Because of the cost of transportation. In transporting raw sugar to the mainland, the handling can be in bulk and since it is not meant as a food product at that time it is thrown into the corners of the hulk of the vessel and taken out by equipment that doesn't handle it as a food grade item and the refinery at Crockett converts that into a food product, and we think a very fine food product.

Senator STEVENS. Then the costs are substantially different in terms of transportation by ocean freight?

Mr. REMICK. Yes, if we had to move the material out to pack that, the little one will be containers and cases and the bags to Hawaii, we'd have the outbound freight cost, plus the fact that going back it would be considerably more expensive and subject to damage. If a 100-pound bag is torn you have a problem. If it's in bulk, it isn't a problem. Plus the fact that with the trend from grocery items to industrial items, we sell a great deal of bulk sugar—and when I say bulk sugar, I mean this is a full rail car of bulk sugar delivered to a plant like General Foods or a beverage plant like Coca Cola, plus the fact that a great deal of our sugar is sold in liquid form in California to the fruit canners, particularly. They use a great deal of that. The liquid form contains two-thirds sugar, one-third water, really a simple syrup. We have to pay the freight locally in California to make that delivery. If we tried to do that out here the cost would be too great to be competitive in our market.

Senator STEVENS. Are you familiar with whether there are any vessels in the military or reserve fleet of the type you would need to move your raw sugar?

Mr. REMICK. I can't honestly answer that question but it is my personal opinion that there is nothing as specialized as that, Senator.

Senator STEVENS. Thank you.

Senator INOUYE. The pineapple industry suggested that it would take some time to regain lost shelf space. From your experience, about how long would it take to regain lost shelf space in the grocery store?

Mr. REMICK. I was particularly interested in the question you directed to the person who was replying, and if it was directed to me I'd say we lost 10 percent of that business, because there is attrition. Once you lose the normal buying habits you lost 10 percent.

Senator INOUYE. That is permanent loss?

Mr. REMICK. Permanent loss. And it takes you from three to seven years to recoup that other 90 percent you lost because of being unavailable.

Senator INOUYE. In order to recoup that 90 percent, do you have to incur additional costs, say, of advertising?

Mr. REMICK. You probably enhance your advertising a little bit but I don't think that is a significant figure, Senator. I think it's more a case of good marketing efforts to try to reach the buyers, because a lot of it now goes to industrial users and advertising doesn't affect an industrial user. It is service and quality that affects an industrial user. We have to show them that we are able to give them the service they need. We have to show them that we have the quality they need.

Senator INOUYE. I gather from your statement that the sale and distribution of refined sugar is a very competitive business.

Mr. REMICK. Extremely competitive. In the California market—in the West Coast market—between the beets and ourselves, C and H, there is about twice as much refined sugar available as is used. So you can realize under the law of supply and demand there is quite a wrestling match as to who gets the home territory and who has to ship into the Midwest territory where there is a freight absorption that makes it less attractive.

Senator INOUYE. In other words, it would be most difficult to pass on increased costs to the consumer.

Mr. REMICK. Most difficult is an understatement—impossible. Because the beet competition won't let us do that. They don't have the transportation costs that we have. They have not had the strike interruptions that we have had. And they move in immediately to anywhere we are unable to supply customers and they are delighted to get that business.

Senator INOUYE. What sort of warehousing and inventory practices do you have in the beet industry as compared to your industry? Are they similar?

Mr. REMICK. Not quite. They have what they call a campaign, which is about a four-month period when the beets are harvested and come in, and they have to produce most of their sugar at that time. They are, however, finding means of extending that short production period of four months, and it has been extended from six to eight months and even longer by the storage of what they call concentrated syrups. They make a first process and make a syrup which they then process later, or by storage of beets. It isn't exactly the same, but there is not too much difference because of the seasonal variation in the Hawaiian harvesting. We get a lot more during certain months of the year and then it tapers off in other months.

Senator INOUYE. My final question: Do you have any specific comment on any provision in the measure we are considering now?

Mr. REMICK. Only the point I made earlier, and that is, as I mentioned in my statement, we are in favor of anything that will im-

prove this situation. We have some reservations that the type of equipment we need would not be readily available. Other than that, I have no specific comments, Senator.

Senator STEVENS. May I ask another question?

Senator INOUYE. Senator Stevens.

Senator STEVENS. Is there any alternative supply available to you from beets? Can you run beets through C and H?

Mr. REMICK. No, the cane and the beet refineries are a different process and we could not, though I might go a step further and say it wouldn't serve our interest to run beets.

Senator STEVENS. There is no interlocking ownership, then? Your people don't own any of the beets?

Mr. REMICK. No.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you.

Our next witness is Mr. Edward Holroyde, President, Hawaii Sugar Planters' Association, and Vice President, Alexander and Baldwin.

Good morning, sir, and welcome to you.

STATEMENT OF EDWARD HOLROYDE, PRESIDENT, HAWAII SUGAR PLANTERS' ASSOCIATION, AND VICE PRESIDENT, ALEXANDER AND BALDWIN

Mr. HOLROYDE. It is a pleasure to be here, Mr. Chairman and distinguished members of the Senate Commerce Committee. My name is Edward B. Holroyde. I am President of the Hawaiian Sugar Planters' Association, a non-profit trade association supported by the sugar companies of Hawaii. It is a privilege to appear before you on behalf of our member companies.

We would like to describe for you today the negative impact upon the sugar industry caused by interruptions of ocean shipping.

Before we do that, however, a brief description of our industry and its place in the Hawaiian economy might be helpful to you in your deliberations on S. 2836.

Hawaii is America's leading sugar State. Its production of raw sugar averages 1,200,000 tons annually, an amount equal to one-fifth of total U.S. sugar production, and one-tenth of the country's annual consumption. In addition, about 325,000 tons of molasses are produced each year as a byproduct of sugarcane processing. Within Hawaii itself, sugar is a key part of the State's economic base and is Hawaii's largest agricultural activity, utilizing nearly one-quarter million acres of land. More than 50,000 persons in Hawaii are dependent wholly or in part upon sugar production for their livelihood.

Sugar is Hawaii's largest single export dollar-earning commodity.

In 1971, sugar production in Hawaii contributed an estimated $210 million to the State economy, with more than $75 million of that going into employee wages and benefits, and another $17 million going into government tax revenues.

It is stating the obvious that Hawaii's central Pacific location makes it dependent upon shipping—ocean or air—for all of the essential supplies it cannot itself produce, as well as outbound shipments of its highly limited number of export commodities.

This is especially true of sugar. We are completely dependent upon ocean shipping to sell our production of raw sugar and molasses. We are equally dependent upon ocean shipping to bring to Hawaii supplies essential to our operations. Included in this latter category are fertilizers and large quantities of other economic chemicals vital to maintain both field and factory operations.

Hawaiian sugar is unique in that it is a two-year crop. Thus we must plow in capital for two years before any income is produced.

Our production of both sugar and molasses is worthless to us unless it is marketed and the income produced returned to our companies here in the State.

Interruptions of ocean shipping have a double-barreled impact upon our companies.

On one hand, they increase costs of production. On the other, they reduce our income.

As an example of these two points, we would like to summarize for you the adverse effects upon our industry created by the most recent interruption, the 1971 Pacific Coast dock strike.

The strike, which lasted 100 days, had the following direct economic effects:

It increased the cost of bringing to Hawaii needed supplies and materials from the mainland because they had to be shipped greater distances at greater cost.

To maintain production of raw sugar and molasses, emergency storage facilities were required. More than 90,000 tons of sugar and 10,000 tons of molasses had to be put into emergency storage at a total estimated cost of about $485,000 out of pocket. Incidentally, we are not tight on storage under normal circumstances. The five bulk-storage facilities on the four sugar islands total nearly 250,000 tons capacity, while there is normally more than 100,000 tons of molasses storage maintained by companies in our industry.

Cash shortages to meet current expenses required advances on produced but unmarketed production, thus incurring increased borrowing costs.

A reduction of gross annual income of approximately $5 million to $6 million below our original estimates.

There were other effects, equally important, upon our industry over the long-term. These relate to the marketing of our sugar and molasses production on the mainland. We do not intend to discuss them because of Mr. Remick who just preceded me. Our remarks on marketing impacts would be repetitious.

I should like to emphasize, however, that C and H is a marketing cooperative owned by the sugar companies of Hawaii. Thus, whatever effects ocean shipping interruptions have on C and H are directly felt by C and H's owner-companies in Hawaii.

Hawaii's sugar industry is caught in a cost-price squeeze of serious proportions. Our costs of goods and services have escalated. This, coupled with intense price competition in our major markets, has resulted in declining profitability. The industry, while a stable income producer for the state, is one of less than satisfactory profits when compared on any valid economic criteria.

We are, in addition, making major operational changes at substantial costs because of the emerging environmental laws. This new class of laws has resulted in increased costs of doing business with no chance of our passing those costs on.

These considerations and concerns are only intensified when the normal commerce in which we are engaged is interrupted.

We hope the deliberations of your committee will help resolve this dilemma on a basis equitable for all parties which will at the same time end prolonged shipping interruptions.

Thank you for this opportunity to present our information to you.

Senator INOUYE. We thank you for your assistance this morning, Mr. Holroyde.

Do you have any specific comment you wish to make on the provisions of this measure?

Mr. HOLROYDE. Not other than the ones Mr. Remick made, that we are concerned about the availability of the type of vessel that could relieve us in our problems if there was a prolonged tie-up.

Senator INOUYE. Your statement indicates that over 50,000 men and women are dependent wholly or in part on the sugar industry. Did this 100-day strike have any effect on the employment in your industry?

Mr. HOLROYDE. It did not. We had full employment during the period of the strike.

Senator INOUYE. Would it have any impact if it becomes a full strike?

Mr. HOLROYDE. No, I don't think it would, unless we reached a point where we would not have anyplace to put our sugar and it would have to shut down. For example, during the last strike we filled up almost all the available emergency storage, and were starting to move into outside storage, where we would just dump sugar out in the open and cover it with polyethylene coverings. We were going to test this and try to keep going under those conditions, but if a big storm came along we could be wiped out under those circumstances.

So a prolonged strike, after the time we had used up our normal storage and our emergency storage and got into a further storage problem, could result in our having to shut down and at that time it would affect the employees.

Senator INOUYE. Your statement indicates that because of the competitive nature of your industry, especially in the final sales, it would be impossible to pass on to the consumer any increase in costs brought about by shipping or by warehousing, or by high costs of supplies.

I further note that there are major operational changes being considered because of laws relating to the environment.

Mr. HOLROYDE. That is correct.

Senator INOUYE. Have you made any projections as to where your breaking point would occur? By that I mean: When would management feel that it would be prudent to shift your accounts from this venture to another type of venture or another type of investment?

Mr. HOLROYDE. Well, when it no longer appears to be profitable or an opportunity for profits. We have had three companies announce

that they are going out of business. Two went out of business during the last year, and one has announced that they are going out of the sugar business in 1973. We did have companies during the past year that did not make a profit, but they are hopeful that with some of the plans they have, they can get back into a profitable position.

Of course, if we hadn't lost the expected return for sugar, this $5 million to $6 million that we had anticipated would be in the form of a higher return to us if the strike had not occurred, some of those would have ended up in the black.

Senator INOUYE. If this strike became a full strike, what sort of projections would you make in the area we have just discussed? You have said three plantations have closed.

Mr. HOLROYDE. I would not be able to project what the individual companies might determine would be their future. I don't think another strike would cause them to go out of business, however.

Senator INOUYE. You have indicated that employee wages and benefits totalled $75 million in 1971. Do you think that this would be a constant figure in 1972 if the strike was prolonged?

Mr. HOLROYDE. It might be higher. We are presently negotiating a new contract with the ILWU, and we anticipate that they will get a wage increase as a result of this.

Senator INOUYE. I gather that your industry must import supplies, such as fertilizers.

Mr. HOLROYDE. Yes, we do.

Senator INOUYE. And certain pieces of equipment.

Mr. HOLROYDE. Yes.

Senator INOUYE. Did the West Coast strike affect this part of your operation?

Mr. HOLROYDE. Not to a great degree. We were fortunate enough to get fertilizer in by barge, and oil became pretty tight on one or two occasions, but we did get relief from those shipments that arrived at an opportune time. But we did have to fly in odd pieces of equipment, from time to time, which increased costs.

Senator INOUYE. Yours is a two-year planting operation. What effect will this 1971 strike have upon your two-year planting?

Mr. HOLROYDE. It shouldn't affect our production, the strike itself. We kept going under normal planting and replanting operations, so I wouldn't expect that that would have a direct effect on our production.

Senator INOUYE. And the only comment you have as to the specific provisions in the measure would relate to the availability of appropriate ships for your products?

Mr. HOLROYDE. Right.

Senator INOUYE. Thank you very much.

Senator STEVENS. How many member companies do you have in your association?

Mr. HOLROYDE. We have 20 at the present time.

Senator STEVENS. Twenty?

Mr. HOLROYDE. Yes.

Senator STEVENS. Does that include the three that made the announcement they are going to go out of business?

Mr. HOLROYDE. No, that is after. Two have gone now so there are 20 left, and then there would be 19 after 1973.

Senator STEVENS. I don't understand this comment about two years. Is there a two-year growing cycle?

Mr. HOLROYDE. Yes. We harvest about 50 percent of our area every year and consequently grow for 24 months, our growing cycle.

Senator STEVENS. So the 100-day strike didn't affect your planning for this year's production then. You planned for that a year ago.

Mr. HOLROYDE. Two years ago. And we continued normal operations so it did not affect our future crops either.

Senator STEVENS. It affected solely your export for sales?

Mr. HOLROYDE. Correct.

Senator STEVENS. And would you agree with the comment that was made earlier that right now the extension of the strike doesn't have any real impact on your business if it is over within a reasonable period of time; it is not going to produce any impact on your current year's crop?

Mr. HOLROYDE. That is correct. Just a few of our companies have started. Normally we are going full-blast about the first of March, but we have shipped quite a bit of sugar so we have approximately 150,000 tons of storage capacity available to us, and with us just starting the crop it could run a couple of months without any serious impact.

Senator STEVENS. You would agree then with the comment of earlier witnesses, that if there is an attempt to put pressure on the shipping companies through shutting off Hawaii's docks, that it really wouldn't work for a substantial period of time.

Mr. HOLROYDE. We wouldn't be under any pressure right at the present time because of our inventory situation, and our availability of storage.

Senator STEVENS. And that wouldn't start until at least March then? It would have to take another 60 days before that could come about?

Mr. HOLROYDE. Yes.

Senator STEVENS. Thank you.

Senator INOUYE. Mr. Holroyde, could I ask you a final question. In your capacity as Vice President of Alexander and Baldwin, Alexander and Baldwin was featured in yesterday's testimony as being the owner of Matson Steamship Company.

Mr. HOLROYDE. Yes.

Senator INOUYE. And it was suggested that one of the methods that may be employed to bring this dispute to a resolution would be to close the docks in Hawaii and thereby place pressure upon Alexander and Baldwin, who in turn will pressure the PMA to come to terms.

What percentage of the boats do you control in the Pacific Maritime Association?

Mr. HOLROYDE. I don't know. I am not familiar with that side of the business.

Senator INOUYE. Is it a substantial representation?

Mr. HOLROYDE. I really cannot answer that. I don't know.

Senator INOUYE. Do you think that there is much validity to that suggestion, that such pressure would work?

Mr. HOLROYDE. I am a poor one to judge that. I would hope that it would work from where I sit in the gallery. I want to see the ships moving.

Senator STEVENS. Well, thank you very much.

Senator INOUYE. Thank you very much, sir.

Mr. HOLROYDE. Thank you.

Senator INOUYE. Our final witness this morning is the Manager of the Steamship Department of the T. H. Davies and Company, Ltd., and Chairman of the Maritime Affairs Committee, Chamber of Commerce, Mr. Kent Bowman.

We are pleased to have you, sir.

STATEMENT OF KENT BOWMAN, MANAGER, STEAMSHIP DEPARTMENT, T. H. DAVIES AND CO., LTD., AND CHAIRMAN, MARITIME AFFAIRS COMMITTEE, CHAMBER OF COMMERCE

Mr. BOWMAN. Thank you very much, Senator. It is a real honor to be here and meet with you.

For the record, my name is Kent Bowman. I am Chairman of the Maritime Affairs Committee of the Chamber of Commerce of Hawaii.

May I say from the outset that the members of the Maritime Affairs Committee applaud any legislation aimed at protecting Hawaii from further shipping interruptions. Further we thank the Senator for his efforts on this behalf and assure him that the committee members are happy that the current hearings are being held so as to focus attention on the plight of Hawaii which is highly vulnerable to the financial impact of shipping interruptions.

In general we are opposed to increasing government controls on the operation of any industry. However, the transportation industry is already highly controlled. Under these circumstances no outside company or workers are permitted to handle Hawaii's freight. So, to protect third parties, controls are necessary in order to ensure uninterrupted freight service.

We further feel that even the threat of possible interruptions is no longer acceptable with protective stockpiling imposing an unacceptable cost on business and the public. Our committee views were passed on the Board of Directors of the Chamber of Commerce of Hawaii and in part are embodied in Dr. Hitch's presentation of January 18.

However, we feel that certain suggestions for modifications of S. 2836 bear reinforcing.

1. We feel that consideration should be given to eliminating the need for a 30-day shipping interruption before the Governor of Hawaii can act

2. We also feel that restrictions on the use of personnel and equipment involved in the dispute should be relaxed sufficiently to assure that the government can immediately provide adequate normal service to Hawaii.

3. Even the threat of interruption should be considered sufficient to authorize Congressional action. However, even then a shipping interruption might result from reticence on the part of Hawaii's Governor to request Federal intervention. Intervention, therefore, should be made automatic in case of an actual or threatened interruption.

Representative Matsunaga apparently recognizes this last need by making intervention automatic after a 30-day interruption. In providing protective legislation the choice appears to be between assurance of

continuance of operations of shipping services during strike negotiations, or resort to the government immediately operating a shipping lifeline everytime an interruption commences, while the disputing parties negotiate. Even then the use of a substantial part of the idle personnel and equipment would be required. As a practical matter virtually every American-flag vessel in the Pacific area will in some way be a party to future disputes. Certainly, every longshoreman on the West Coast and Hawaii will be a party to future disputes.

By way of illustrating this last point, I would like to change hats for a moment and address the committee as Manager of Steamship Operations of Theo H. Davies, a steamship agent in the business of providing shipping service to the consignees of Hawaii. When the 1971 strike commenced on July 1, United States Lines, whom we represent, was engaged in carrying containerized cargo from the Eastern Seaboard and the West Coast ports of Long Beach and Oakland to Honolulu. This service was inaugurated in October 1970 and is a part of a tri-continental service by United States Lines serving Europe, the Eastern Seaboard, West Coast of the United States, Hawaii and the Far East. When the strike commenced their vessels simply omitted calls at West Coast ports bringing cargo to Hawaii directly from the East Coast. The ships were in position, equipment available and immediate service commenced.

In the four-months' strike period, 20 United States Lines vessels carried some 10,000 container loads of cargo to Hawaii. This service averaged out to approximately five vessels per month during the shutdown carrying an average of 500 container loads each. United States Lines vessels were unable to carry greater numbers of containers due to the fact that Hawaii is only one portion of the total service from the East Coast to the Orient and return. And I might say parenthetically, you gentlemen, I'm sure, are aware of the intense competition U.S. flag carriers have, in the Orient particularly. However, every available slot that could be economically allotted to Hawaii was made available. Department of Transportation figures indicate that approximately 100,000 Matson-style 24-foot containers move between the West Coast and Hawaii annually. This figure may be subject to some modification. The figures that I received were in 1970.

The number of containers that I have indicated that were carried by United States Lines has been reduced to a 20-foot equivalent, which is as close to the Matson 24-foot container as we can get for comparison purposes. Normally, therefore, during the four-month strike period, Hawaii would probably have received some 34,000 containers. As stated, United States Lines brought in 10,000 containers during this period.

I use these figures to illustrate the difficulty inherent in providing sufficient service on short notice to serve the total needs of the State. I personally feel that all commodities are vital to the people of Hawaii and shortages of numerous commodities other than foodstuffs have a cumulative adverse effect on Hawaii's economy.

I therefore feel that the impetus of legislation should be to provide uninterrupted service to Hawaii while negotiations continue. The attempt on the part of government to provide an effective emergency interim service would be extremely difficult to accomplish, if not impossible. From a practical standpoint, the booking, rating, receiving,

and delivery of the cargo requirements would be an enormous task in itself. One may expect further difficulty because of the unique configuration of the containers now serving Hawaii, which would require not only a sufficient number of ships but ships capable of handling these various types of containers.

We offer these facts for your consideration in evaluating the needs of Hawaii and the practical difficulties involved in providing for these needs.

Again, we thank you for this opportunity to address this committee and for your efforts on behalf of the people of Hawaii. Thank you.

Senator INOUYE. Thank you very much, Mr. Bowman.

On your second suggestion, that restrictions on the use of personnel and equipment be relaxed, are you suggesting waiving of the Jones Act?

Mr. BOWMAN. No, sir, I refer to the fact that the companies serving Hawaii should be allowed to continue to do so, and again because of the specialized nature of the equipment needed. We are currently using four different types of containers in this trade. The United States Lines has a 20-foot and a 40-foot container. Matson has a 24-foot, Seatrain has a 27-foot. The cranes, as you know, on the docks are not owned by the state. They are owned by the steamship companies, Seatrain and Matson. We use a mobile arrangement.

The specialized type of equipment lends itself to their particular box, and I honestly do not feel that an adequate service would be instituted using general cargo vessels. We are geared for containers.

Senator INOUYE. So you are suggesting that the ships that are being struck be used?

Mr. BOWMAN. Yes, sir.

Senator INOUYE. Don't you think that would destroy collective bargaining?

Mr. BOWMAN. I think that the collective bargaining process could and would continue during this period. I would hope that the government would find means of allowing the service to continue which would not be particularly attractive to either party, but which at least would provide the service while the negotiations continued.

Senator INOUYE. Are you suggesting that the striking workers man and handle the equipment?

Mr. BOWMAN. Yes, sir.

Senator INOUYE. What if they refuse to?

Mr. BOWMAN. I would hope that——

Senator INOUYE. You can't force them to under the law.

Mr. BOWMAN (continuing). No, I suppose you could not. Is it possible for the government to have sufficient penalties incorporated in the legislation that would more or less compel the unions to induce their employees to continue?

Senator INOUYE. That would be tantamount to establishing a dictatorship. One can't force an American to do something against his will. That is why this measure specifically attempted to isolate the bargaining parties in the corner, so that the collective bargaining process would proceed unhampered, and that neither party would gain any advantage.

Mr. BOWMAN. I appreciate what you were trying to accomplish, sir. It was simply that we felt as a practical matter it would be very

difficult to find vessels and equipment and expertise effective in providing emergency service.

Senator INOUYE. Oh, I quite agree with you. There are many weaknesses in this measure.

On the matter of the 30-day waiting period, you suggested that the 30-day period be eliminated and that action be made mandatory.

Mr. BOWMAN. Yes, sir.

Senator INOUYE. Don't you think it might be a wasteful triggering if you knew that a week after the 30-day period the strike was about to end?

Mr. BOWMAN. Yes, sir. I would hope there would be some discretion on perhaps the part of the Governor. If he felt that a solution were imminent, he would not have to, but he would have the ability to do so without having to wait a required period of time.

Senator INOUYE. I see.

You have indicated that the steamship company represented by your company brought in an equivalent of 10,000 containers. How did this activity compare with a similar period just prior to the strike?

Mr. BOWMAN. Almost double, sir. We had been geared up to handle approximately 250 to 300 containers per vessel. We had the equipment to handle this much. When the strike period came upon us, we were suddenly literally inundated with requests for cargo. And this relates to some other testimony that was given, Senator, wherein the stockpiling was brought up. We felt this also. Our box count did not measurably jump during July, indicating that probably stockpiling took place before hand.

However, in August and September it just went completely out of sight, and the demand for space on our vessels was tremendous. We flooded the container freight stations in New York, Norfolk, and Baltimore, and they were flooded with requests for less-than-container-load shipping, indicating it was the little guy who was really beginning to hurt, and they wanted small lots for their various businesses. We just became totally unable to carry the needs.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. Do I understand your testimony that none of the docks here are publicly owned?

Mr. BOWMAN. The docks are publicly owned, Senator, but the equipment for the handling of the containers is privately owned by the carriers, Matson and Seatrain, these huge 40-ton capacity cranes which are about $1 million each, which are owned by the steamship lines, unlike other U.S. ports.

Senator STEVENS. Yes, our state or municipality owns ours. I didn't realize the difference until just now.

With regard to handling these 10,000 containers, did you use freight forwarding agents at all?

Mr. BOWMAN. As I said, our service was geared up to handle only a small amount of less-than-container-load cargoes. The steamship line, the United States Lines, operates the container freight stuffing facilities. Although they could have gone to freight forwarders, say, have much of this.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you very much, Mr. Bowman. You have been very helpful this morning.

Mr. BOWMAN. Thank you, sir. May I say also on behalf of our committee that we thank also the good Senator from Alaska and his bipartisan interest.

Senator INOUYE. Off the record.

(Discussion off the record.)

Senator INOUYE. Until 1:30 this afternoon, the session will stand in recess.

AFTERNOON SESSION

The hearing will come to order.

As our first witness this afternoon, I would like to call upon a person who is not listed on our witness list. He is the president of one of the major companies in Hawaii, Alexander & Baldwin.

Is Mr. Wilcox here?

For the record, this is Mr. Allen Wilcox, President of Alexander & Baldwin, Inc.

I have asked Mr. Wilcox to appear this afternoon to respond to one question which I believe he can respond to. During yesterday's hearing, the Regional Director of the International Longshoremen's and Warehousemen's Union indicated that if fellow union members on the West Coast should request assistance of the Hawaii local, the Hawaii local will respond accordingly and, if necessary, strike our docks. And when I asked the witness why should these docks be closed, it was intimated that by so closing our docks it would put pressure on one of the owners of PMA ships, to wit Matson, and the company that owns Matson is Alexander & Baldwin.

Mr. Wilcox, number one, what sort of influence does Matson have in the PMA organization?

STATEMENT OF ALLEN WILCOX, PRESIDENT, ALEXANDER & BALDWIN, INC.

Mr. WILCOX. Senator, we have very little influence. In statistical terms, our vote in the longshoremen negotiations is 10.3 percent. We have 50 votes out of 484 votes.

Senator INOUYE. Would you be able to pressure the other 90 percent to come to terms because of your plight here in Hawaii?

Mr. WILCOX. Absolutely not. At the risk of being facetious, that point has been proven to date. Every bit of pressure we have been able to put on was put on to get a reasonable, intelligent settlement. It is no advantage to us to have this thing continue, obviously.

Senator INOUYE. So whether you have pressure or not, you will still be continuing to insist that this matter be resolved?

Mr. WILCOX. Absolutely. If I may add this, Senator, last October, I believe, I made a public statement that we estimated that this strike cost our company in the neighborhood of $10 million. I don't have the final figures yet, but I think that is still in the ballpark, a very substantial amount of money.

And it is certainly ridiculous to think that we would have any ulterior motive in continuing a situation like this, which ties up our largest single investment.

Senator INOUYE. If you are free to advise this committee, would you tell us what the status of the negotiations is at this time?

Mr. WILCOX. I can give you a general picture, as I understand it. The PMA had requested the union to commence negotiating again, and I believe the Federal Mediation Service did the same, yesterday or the day before. The reply from the union was that they would not be ready to negotiate until January 31st.

The issues, as I understand them—and I am reasonably close to the situation; quite close, as a matter of fact—are not only the usual issues that one finds in normal negotiations, wages, hours, and that type of thing—and it is my feeling and the feeling of our people that those things can be resolved. The major problems, which are as yet unsettled as far as we know, are twofold. One is the jurisdictional problem between the Teamsters and the ILWU, and the other is an internal problem within the ILWU, which I don't think anyone will deny is a very serious influence in the situation.

Neither of these situations can, in my opinion, the PMA or the employers settle.

Senator INOUYE. Could you, if you so wish, provide this committee with some prediction as to what will happen in the next 30 days?

Mr. WILCOX. My predictions, the last two, have unfortunately been correct. One was that we would have a long strike, and the second was that at the end of the Taft-Hartley cooling-off period, we would have another one.

In my personal opinion, this strike will continue until some outside influence will take hold of it and settle it. It is not settleable internally.

I recognize that this does not coincide with statements made by other people, but that is my very serious opinion.

Senator INOUYE. What sort of outside influence?

Mr. WILCOX. I think the Federal Government has to take a very strong hand in it, and this does not lend itself to the normal collective bargaining philosophies that everyone would like to see in collective bargaining labor-management problems.

Senator INOUYE. Then your outlook is a very gloomy one?

Mr. WILCOX. Yes, it is.

Senator INOUYE. Thank you very much, Mr. Wilcox.

Senator Stevens.

Senator STEVENS. I have only one question. Do you have any feeling about the proposed Teamsters merger with the ILWU? Does that proposal hold any ray of hope as far as your people are concerned?

Mr. WILCOX. If the merger contemplates their agreeing that only one person will handle the stuffing and unstuffing of a container, that is obviously a hopeful situation. It is a means of settling one of the two major problems that I outlined before.

Senator STEVENS. Thank you.

Senator INOUYE. Thank you very much, Mr. Wilcox, for your assistance this afternoon. It has been most helpful to us.

Mr. WILCOX. Thank you.

Senator INOUYE. Our next witness is Mr. Wesley H. Hillendahl, Vice President and Director of Business Research of the Bank of Hawaii.

Welcome to the committee, sir.

STATEMENT OF WESLEY H. HILLENDAHL, VICE PRESIDENT AND DIRECTOR OF BUSINESS RESEARCH, BANK OF HAWAII

Mr. HILLENDAHL. Thank you, Senator.

If I may, I would like to read my written testimony.

Senator INOUYE. Please proceed, sir.

Mr. HILLENDAHL. Thank you for the opportunity to participate in this public hearing on S. 2836, the Hawaii Public Interest Protection Act of 1972.

This testimony provides a brief and general overview of the dependency and relationship between Hawaii's imports and their mode of shipment and origin. Findings of surveys compiled by the Department of Business Research of the Bank of Hawaii on the effects of surface shipping disruptions on the State's major industries will also be summarized.

HAWAII'S RELIANCE ON IMPORTS

Since 1963, Hawaii's foreign and interstate imports have experienced a continuing annual rate of growth, and by 1969 had reached an annual volume of more than $1 billion—double the 1960 total. Foreign and interstate exports, under $400 million, have shown increases also, but at not nearly the same pace as imports—and I refer you to Figure 1.

Of the total imports to Hawaii, about 85 percent came from the U.S. Mainland.

INCOMING CARGO—SURFACE VS. AIR SHIPMENT

The predominant mode of transportation for Hawaii's total imports is surface shipment. This is true both in terms of total tonnage and dollar value. From 1960 to 1969, surface shipping accounted for more than 99 percent of tonnage to Hawaii annually, climbing above 8 million tons compared with .04 million tons for air cargo. In 1960, imports by air amounted to only about 2 percent of the dollar value of all imports, but by 1969 this figure had increased to more than 10 percent. A pattern of shipping more costly and lower-volume items by air seems to be developing, but surface shipping still is outdistancing air cargo shipments under normal conditions.

SURFACE IMPORTS TO HAWAII

In 1969, the latest year in which detailed information is available, total surface imports were valued at more than $1 billion, of which $878 million or 84 percent came from the U.S. Mainland, and $167 million or 16 percent originated from foreign countries.

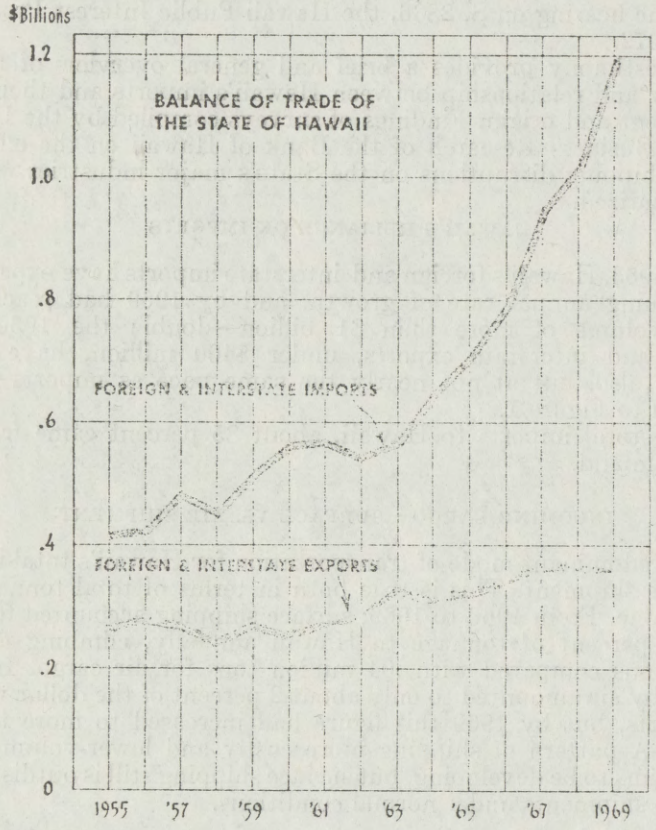
Please refer to the pie diagrams of Figure 2 for detail.

Of the total tonnage of Mainland imports in 1969, about 75 percent came from the East and Gulf ports. However, of this total coming from the East and Gulf ports, approximately 50 percent was petroleum and petroleum products, while 90 percent of the food and beverage products came to Hawaii from the West Coast ports.

The major item imported to Hawaii from foreign countries is petroleum and petroleum products—more than 36 percent of total

FIGURE 1

BALANCE OF TRADE OF THE STATE OF HAWAII



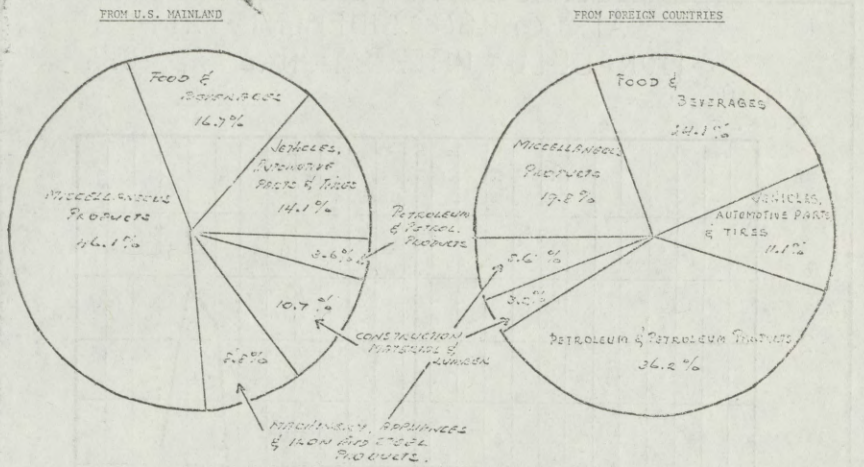
foreign imports. All petroleum products imported come to Hawaii by surface shipping. In 1969, these products were valued at $92 million, or about 9 percent of the dollar value of all imports. Two-thirds of the petroleum products came from foreign countries, particularly the Middle East and Indonesia, while the remaining one-third came from the United States Mainland. The average annual increase of foreign petroleum imports between 1960 and 1969 was 27 percent.

Japan accounted for more than $60 million or 36 percent of total foreign surface imports during 1969. The Middle East and other Central and South American countries were next in order of importance—and I refer here to Figure 3, another pie diagram, for the detail.

Total foreign imports to Hawaii transported by surface shipping has increased at an average annual rate of 15.2 percent between 1960 and 1969.

Figure 2

PERCENTAGE SHARE OF HAWAII'S FOREIGN AND MAINLAND SURFACE IMPORTS



Total Mainland Imports $877.6 million (84.0%)

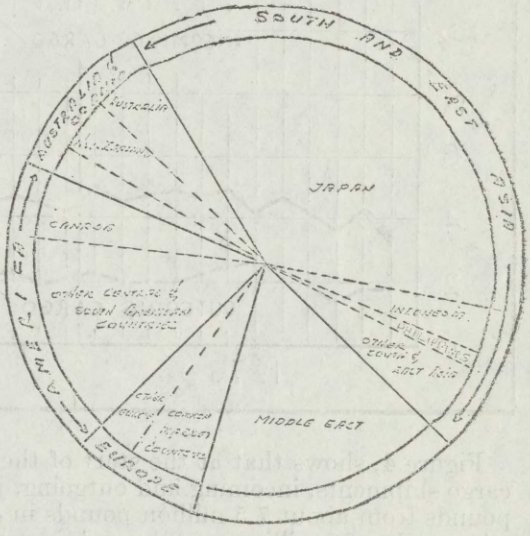
Total Foreign Imports $167.3 million (16.0%)

Total Surface Imports $1,044.9 million (100.0%)

Figure 3

PERCENTAGE SHARE OF HAWAII'S FOREIGN IMPORTS BY COUNTRY

Country	Dollar Value	Percent
Japan	$ 60.9	36.4
Indonesia	5.2	3.1
Philippines	2.1	1.3
Other South & East Asia	8.2	4.9
Middle East	28.8	17.2
Common Market Countries	8.9	5.3
Other Europe	4.6	2.8
Other North Central & South American Countries	23.8	14.2
Canada	7.8	4.7
Oceania	3.1	1.8
New Zealand	6.5	3.9
Australia	7.2	4.3
	$167.2	100.0



AIR CARGO IMPORTS TO HAWAII

Between 1960 and 1969, Hawaii's imports shipped by air increased at an annual rate of about 31 percent. The 1971 West Coast shipping strike dramatically altered this pattern.

FIGURE 4

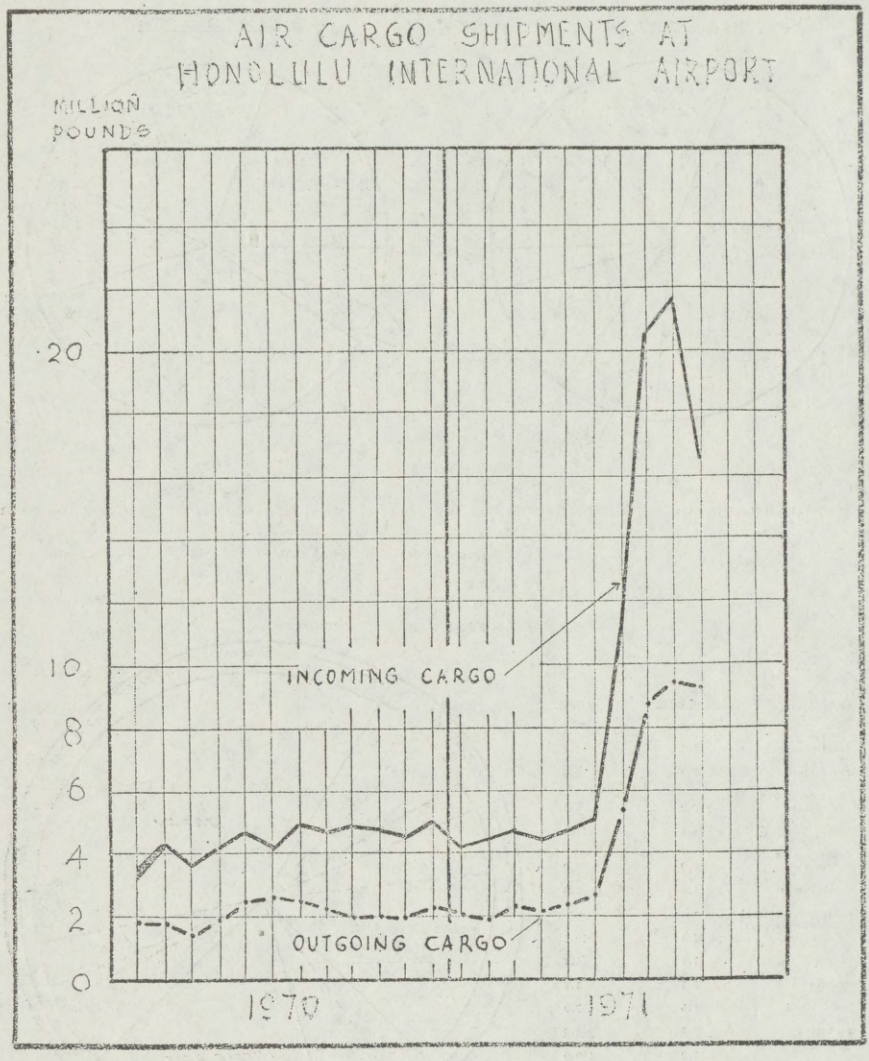


Figure 4, shows that at the start of the shipping tie-up in July, air cargo shipments, incoming and outgoing, jumped to almost 17 million pounds from about 7.5 million pounds in June. By August, the figure advanced to 29 million pounds, and September recorded more than 31 million pounds. In October, when the strike was halted by a Taft-Hartley injunction, incoming air shipments dipped to 16.6 million pounds, and all air cargo totaled about 26 million pounds. The decline was expected to continue through the end of the year, with outgoing air shipments dropping at a slower rate than incoming cargo. Air cargo to and from the Mainland usually accounts for approximately 90 percent of total air cargo shipments.

The heavier reliance on air cargo shipments during the strike cost Island businesses and consumers more money for goods from the Mainland. At one point, a near-saturation level in the air cargo capacity was reached, and this fact, coupled with the comparison of total pounds brought by air with the vastly greater capabilities of surface freight, demonstrated clearly Hawaii's continued vital dependence on unobstructed surface shipping lines for commerce and economic well-being.

THE EFFECTS OF SHIPPING DISRUPTIONS ON THE ISLAND ECONOMY

During the 103-day ILWU West Coast dock strike in the third quarter of 1971 ,the normal flow of commodities to and from Hawaii was paralyzed, with resultant direct effects on the local business community and the economy. The 1971 strike was particularly ill-timed since it occurred when overall business activity in the state was reacting to a slump in the construction industry as well as the delayed effects of the latest Mainland recession. It also hit the state at the peak of the sugar processing and pineapple canning season.

In an attempt to assess in some measure the adverse effects of the strike, the Department of Business Research conducted two surveys last September, and one in early January 1972. The first covered 50 medium-sized and large companies with a total employment of about 18,000, or about 5 percent of the statewide total, which is shown in Table I.

The survey showed that the adverse strike effects in terms of sales volume, inventories, and collections were hurting about 40 percent of these firms. The layoffs by these companies amounted to about one-half of one percent of their employees between July 1, when the strike began, and the middle of September. Applied to total employment in the state, the survey suggested statewide layoffs of about 1,900 people since July 1. Furthermore, about 4.8 percent of the 18,000 people in the survey had been put on a reduced work week.

The second survey, also conducted by the Business Research Department in September 1971, consists of a sample of smaller businesses in Hawaii—and this is in Table II.

A total of 24 firms responded to the poll, only two of which employed more than 50 people. Twenty firms, or about 83 percent of the sample, reported reduced employment. The firms employed an average total of 430 people, and by September 159 or almost 40 percent of these employees had been either laid off or put on early or extended vacation. By the end of September, over half of the firms responding to the survey said that sales were reduced by over 20 percent.

An independent survey of small businesses taken by the Business League for Sound Government established a very similar pattern of economic dislocation.

A final survey taken by the Department was conducted early in January 1972, and sought to establish a relationship between inventory practices of businesses in various industries—excluding the food industry, which will be covered by separate State Government testimony—and the effects, as well as the anticipation of a total embargo on surface shipping to and from Hawaii.

The results of this survey indicated, among other things, that:

1. Firms dealing in or connected with petroleum products experience little or no direct impact during a strike, as the petroleum industry is subject to different conditions when normal surface shipping to Hawaii is cut off.

2. Service-connected industries generally would not be subject to serious problems caused by surface freight disruptions until after 60 to 90 days.

3. The larger retailing companies, to the degree that they rely on air transportation for importing their goods, are not too adversely affected. However, the part of their business dependent on surface freight would be increasingly affected after about 30 days of non-shipment.

4. The companies involved in construction, chemicals, automotive vehicles and parts, and the garment industry generally are the most seriously affected soon after a total shutdown of surface transportation.

5. As demonstrated by the 1971 strike, the sugar and pineapple industries are severely hurt in terms of exporting their product if a shutdown occurs during the harvesting season. The degree to which several other industries are affected also depends on a seasonal factor.

This survey showed that inventorying practices here vary widely and depend on the type of industry and the size of the individual firm. Most businesses surveyed revealed that they have been enlarging their inventories—up to twice the normal rate—in anticipation of further strikes. The firms have also indicated that this increase in inventories is an added cost of business which is ultimately paid by the consumer.

Not all businesses are affected in the same way when shipping is disrupted, and a general assumption from all of the surveys taken is that larger, more diversified businesses do not feel as great an impact from a shipping strike, and are better able to utilize air shipment or alternatives than are smaller businesses.

It should also be noted that some businesses are affected not because of the inability to get supplies, but because of the effects of the economy as a whole during a strike. The printing and publishing industry is but one example. Whenever there is a serious strike, their customers cut back almost immediately on previously-planned printing work.

SUMMARY AND CONCLUSIONS

Hawaii is, and will remain, dependent on imported goods from the United States Mainland and foreign countries, and as such is extremely vulnerable to surface shipping strikes. This includes disruptions in both Mainland ports and Hawaii's docks. Even though more businesses are turning to air shipment of cargo, the costs involved, tonnage limitations, and scheduling and other restrictions, dictate continued heavy reliance on uninterrupted surface shipping to and from Hawaii.

The 1971 shipping strike was an enormous strain on Hawaii's overall economy, and although the local business community should be credited with taking extraordinary measures to stay in business and to protect their employees' jobs, nevertheless unemployment in Hawaii reached a 17-year high, topping 6 percent. All indications are

that this figure would have increased more rapidly had not the Taft-Hartley injunction been used to normalize shipping operations. Business activity, as measured by gross receipts, was down substantially, as were state tax revenues.

Inventories of most Island businesses were inflated substantially in anticipation of the resumption of the strike. Even with additional inventories, as was the case generally before the strike began in July of last year, after 30 days many businesses begin to feel adverse effects of the strike, and for most, after 60 days the situation is critical. Smaller businesses are for the most part hardest hit and least able to cope with the consequences of a shipping strike, but all businesses and all Hawaii's people suffer when this vital lifeline is severed.

This ends my prepared statement.

Senator INOUYE. Thank you very much, Mr. Hillendahl.

According to your survey, 4.8 percent of the workers studied worked on a reduced work week.

Mr. HILLENDAHL. Yes, that is correct.

Senator INOUYE. Would it be fair to project this figure and say that over 10,000 people in the State of Hawaii were under-employed as the result of the strike?

Mr. HILLENDAHL. That is a difficult projection to make with precision. It would certainly indicate that a figure of some order of that magnitude would probably be the case. I would hesitate to make a precise projection. These surveys are not that precise, and you run into different kinds of industries, so that there would be limitations to accuracy.

But it certainly does indicate that the practice would probably be fairly generally followed.

Senator INOUYE. Your survey also suggested that many firms experienced difficulties in making collections. How seriously has the strike strained the cash reserves of the business community of Hawaii?

Mr. HILLENDAHL. I don't have any statistics, again, to quantify the total impact. Our evidence pertains to individual companies.

Some indications are that cash requirements to conduct business in terms of items such as loans and working capital, which in some instances were doubled during the period. Strikes place an extraordinary demand on cash requirements, and the duration is of some consequence here.

These things become progressively serious, and while a business can stand a month or two, perhaps three months, as the duration becomes four months or longer the effects become precipitous. In other words, you can plan ahead for a given period, and then you find you are in serious difficulties.

Senator INOUYE. If you are able to respond, could you advise this committee as to what the experience of your bank has been in making collections during the strike period?

Mr. HILLENDAHL. No, I am not able to respond to that. I would defer to our own top management for that. I don't happen to have the information. This is the only reason I am not able to respond.

Senator INOUYE. Your surveys also suggested that smaller businesses are damaged more than the bigger ones.

Mr. HILLENDAHL. Yes.

Senator INOUYE. One of the witnesses, I believe yesterday, suggested that special insurance be provided as a solution, interruption insurance, as we would provide flood insurance or health insurance.

What are your thoughts on this?

Mr. HILLENDAHL. That is a new thought to me. I don't really feel I am in a position to talk insurance, because that is a little out of my area of knowledge.

I think the answer to the problem lies in a more general approach involving a review of the whole matter of labor policy, rather than something specific of that nature.

Senator INOUYE. As a full-service bank, I presume your bank is much interested in investments being made in Hawaii. Do you have figures to indicate what a strike would do to potential investors from the Mainland?

Mr. HILLENDAHL. I don't believe we can isolate it in an economic way. This would have to be a matter of opinion, I think.

Senator INOUYE. What would your opinion be, sir?

Mr. HILLENDAHL. Well, my opinion would be that, in line with prudent investment practice, economic stability, governmental stability, and other factors of this type are germane and relevant to making a decision of one area geographically as contrasted to another area geographically. And if a Mainland company is interested in investing money in Hawaii or the Pacific or any area outside of its close perimeter, it will certainly look to the ability to maintain a continuity of earnings or return on its investment, and the security of investments. And the threats of these kinds of interruptions are precisely the types of problems we face in attracting funds. We are a capital-short State and our growth rate exceeds our self-generated capital, so we must rely on an uninterrupted supply of funds, primarily from the Mainland.

The point is that these types of factors are definitely adverse to decisions to continue to make investments in Hawaii in the face of the repeated threat of strikes.

Senator INOUYE. Do you know of anyone making a study on the impact of excessive warehousing on the retail prices in Hawaii? Witness after witness has testified that our practice in Hawaii is unique, and that we spend more money providing excessive inventories.

Has any study been made to indicate the impact of such excessive warehousing on the ultimate consumer in Hawaii?

Mr. HILLENDAHL. I can't say that a specific study of that nature has been made.

I might observe, as an opinion, that it is obvious the consumption pattern in Hawaii is parallel to that of practically any other state of the Union in the diversity of consumer goods and so forth. Because we are a relatively small market, this means we are forced to carry a diversity of inventory items which is commensurate with the variety of goods, but in greater depth because of the cycle time of ordering and in delivering goods here.

As a chronic problem we are faced with a higher rate of inventory of many items than is standard practice where you are close to a market supply.

So anything of this nature, which aggravates that already rather unusual picture, would tend to vastly affect the final result in terms of price to the consumer and in terms of space requirements, and so on.

I believe this may also apply to our own producers shipping to the Mainland, in terms of running out of molasses storage space, sugar storage space, and so on, during the production period of the sugar industry. So these became extraordinary costs, even under the normal high costs of doing business.

Senator INOUYE. You have noted that 85 percent of our imports are from the Mainland. Do you think that one of the effects of a strike of this nature would be to shift our imports to a greater degree to imports from foreign countries, such as Japan?

Mr. HILLENDAHL. I think there is some evidence in the statistics and in some of my personal contacts that this occurs during the strike. Australia, New Zealand, Japan, and other countries who already had established lines of supply into Hawaii were asked to take advantage, and certainly looked forward to taking advantage, of reinforcing their volume and diversifying their product lines within the already-established position they have.

I am aware that this condition exists, but I am not aware of the numerical extent to which it is true. But it is certainly a deterrent and a detracting element from the trade within the United States.

Senator INOUYE. From your experience, could you advise this committee as to what percentage of this shipping would become permanent, the reliance on foreign sources?

Mr. HILLENDAHL. I don't believe I have any evidence to support that. I would hesitate to offer an opinion.

I might say, however, that in spite of what might be a percentage increase to the overall economy, again referring back to the smaller business, the impact here in terms of third-party duress or third-party injury to a small businessman who is importing a particular product line from the United States might be to put him out of business, or to put that line out of business in Hawaii as compared to some other line that they might import for an indefinite period of time.

It is hard to say when this would be restored. But there is evidence that certain businesses find it impossible to inventory the variety of products which they need, and they have to rely on a very rapid and continued supply from the Mainland, simply because of the diversity and the particular product characteristics which must be tailored to the individual user. So that a person of this nature would be particularly vulnerable to foreign competition or to other-line competition.

Senator INOUYE. You have suggested that at the end of the strike, outgoing air freight will decline more slowly than incoming air freight. How do you account for this?

Mr. HILLENDAHL. I believe this would simply reflect that the emergency nature of the local supply situation would have made people make the decision to ship in by air in order to maintain their inventories to a greater degree than would be the reverse procedure, shipping outward.

So therefore, once the acute inventory problem of these lines is resolved in Hawaii and the normal sources of supply are reestablished,

the indication would certainly be that they would reduce more precipitously than our exports.

Senator INOUYE. Thank you very much, sir.

Senator Stevens.

Senator STEVENS. You indicate that in the last 10 years there has been an increase from 2 per cent to 10 per cent in the dollar value of imports brought in by air. What brought that about, in your opinion?

Mr. HILLENDAHL. This, I think, relates to the concept of total cost involved in shipping high-value-to-weight commodities. I am talking about the overall concept of time, inventory, shipping cost en route, so that if you were to total the cost of a high-value-to-weight product, if taking it from the factory involves several weeks to get to the destination, you have a pipeline, full of high-value products.

If you look at this total picture and are substantially able to reduce that cost in terms of the inventory in transit because you could ship in two or three days by air versus two or three weeks.

The offsets of the lower cost of inventory in process and the capital required to hold that inventory in the pipeline—that reduction would be greater than the increased cost per item to ship it by air.

Therefore, so that your total cost, from factory to consumption point, would be reduced under those circumstances.

This practice is becoming especially prevalent in some of our retail lines. You may have testimony on the subject more specifically.

Senator STEVENS. Has this resulted in a lower cost of air transportation to these high-dollar-value items?

Mr. HILLENDAHL. No, it is a lower cost in total because you have a higher unit shipment cost by air, which is offset by a lower inventory of goods in transit over a time span.

This is a relatively sophisticated concept of transportation which the air transportation people have been employing increasingly over recent years.

Senator STEVENS. Has the banking community held any conferences to determine what could be done to help these small businesses that are effected immediately by freight stoppages?

Mr. HILLENDAHL. I can't speak to this subject, inasmuch as I haven't been party to any, I am aware that on an individual customer basis our bank has been in a position to offer assistance to its customers. Beyond this, I can't speak specifically because I am not aware of the particulars.

Senator STEVENS. There is indication that the Small Business Advisory Council requested additional funds for working capital loans for small businesses just recently. Are you familiar with that?

Mr. HILLENDAHL. I'm sorry; I am not. I have been out of the state, and I have just returned, and I am not aware of these developments.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you, sir. Your study and survey will be most helpful to us in our consideration of the measure.

Mr. HILLENDAHL. Thank you.

Senator INOUYE. At this point, without objection, the charts and tables included in your statement will be made a part of the record.

(The documents follow:)

TABLE I.—SHIPPING STRIKE SURVEY OF LARGE BUSINESSES IN HAWAII, SEPTEMBER 1971

[Conducted by Bank of Hawaii Business Research Department]

	Number	Percent of sample total
Firms responding to poll	50	100.0
Firms responding to poll with reduced employment:		
As of Sept. 15	5	10.0
Sept. 15–Oct. 15	3	6.0
Total	8	16.0
Normal number of employees	17,884	100.0
Employees laid off:		
As of Sept. 15	99	.5
Sept. 15–Oct. 15	263	1.5
Total	362	2.0
Firms establishing short workweek, reduced employment or both:		
As of Sept. 15	8	16.0
Sept. 15–Oct. 15	1	2.0
Total	9	18.0
Employment involved in short workweek or reduced employment:		
As of Sept. 15	752	4.2
Sept. 15–Oct. 15	108	.6
Total	860	4.8
Firms experiencing:		
(1) Reduced sales only	1	2.0
(2) Inventory shortages only	10	20.0
(3) Slow collections only		
(4) Reduced sales and inventory shortages	2	4.0
(5) Reduced sales and slow collections	1	2.0
(6) Inventory shortages and slow collections	1	2.0
(7) Reduced sales, inventory shortages and slow collections	5	10.0
Total	20	40.0
Firms adversely affected resulting in:		
(1) Laying off of personnel	3	6.0
(2) Short workweek only	5	10.0
(3) Layoffs and short workweek	5	10.0
(4) No sepcific action to shorten workweek or lay off personnel	14	28.0
Total	27	54.0

TABLE II.—SHIPPING STRIKE SURVEY, SEPTEMBER 1971

[Conducted by Bank of Hawaii Business Research Department]

	Number	Percent of sample total
Firms responding to poll	24	100.0
Firms responding to poll with reduced employment	20	83.3
Normal number of employees	430	100.0
Employees laid off or on vacation:		
August	84	19.5
September	75	17.4
August and September	159	36.9
Firms with reduced sales of over 20 percent:		
August	9	37.5
September	4	16.7
August and September	13	54.2
Firms who say they will be out of business in:		
1 month	0	0
2 months	0	0
3 months	0	0
4 months	5	20.8
Over 4 months	0	0

Note: 2 firms responding to poll employed greater than 50 people.

Senator INOUYE. Our next witness is Mr. Richard C. Botti, Executive Vice President of the Hawaii Food Industry.

Mr. Botti, welcome to the committee, sir.

STATEMENT OF RICHARD C. BOTTI, PRESIDENT, LEGISLATIVE INFORMATION SERVICES OF HAWAII, EXECUTIVE VICE PRESIDENT, HAWAII FOOD INDUSTRY ASSOCIATION; ACCOMPANIED BY ROBERT HANSCH

Mr. BOTTI. Thank you, Mr. Chairman. It is an honor. I am wearing two hats this afternoon. One of them is as the President of the Legislative Information Services, which serves as a liaison between government and business and business and government; and the other is as Executive Vice President of the Hawaii Food Industry Association.

If the Chairman will permit me, I would like to read the testimony of the Legislative Information Services first.

Senator INOUYE. Please proceed.

Mr. BOTTI. The Congressional findings on S. 2836 provide ample justification for this action. I do want to substantiate the claims that we in Hawaii are suffering a unique type of hardship that can not be found on the Mainland. A strike of the magnitude that we have been through should not be imposed on taxpaying citizens in the United States at any time. The type of suffering imposed can only be expected in times of all-out-war. If this strike had been considered a national disaster, the Government would have stepped in and protected its people.

The effects of the strike were disastrous to the citizenry of the state. The standards and habits of our buying, eating, and living were subjected to outright harassment by the deadlock between labor and management, or by labor versus labor, as the case may be.

We in Hawaii feel rebuffed by the Government that we so proudly support. The time is long overdue for our Government to start protecting the majority, by protecting the people's health, safety, and well-being as much as we, the people, protect the health, safety, and well-being of the Government of this country.

Agreed that the price freeze added fuel to the already-blazing inferno. Had it not been for the freeze, we would have been able to purchase many commodities, that is, if we could have afforded them. Other commodities were unavailable no matter what you could afford.

Because the Government protects its employees in foreign lands, in which Hawaii could very well be included, the military had its cargo delivered. Military employees were not greatly affected. With our country's socialistic trends, we can consider ourselves Government employees. In speaking for my constituents, I say we are proud to be able to make a living and pay a percentage of it to support our Government. We are supporting our Government for the purpose of protection of our constitutional rights as well as our safety and health. Surely if the Government accepts money it should be required to give us the safeguard that it gives the armed forces stationed here.

Business firms that I represent support S. 2836 as a major step forward in giving the majority of the citizens desired protection, whether it be from labor or management. The situation we went through was not deserved or desired.

As a representative of over 1,000 business firms, many are very small. I have seen many cases and have had several calls regarding the hardships created by our strike. Some examples are:

A local potato wholesaler with no potatoes to sell had to lay off all of his employees but a skeleton crew.

A local shoyu manufacturer had no bottles to put his product in, and air freight was too costly.

A local miso manufacturer, with only the expensive type of rice available, rather than lose stopped production.

Retail stores with shelves covered with anything but what the customer wanted.

Motor vehicles were tied up because parts were not available.

Contractors had their projects halted because of the lack of supplies.

And me, an Italian, with no spaghetti.

As the representative of the Hawaii Food Industry Association, I wish to express the support of the Association for S. 2836. This is a major step toward protecting the citizenry of Hawaii against being blackmailed by parties involved in any major shipping strike such as the one facing us today. Such legislation would be providing another means of transportation for the protection of the State.

What this bill will do is basically what Governor Burns attempted to do by sending the ship *Californian* to Vancouver for emergency provisions. The Governor would have been very successful if it had not been for the lack of assistance from Canada.

By involving the Federal Government and by guaranteeing the use of the ports, there should never be a situation as disastrous as our 1971 strike.

The bill is most fair to labor, as it does not take away any of their claimed rights of collective bargaining. However, if they claim to have the right to punish the general public in order to further their efforts, S. 2836 would take that claimed right away from them.

During the 1971 strike, I kept a close watch on the businessmen that I represent, as well as the State Government which was attempting to alleviate the pressure of food shortages through Government shipping. Because of the State's near success, I am satisfied that S. 2836 is not only feasible, but will work.

In view of our current circumstances, I request the immediate passage of this bill on behalf of our Hawaii Food Industry, so that further damage sustained will be at a minimum.

Senator INOUYE. You have indicated that most of your members are small businessmen.

Mr. BOTTI. In the food industry, the biggest percentage of the business is done through five firms. We represent four of the five firms, plus the vast majority of the independents, mamas and pops, so to speak. These were the ones that were drastically hurt.

Senator INOUYE. The witness preceding you suggested that, in a strike of this nature, small businesses suffer more than big businesses. Are you able to provide this committee with the results of your survey of your membership as to the impact of the strike?

Mr. BOTTI. We have not taken a survey as such on paper. I spend a fourth of my time at minimum in the field calling on the businessmen themselves, and long-distance phone calls to the neighboring islands. And it is factual that the small businessman did hurt more than the larger ones.

Now, somebody else may be able to substantiate that. I have a guest with me, Mr. Bob Hansch, from the largest wholesale grocery supply company in the State of Hawaii. Now, here again, he may be able to substantiate the statement.

Mr. HANSCH. My name is Robert Hansch. I am Vice President and General Manager of Certified Corporation, a Hawaii corporation. Our business is the distribution of food, primarily to the supermarkets on this island and other islands.

Senator INOUYE. What was the impact of this strike on your industry, sir, number one, on employment?

Mr. HANSCH. Employmentwise, we did not suffer the drop in employment of individuals in that industry as might have happened in other businesses. This is an opinion, as I am not totally prepared to give you any facts today, Mr. Chairman, but I will represent the opinions of our company.

Our particular company suffered a decline in numbers of less than 5 percent as a direct result of the strike.

Senator INOUYE. What was the impact on the volume of your sales?

Mr. HANSCH. We have an awful lot of difficulty in being able to manage our sales properly because of the influx of additional business prior to a strike, the influx of business at the concluson of a strike, and the lack of any business right in the middle of a strike. This irregularity causes us great concern, and, of course, a loss of gross profit.

Senator INOUYE. Did you find it necessary to provide extraordinary warehousing and inventory?

Mr. HANSCH. Yes, and even at the present time we are undergoing this particular stage, in which our total inventory is increased by at least 50 percent.

Senator INOUYE. Does this increase the cost of the product?

Mr. HANSCH. It increases the cost of our handling the product, although we have not increased the cost of the product to our retail customers.

Senator INOUYE. Are you absorbing this?

Mr. HANSCH. At the present time that is all we can do, absorb.

Senator INOUYE. Can you advise this committee as to what the additional costs amounted to?

Mr. HANSCH. No, I cannot. I do not have the figures with me, sir.

Senator STEVENS. We heard testimony that indicated that there were specific food items that were in warehouses here in the Islands, and because of the price freeze they were not made available, even though they were in short supply on the grocers' shelves.

Mr. HANSCH. I have heard that rumor, Senator, but can not confirm it, inasmuch as any merchandise within our warehouse was available for purchase by any of our regular customers. We withheld absolutely nothing.

I might say our particular business is dependent upon two other sources, the manufacturer who supplies us, and the retailer who purchases from us. And we must thank both of them for doing a tremendous job during the last 103-day strike.

In addition, the manufacturers subsidized the additional freight costs involved in moving a great deal of product from the East Coast.

And the retailer, of course—his troubles are heightened by not being able to obtain merchandise, more so than ours are.

Senator STEVENS. I am confused by the indication of your statement on behalf of the Legislative Information Service. Is this a service you provide to small businesses as to what is going on in the legislature here?

Mr. BOTTI. Both ways, what is going on in the legislature, and providing the legislature with information on the feelings of the business people.

Senator STEVENS. You made a statement that the price freeze added fuel to the already-blazing inferno. What do you mean by that?

Mr. BOTTI. The small businessmen, again, have been drastically hurt by the strike that was in operation. Now, the price freeze coming in stopped many businessmen from raising prices.

A good example: We have one small supermarket which has rice as a loss leader. When the strike came in, he kept it on as a loss leader, absorbing the cost for two weeks.

Then, all of a sudden the freeze comes in and it is illegal for him to raise the price. And this added much fuel to the blazing inferno, so to speak, as I mentioned.

Senator STEVENS. I see.

Mr. BOTTI. In fact, the latest economic stabilization opinion, as of two weeks ago anyway, was he could bring the price up to break even, but he still couldn't make profit on it because it was a loss leader at the time the freeze went into effect.

Senator STEVENS. You say if it hadn't been for the freeze, you could purchase many commodities. How? By air?

Mr. BOTTI. Air freighting. We can air freight anything we want, because the businessman can pass it on if our economic stabilization program permitted him to do so. During the last strike they could not. So they cau air freight it in, but the consumer is going to pay for it.

Senator STEVENS. Thank you very much.

Senator INOUYE. Gentlemen, I thank you very much for your assistance.

Mr. BOTTI. Thank you, Mr. Chairman.

Mr. HANSCH. Thank you.

Senator INOUYE. Our next witness was to have been Mr. Erwin S. Bickson, Chairman of the Board of Directors of the Hawaii Visitors Bureau. I have been advised that Mr. Bickson is not here and the statement will be made by Mr. Peter Fithian, the immediate past chairman of the Board of the Hawaii Visitors Bureau.

Welcome to the committee, sir.

STATEMENT OF PETER FITHIAN, IMMEDIATE PAST CHAIRMAN OF THE BOARD OF DIRECTORS, HAWAII VISITORS BUREAU; ACCOMPANIED BY RANDOLPH LEE, PRESIDENT, HAWAII HOTEL ASSOCIATION

Mr. FITHIAN. Thank you.

Mr. Chairman, as you said, I am appearing here at the request of Chairman Bickson, and I am representing the Executive Committee in my capacity as the immediate past chairman. Also here today, Mr.

Chairman, is the President of the Hawaii Hotel Association, Mr. Randy Lee, who is sitting over here, and who endorses the testimony I will be giving.

For the benefit of those on the committee other than yourself, the Hawaii Visitors Bureau has primary responsibility for marketing the visitor industry of Hawaii. The visitor industry is, of course, today Hawaii's leading industry, and finds itself endangered by each new dock strike. Potential visitors to the Islands stay away because of the psychological factor that makes it undesirable to vacation in an area affected by a strike.

And there is an accumulative effect: the longer the strike lasts, the more publicity is generated, and with each new wave of publicity we lose countless thousands of potential visitors and their potential revenue. Of course it is difficult to measure such impact, but our San Francisco office reported 116 telephone inquiries. People wanted to know what the situation was in the Islands. We really have no way of knowing how many visitors were lost to us during that period.

There are other direct hardships. Hotels find it difficult to provide quality service to guests because of shortages of food supplies and other critical items. In many cases the problem continues for weeks because inventories can not be brought quickly to pre-strike levels.

I might say parenthetically that those are more often the more exotic things like wines, that don't travel well by airplane.

There is a direct loss to the industry because of the additonal cost of flying in food and other products to meet commitments made as much as a year before, and there is no way to adjust prices in such situations.

There is an important impact on local travel, that is, our people traveling among the Islands. They do not travel as much during a strike period for the same reasons, the psychological factor and the inevitable decrease in the quality of their travel experience due to shortages.

In 1971 the visitor industry generated some $644 million worth of revenues to Hawaii. We hosted 1.8 million people and brought about a $90 million tax break for local residents. We have no way of knowing how much better the picture would have been without the West coast dock strike and the possibility of a tie-up here. We do know it would have been better. And because it is a viable and desirable industry for Hawaii and the people of Hawaii, the visitor industry supports any effort to remove the spectre of future shipping strikes which would have harmful effects on the industry and the Islands.

Thank you very much, sir.

Senator INOUYE. Thank you very much, Mr. Fithian.

I quite agree with you that it would be almost impossible to make an accurate study of the number of potential visitors which we have lost as a result of a strike or threat of a strike, but using estimates based upon projections of past growth, what would you say would have been the loss to Hawaii?

Mr. FITHIAN. Well, Mr. Chairman, it is a particularly difficult time because of the great over-supply of rooms. I think if we had been running 100 percent occupancy as we had high occupancies in other years, then it might be easier. The addition of another 5,000 rooms last year makes it exceedingly difficult to measure this.

I am not aware of any specific large groups that canceled their coming here. In the conversations that we have had in trying to nail this down, it is a feeling, and so much of tourism, which is such a perishable product, is a feeling that we are concerned that this contributed to it. To what amount, I cannot put a figure on.

Senator INOUYE. You have indicated that one of the impacts of the strike was shortage of hotel supplies. What sort of inventory would a major hotel maintain in Hawaii?

Mr. FITHIAN. Mr. Chairman, might I ask the President of the Hotel Association to speak to that.

Mr. Randy Lee, would you come up here.

Senator INOUYE. This is Mr. Randolph Lee, President of the Hotel Association of Hawaii.

Mr. LEE. The supplies that were most difficult to come by, Mr. Chairman, particularly had to do with the perishable items, of course. There were menu shortages throughout the industry.

There were also items that had been ordered, such as linens, which do take anywhere from six months to a year. With the shortage of linen, particularly because of the conflict in Southeast Asia, for many of us in this business it has meant waiting periods long beyond this.

I can speak for ourselves in our own hotel. We had a short supply of linen and we were waiting for linen with the expectation of arrival sometime in June. And it does create an inconvenience. It did create an added cost, because we had to use linen rentals; and others have had similar circumstances.

Senator INOUYE. Does this mean that you have had to pass on the added cost to the visitor?

Mr. LEE. These costs have been absorbed as part of the cost of doing business under these uncertain periods and times. There was really no way, on an industry-wide level, to be able to set the criteria that were necessary to pass this on. As a result, at the Halekulani Hotel, we absorbed the higher cost of doing business.

It does affect, however, the scheduling of employees who you are required to have to service these people. It has a direct bearing on the number of people that can be used, and are used, in the readjustment of schedules. This is another area of specifics, where a number of hotels had to cut back on schedules in order to meet their total needs.

Senator INOUYE. Has your hotel experienced any cancelations as a result of the strike?

Mr. LEE. My recollection is that there were inquiries, but whether there were actual cancelations I do not recall specifically. But very definitely there were inquiries as to the effect of the strike insofar as someone's ability to enjoy himself as well during that period as he would if there was not labor unrest.

Senator INOUYE. Has the hotel industry experienced any employment problem because of that? Have you had to lay off employees or put them on reduced work weeks?

Mr. LEE. It has been the experience that a number of hotels have had to reduce their work schedules. As far as lay-offs specifically, whether this was in part seasonal or whether this was a direct result of the strike itself, very definitely the reduced schedules had something to do with the lack of demand of business that no longer required schedules to be at a higher level.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. I have no questions. Thank you very much.

Senator INOUYE. Gentlemen, I thank you very much for your assistance this afternoon.

Mr. FITHIAN. Thank you.

Mr. LEE. Thank you.

Senator INOUYE. Our next witness is a member of the Senate of Hawaii, the Honorable Fred Rohlfing.

Welcome to the committee, sir.

STATEMENT OF HON. FREDERICK W. ROHLFING, STATE SENATOR, SEVENTH DISTRICT, STATE OF HAWAII

Mr. ROHLFING. Mr. Chairman, Senator Stevens: My name is Frederick W. Rohlfing. I am a member of the State Senate of the Sixth Legislature of the State of Hawaii, and hold the position of Minority Policy Leader in that body. I certainly appreciate the opportunity to testify here today, Mr. Chairman, and members of the committee.

I commend the chairman for introducing S. 2836 and following through on these hearings so that the Congress can be made more aware of the effects of major labor disputes in the transportation industry, and particularly effects on the people of Hawaii. As you both know, I was in your offices in Washington in mid-September for this very same purpose when this same dispute had produced a strike of almost 90 days' duration. I was there on September 20, 1971, to testify before the Subcommittee on Labor of the Committee on Labor and General Welfare. At that time I introduced into the record considerable data on the severe impact the strike was having on the people of Hawaii, even though some shipping was still coming from East Coast ports at that time. You have, or will have, ample testimony in this regard, probably.

I would note, however, rather strong disagreement with the downplay of effects as represented by Dr. Mark's testimony on Tuesday before this committee. I would only add that the report now on file with the Cost of Living Council, made by the federal study team which came in mid-November, Assistant Secretaries of Commerce and Labor, Dr. Passer and Frank Zarb, may be relevant to this inquiry and should be made a part of the record if at all possible.

Mr. Chairman, during the course of my testimony I will make certain changes in the prepared text which were occasioned by the opening of the Legislature and other activities, whereby we couldn't get our final draft in shape in time to get it circulated. So if I deviate from the prepared text, this is the correct version of my statement.

Also, as a part of the record, I would like to submit copies of resolutions adopted by various organizations I am affiliated with, regarding the urgency of congressional action in the field of transportation industry labor disputes: Committee on Intergovernmental Relations, IGR, of the National Legislative Conference, December 7, 1971; and the Republican National Committee, December 11, 1971. I introduced the resolution adopted by the IGR committee in Washington, D.C. in early December.

Senator INOUYE. Without objection, these resolutions will be made part of the record at this point. I presume you have these documents.

Mr. ROHLFING. Yes. Thank you, Mr. Chairman.

(The documents follow:)

REGARDING LEGISLATION TO PROTECT THE PUBLIC INTEREST IN THE FACE OF TRANSPORTATION INDUSTRY LABOR DISPUTES

Whereas strikes in the transportation industry have increased in frequency, intensity and effect over recent years, culminating again recently in special legislation to prevent a nationwide rail strike and the President's invocation of the emergency dispute provision of the Taft-Hartley Act in the longshore disputes now continuing on both U.S. coasts; and

Whereas the Taft-Hartley Act although providing for an 80 day cooling off period has no additional processes for bringing about a resolution of the dispute and/or providing for a resumption of service essential to the public; and

Whereas these longshore strikes affect in varying degrees the citizens of all our States, interrupt the export of vast quantities of our agricultural and manufactured products and thereby affect adversely our national balance of payments, in addition, the assation of surface water transportation systems is an extreme threat to the health, safety and general welfare of the people of such noncontiguous areas under U.S. jurisdiction such as the State of Hawaii (800,000 people), Guam, Samoa, Puerto Rico, Canal Zone, Virgin Isles, and the Trust Territory of the Pacific, and

Whereas a number of bills are now pending in Congress with respect to filling the vacuum in emergency labor disputes legislation in the trasportation field including S. 560, sponsored by Senator Griffin, various proposals for broadening governmental powers in regional transportation emergencies, and amendments to the Railway Labor Act: Now, therefore, be it

Resolved by the Intergovernmental Relations Committee of the National Legislative Conference meeting in Washington, D.C. this 7th day of December, 1971, that Congress be and it is hereby requested to protect the general public from interruption of basic transportation services as expeditiously as possible particularly in view of the impending early expiration of the longshore injunctions referred to above; or in lieu thereof pass legislation enabling States to enter into regional compacts with power to act in such emergencies to provide vital transportation services without violating the federal pre-emption doctrine by reason of existence of the Taft-Hartley occupation of the emergency disputes field; and be it further

Resolved, that pending enactment of such nationally applicable emergency disputes legislation, Congress be and it is hereby requested to pass interim legislation prior to the expiration of the West Coast "Cooling Off" period to maintain the free flow of Commerce to the State of Hawaii and the aforementioned noncontiguous areas under United States jurisdiction; and be it further

Resolved, that duly authenticated copies of this resolution be transmitted to the President, Secretary of Labor, Secretary of Transportation, Speaker of the House, House Minority Leader, Senate Majority and Minority Leaders, Chairmen of the Senate and House Committees on Labor and Commerce, Senators Hiram L. Fong and Daniel K. Inouye of Hawaii.

RESOLUTION REGARDING LEGISLATION TO PROTECT THE PUBLIC INTEREST IN THE FACE OF TRANSPORTATION INDUSTRY LABOR DISPUTES

Whereas strikes in the transportation industry have increased in frequency, intensity and effect over recent years, culminating again recently in special legislation to prevent a nationwide rail strike and the President's invocation of the emergency dispute provisions of the Taft-Hartley Act in the longshore disputes now continuing on both U.S. coasts; and

Whereas the Taft-Hartley Act, although providing for an 80 day cooling off period, has no additional processes for bringing about a resolution of the dispute and/or providing for a resumption of service essential to the public; be it

Resolved by the Republican National Committee meeting in Washington, D.C. this 11th day of December, 1971, that Congress be and it is thereby requested to protect the general public from interruption of basic transportation services;

Mr. ROHLFING. It is because of my involvement in the question of what to do about Hawaii's problem with shipping that I appear here today. I have done considerable research in the field and, though no expert, have some strong opinions. One does not have to go very far into this field without running into strong emotional feelings. These are demonstrated best by the fact that Big Business and Big Labor both have opposed legislation in this field. At the September 20, 1971 hearing which I referred to, representatives of the NAM in effect allied themselves with the AFL–CIO and Teamsters against pending bills.

This is not surprising since, when we consider what should be done about major transportation strikes, including longshore and maritime disputes, we run into some basic philosophic differences of opinion which in some cases precede more pragmatic positions. Most of the theoretical opposition to new emergency strike procedures is based upon the belief that private collective bargaining is superior to any governmental procedure for imposing solutions to labor-management disputes.

I have represented employees as negotiator at local hosptials and nursing homes for nine years. As the only Republican member of the Senate Public Employment Committee, I supported the enactment of our far-reaching collective bargaining law for public employees. However, my faith in collective bargaining is not all-encompassing. I do not believe that the right to strike is an unlimited right, especially in the fields of vital public-operated services such as police and firemen, and in the case of vital transportation services which critically affect the national health and welfare.

I would agree with the following statement by Professor Jerre S. Williams:

> The right to strike, the complete antithesis of totalitarian economic devices, must be preserved wherever possible to do so. This is the first tenet and beginning proposition for any analysis of the problem of emergency strikes.
>
> The second step must be a frank recognition that the right to strike in an absolute sense does not and can not exist throughout our economy * * *.
>
> We can not continue to hold a false belief that the right to strike is unlimited. We can not insist that all bargains must be made through the collective bargaining process. We can and must make every effort to hone the keen edge of collective bargaining so that it is an effective tool in all but the very hardest of cases. But we must be courageous enough to handle the hardest cases another way.

The "hardest cases" he refers to, of course, include such things as the five nationwide railway labor disputes in the last eight years that have resulted in ad hoc Congressional legislation because the public simply can not tolerate a nationwide interruption in railway service for any lengthy period. Similarly, as I noted in my Labor Subcommittee testimony in September at the height of the West Coast dock strike:

> I believe we are long past the time when we should have realized that the people of the State of Hawaii simply can not tolerate a longshore or maritime interruption of any substantial nature. To us, shipping is a public utility—that is already highly regulated by national authority * * *.

At that time I also stated that our lifeline is more important, both in principle and practice, than abstract observations offered as reasons for inaction, such as that the proposed legislation is "repugnant to free enterprise", or others ascribing holy sanctity to collective bargaining.

I assure you I do not oppose both concepts. The opposite is the case.

But neither free enterprise nor collective bargaining can continue within our state when our sea lifeline is cut.

It is also clear that the Taft-Hartley Act emergency prodecure has inherent weaknesses. First, as a precedent in 1949, President Truman refused to invoke the act when only Hawaii longshoreman went out. For various sound reasons, the Nixon Administration did not invoke the act early in the dispute this year. One of those reasons could well have been that the Taft-Hartley procedures do not stimulate real bargaining. Unions contend that the 80-day delay of the strike threat or effect acts in a one-sided manner by taking the pressure off management while labor continues to work at the old rate. Rather than a "cooling-off" period, it has been referrrd to as a "warming-up" period.

Under present provisions there is a question whether, or at what stage, regional emergencies become a threat to national health and safety. Certainly, provisions such as are contained in Senator Javits' bill, S. 594, to cover regional emergencies are essential to the welfare of Hawaii's people in any Taft-Hartley amendatory legislation, even if Taft-Hartley has other weaknesses. The resumption of the West Coast dock strike underlines the comments of one student of the subject:

> Knowing that the President has only one string to his bow, both labor and management tend to suspend settlement efforts until toward the end of the injunction period.

Thus, in almost any particular set of circumstances, the timing of resort to Taft-Hartley is not an easy choice.

What, then, are some of the general alternative courses of action which are available to this Congress in responding to resumption of the West Coast dock strike after the Taft-Hartley injunction has expired?

1. Enact comprehensive federal legislation to provide means for resolving emergency labor disputes in the transportation field to apply to current and future disputes.

2. Do nothing—this is, in fact, the course Congress, as a body, has chosen to date.

3. Implore the President to do something—even if it requires extra-statutory means such as threatening anti-trust investigations, tax probes, regulatory agency inquisitions utilizing other governmental powers and prerogatives.

4. Wait for the crisis to get worse, then impose a specific settlement by law on the parties as has been done in the railroad industry, sometimes referred to as ad hoc legislation.

5. Seek to enact special legislation primarily for the benefit of one offshore state, Hawaii.

I will discuss these in reverse order, since the measure now before this committee is in category number 5. Before I do, again I reiterate my appreciation to Senator Inouye for introducing the bill and getting it referred to the Senate Commerce Committee, and therefore out in the open and at least temporarily away from Senator Williams and the Senate Labor Committee. However, I think that S. 2836 has some very basic flaws, and I would like to make these points:

First, I question the need for a delay of 30 days before implementation of the bill's procedure. Why let the patient purposely become sick

before you administer the antidote? As one noted authority has said, "In the real world, the moment at which the Government should intervene in a strike is uncertain and indefinite." Yet the fact that Government has intervened in strikes which were later judged non-emergencies does not imply that the intervention was unwarranted. The intervention may have prevented the emergency.

Second, though it is some time since the Chairman and I attended the same law school in the District of Columbia, I have some very real recollection about undue delegation of power as a principle of constitutional construction. Under S. 2836, the Governor of Hawaii's decision mandates Presidential action. This is clearly an undue delegation, and therefore an unconstitutional exercise of Federal executive powers.

Third, the delegation of power, even if legally sustainable, is, I submit, obviously misplaced so long as the incumbent Governor holds office. We went through a 100-day strike while Governor Burns did not fully exercise power to seek a settlement or seek aid. How many times was I told in Washington in September, "How could you be in such bad shape as you say? Your Governor doesn't think it's an emergency. If it isn't a Hawaii emergency, how can it qualify as a national emergency? Your State Department of Economic Development and Planning can't even tell us how you're being affected."

Even here 2 days ago you heard from the head of that department who basically said, "It wasn't so bad."

Who do you believe? I suggest you believe Tom Hitch compared with Dr. Mark. The real point is that as a practical matter you can't let a Governor of this State, whose political career has been heavily dependent on the support of the very union directly involved in the dispute, make the decision whether or not to help the people affected by a cutoff of their sea lifeline by that very union. The cure to presidential discretion assumed in this bill is thus pragmatically, if not legally, defective. I would prefer to broaden presidential power to regional emergencies and rely upon a less locally political orientation in this type of emotional area.

That a positive-action judgment in the present West Coast situation by the present President, given adequate statutory authority, would be likely is supported by these comments from the Christian Science Monitor of January 6, 1972:

> "Renewed walkouts . . . let alone another all-coast strike would hamper administration hopes for restoring a surplus in the U.S. balance of trade and would hobble chances for an early economic recovery which is one element considered vital to President Nixon's reelection. A new transportation crisis would be intensely frustrating to administration officials who believe they have devised an equitable and feasible response to transportation strikes if only Congress would go along."

I would rather trust that incentive than rely on the judgment of our present incumbent Governor.

Fourth, the bill unfortunately begs several difficult basic questions:

(a) What do we do about strikes in the transportation industry that hurt any or all of our American people? We fought for years to be equal to other Americans. Our problems in this area are somewhat more severe sooner than other areas, but does that mean that being unemployed here due to a transportation strike is any worse than in

Oregon, New Hampshire, or Texas? Probably not, since one can live simply here more easily than in the cold country, and our welfare system is generous.

Even assuming that we survive the 30-day delay, that our Governor suddenly gets political courage and invokes the provisions of S. 2836 and the President responds in kind, can government ships effectively fill in for the highly mechanized, complex, modern private transportation network? I doubt it. It would take months to gear an antiquated and unmotivated government-operated system to the everyday needs of modern commerce. Remember, we have a highly sophisticated, modern container system, in which skilled longshoremen are not the least of the important cogs.

But even more basic in the "begging the question" department is to ask, "Whatever happened to collective bargaining?" Ah, yes, it remains "unhampered on the West Coast," while all Hawaii's needs are theoretically being acted upon. But does the basic dispute ever get resolved? And if so, when? One more pressure is taken off a settlement, namely the pressure connected with the fate of an entire state of the Union.

I don't advocate that we in Hawaii continue in the position of pawn between giants: labor, business, and government. I only wish to point out that to argue that S. 2836 aids in effectively getting the parties together, the ultimate objective of the collective bargaining process, is a total misconception, since it relieves some of the "heat," not unlike Dr. Mark's proposed strike insurance which, at taxpayers' expense, in effect subsidizes a continuing strike.

Fifth, as a realistic matter, in my opinion, only broadly based legislation to handle emergency labor disputes in the transportation industry has a chance of passing Congress—the sole exception, the one-shot ad hoc imposed settlement. Special legislation has political sex appeal at home and prospects for marriage abroad that are inversely proportional.

Don't misunderstand me. I do not question motives—only ultimate effectiveness. I vividly recall sitting in the Senate Labor Subcommittee hearing on December 9, 1971, when Senator Williams said our bills on this subject faced a "long journey." From experience, I believe him.

Now, quickly to the four other propositions I raised earlier.

Number 4: Imposition of an ad hoc settlement by Congress—a last resort only, followed in rail strike cases; totally unsatisfactory for all sides of the political and philosophic spectrum and self-deluding as a long-term solution.

Number 3: Implore presidential extra-statutory action. Using government sanctions outside an established labor-relations framework is a disastrous course. Extra-statutory intervention by the Executive Branch is even worse than ad hoc intervention by Congress. Both pose greater threats to free enterprise, collective bargaining, and basic democratic principles than any of the thoughtful measures now proposed to create an orderly statutory procedure for resolving crisis labor disputes in the transportation field.

Number 2: Doing nothing—speaks for itself.

Number 1: Obviously the sound choice—enact comprehensive Federal legislation to provide means of solving emergency disputes in

the transportation field to apply to current and future disputes throughout the nation.

Having talked at length, I will not go into the specific provisions of the other bills now pending in Congress. Suffice it to say that I believe the Taft-Fong bill, S. 2959, is the best proposal yet because it gives the President the tools he needs to meet the infinite number of circumstances and conditions that exist by reason of a major labor dispute.

I believe this bill to be an improvement upon S. 560, the Administration proposal, particularly since it opens the way to dealing with regional disputes and because certain solutions. such as partial operation, can be invoked without necessarily resorting to the traditional 80-day "cooling-off" or "heating-up" process. Senator Fong described these alternatives in his testimony earlier and how they would affect Hawaii. I would hope to be associated with his remarks at this time.

I therefore hope that this subcommittee will look closely at the possibility of engrafting the S. 2959 alternatives into this bill if at all possible. I would also urge the Hawaii and Alaska Congressional delegations to get behind the concept of S. 2959 now. I think support will come from Senators and Congressmen from the West, Rocky Mountains, and farm belt.

If, however, this can not be achieved after every effort, I would favor this bill or even, very reluctantly, ad hoc legislation if the strike is not resolved by the parties very soon. Hawaii can not stand further disruption of ocean shipping.

Again, thank you for the opportunity to testify here today.

Senator INOUYE. Thank you very much, Senator Rohlfing.

Since this committee is a subcommittee of the Commerce Committee, I would not personally wish to enter into a colloquy concerning a matter before the Labor Committee, which is S. 560 and S. 2959. Both of these measures have their merits and, like all other measures, have their weaknesses also.

I appreciate your comments on the apparent weaknesses of the bill I offered, and I quite agree. In fact, in my opening remarks, I said so.

But there is one little difference. This measure is now being heard in Hawaii, and it was specifically for that purpose that this measure was deliberately drafted so that it would go to the Commerce Committee. And if we incorporated some of the provisions you have cited, we would immediately lose jurisdiction over it and would be back where we started.

So that is one of the reasons I decided to draft the bill the way it was drafted.

You have indicated in your final statement that if the other measures, S. 2959 and S. 560, can not be favorably considered by the Congress, you would reluctantly favor this measure. If you had to amend this measure, how would you amend it, keeping in mind the problem of committee jurisdiction?

Mr. ROHLFING. I think, Senator, you pose the Sixty-Four Hundred Thousand Dollar Question, probably.

I feel that I am not competent to make the decision as to the internal workings of the United States Senate vis-a-vis the various committees concerned. And I respect the purposes and the intent with which you

have defined the introduction of this measure to go to the Commerce Committee and thus avoid what apparently is rather heavy sand in the Labor Committee.

I would feel that there are possibly areas where considerations of regional action by Western states in compact might go farther than merely the Hawaii transportation service. It may be that there would be an enabling provision, some study given to a measure which would attend to that problem without necessarily disrupting or getting into the total question of transportation disputes in the entire country.

I say that because I was very impressed with the concern on the West Coast, particularly in Seattle, about the effect in the Northwest of the West Coast dock strike. Of course, this also extends into the Middle West and the Farm Belt as well.

I wonder whether or not, however—this is not directly responsive to your question—in order to deal with the underlying issues which affect every American, we have not got a series of events now that lead us to doing something in that area, rather than saying, "There is only one area which is dear to us, Hawaii, that needs attention."

Senator INOUYE. Thank you very much.

Senator STEVENS. Senator, I am impressed with your statement. Can you tell me this: Has the State Legislature explored in any way an alternative means of transportation on a public level? We have state ferries, for instance. Has your State Legislature ever explored that?

Mr. ROHLFING. Yes, the Legislature has explored state ferries for interstate service—or, rather, intrastate service. In fact, several years ago a bill was passed authorizing the expenditure of revenue bonds, voting revenue bonds for this purpose. Unfortunately, these bonds were not salable because there was not an adequate demonstration of economic stability in this particular effort.

As it presently stands, we are awaiting the development by private enterprise of a ferry system. Senator John Holton has proceeded to sponsor it on a corporate basis.

So we have not publicly done that. We have, however, emergency provisions in our law, which were exercised during the last strike, in the case of chartering one ship, which encountered difficulties, as was related by the Director of the Department of Planning and Economic Development.

But although we have the law, we can not get the ships loaded and our cargo off-loaded on the West Coast unless we find some system which takes it where it can not be affected by the union which is out on strike, in this case the ILWU.

Senator STEVENS. That is what I am suggesting to you. That is exactly what Alaska did with its state ferries, which go to Canada, which are trucks loaded on and off. By simply driving them on and taking the tractors off, we leave the containers on their wheels, ship them up and unload them in Alaska. We also have an on-going highway.

As a matter of fact, we were even successful, with my colleague's help this last time, in obtaining some interstate highway money to improve some of the docks for that purpose, as it was considered part of the marine highway system.

What I am asking is: Has this concept of a marine highway ever been suggested in the Hawaii State Legislature?

Mr. ROHLFING. It has not with respect to transportation between the West Coast and the State of Hawaii, to my knowledge.

Senator STEVENS. As a visitor, I would just offer as a suggestion, that perhaps some of the people from your State Legislature ought to come take a look at our ferry system. Because I am impressed, after having been here—I see one of my constituents standing back there. Off the record.

(Discussion off the record.)

Senator STEVENS. He and I served in the State Legislature together at the time we were expanding the ferry system to make it more viable as a transportation system in Southern Alaska. We have extended it now so it serves the Island of Kodiak and the South Central area of Alaska, and it is now viewed by the federal officials as a marine highway instead of as an ocean freight system.

We do have a means of alleviating the impact of these strikes on a portion of our state as a result of this.

Mr. ROHLFING. I am aware of the system. I have ridden on the system from Skagway to Prince Rupert, passengerwise.

I am not as familiar, obviously, with your freight aspects and the alternatives, such as the roll-on method of handling the cargo. I do think that this bears exploration by our state under these circumstances.

Senator STEVENS. Yes. I say this without attempting to get involved in any ramifications, but I share your opinion regarding the exercise of the state authority to charter vessels. The basic decision that was involved in the Governor's sending the *Californian* into Vancouver was the same basic decision that is involved in this bill. Yet it seems to have been exercised without a realization that it was in fact a declaration of an emergency.

Is there a provision in that bill which requires a finding of emergency before that authority can be used?

Mr. ROHLFING. My recollection is that there does not have to be a declaration per se of an emergency existing before ships can be chartered. I believe that the language is less conditioned in that statute. I would have to refresh my memory as to the specifics of the matter.

One of our problems, I think, at that time was that when the state decided to move in that direction and the executive did charter the vessel, the people who were involved in it—the state just didn't have the personnel who were familiar enough with tariff regulations, with all the various ramifications of trying to operate a vessel.

I think maybe the experience might teach us that in the future not only do we charter a vessel, but we contract with some private agency, disinterested agency, hopefully, in the steamship business to operate the vessel for us, rather than attempting to learn on a trial-and-error basis, which has happened. We went up to Vancouver and had nothing but problems.

In Washington, I understand it, they were, even in September, awaiting the application for the tariff in order to operate the vessel, and the vessel was already in Vancouver. Over-all, we had a lot of problems with that, because it just made it back about the time the Taft-Hartley injunction was authorized.

Senator STEVENS. To be fair to the Governor, I might suggest that you have given him an impossible task if he is to use a system that is already under strike. That is why I suggest you use the ferries. The state owns the docks throughout the state. They could not be shut up by a strike. We have a lifeline by virtue of that state ferry system that you don't have.

I appreciate your testimony very much.

Mr. ROHLFING. Senator, I appreciate your suggestion. I think that may well be a very meaningful alternative to our legislation and certainly should be studied.

Thank you.

Senator INOUYE. Thank you very much, Senator.

The hearings will be in recess for 5 minutes.

(Short recess.)

Senator INOUYE. The hearing will come to order.

Our next witness is Mr. Douglas Hughes, Executive Vice President of the Hawaii Trucking Association.

Welcome to the committee, Mr. Hughes.

STATEMENT OF DOUGLAS A. HUGHES, EXECUTIVE VICE PRESIDENT, HAWAII TRUCKING ASSOCIATION

Mr. HUGHES. Thank you, Senator.

By way of introduction, our organization is composed of 180 member firms operating on all populated islands in the State of Hawaii. In the aggregate, we represent every type of truck operation in the state, for-hire and private. We are here today to voice our strong concern over the impact of shipping interruptions within our industry and to urge speedy congressional action.

In mid-1971 a 99-day shipping stoppage began to have a serious impact on our industry. In the few months prior to the stoppage there was considerable discussion in the public press about the possibilities of a long strike, and as a result, large materials and merchandise inventories were built within the community. Handling these high-volume shipments in those few months prior to the strike led to excessive overtime costs in our industry, resulting in operating losses for most general commodities carriers in the State of Hawaii.

When the strike began on July 1, the majority of our general commodities carriers began substantial cuts of their employment due to a lack of traffic, as shown on Table 1.

I might note at this point that this table and the data presented therein represents only the regulated common carrier industry in the state, which is, by vehicle registrations, about 45 percent of all commercial trucking in the State of Hawaii.

The peak of our unemployment in the general commodities field was reached in early August when 28 percent of the industry was idle. Some carriers, in fact, shut their operations off completely. These cuts, of course, have had a serious impact on profits within the industry.

Within the broader transportation industry one new source of traffic developed in mid-August which improved our industry equipment and manpower utilization from 72 percent to 78 percent. Ship-

ments from the Far East to the Western states, which were blocked by the West Coast longshore strike, were brought to Hawaii, moved by our vehicles to the airport, and transshipped by air over the strike zone to the Western markets.

When the strike was brought to a temporary halt through Presidential action in October, cargo again began moving to the State of Hawaii in substantial quantities. These cargo volumes fully utilized all the existing sea-lift capability on the West-Coast-to-Hawaii route. This peak traffic developed (1) to rebuild normal inventories maintained in the State of Hawaii and almost depleted at that time, (2) to meet the Christmas merchandising rush, and (3) to further build inventories, since it is still feared that we will have another shipping stoppage in the near future—which we now have.

As in the pre-strike situation for our industry last spring, overtime has again been excessive for the last three months, and our industry continues to be in an operating-loss situation due, in part, to the shipping interruption.

We are now faced with the fact that shipping between West Coast ports and the State of Hawaii is again experiencing an interruption of unknown duration. What circumstances may actually develop are, of course, a matter of speculation. It appears safe to assume, however, that the same type of situation will develop within our industry as we experienced last July and August, if West Coast ports continued to be shut down.

It is also safe to assume that the impact of this new stoppage will be considerably more severe than the mid-1971 situation, since our inventories in the state are nowhere near the excessively high levels which had been built prior to the 1971 shipping interruption. The probability that the current work stoppage may eventually involve the West, East, and Gulf ports will further advance the severe adverse effects in Hawaii since we will be deprived of all the traffic which helped support this state from the East Coast during the 99-day stoppage last year.

The federal laws currently on the books do not provide any relief to the State of Hawaii with shipping again interrupted by the strike in the West Coast ports. Further congressional action is needed now if we are to have any legal framework within which to avoid a serious emergency developing within this State of Hawaii.

Although several bills designed to provide this type of relief are pending before the Congress, quite possibly the Hawaii Public Interests Protection Act of 1971 is the best vehicle available for creating the legal framework ot provide relief for the innocent third-party residents in the State of Hawaii. Our industry strongly urges action by your subcommittee to initiate movement of such legislation.

The Hawaii Public Protection Act of 1971 attempts to provide emergency sea-lift capability under the direction of the President during extended shipping interruptions between the West Coast and Hawaii. The emergency sea-lift capability is designed in the bill in such a way so that the parties to the labor dispute are not a party to the emergency service. Although the bill appears to be a sound approach to these emergencies, we feel that at least one change may substantially improve this bill's ability to solve these emergency situations for the people of Hawaii.

In implementing the relief provided for in the bill, one substantial difficulty is bound to become apparent. There are not enough domestic vessels in the Pacific Basin to provide relief service to the state that would not, in almost all cases, be a party to the labor dispute. We therefore suggest a temporary suspension of the protective provisions of the Jones Act during the implementation of emergency relief under this act to allow for the use of foreign vessels in the emergency service.

While our industry does not support the repeal of the Jones Act, the circumstances resulting from a shipping stoppage to Hawaii are so severe that we feel this temporary suspension is necessary if practical aspects of the situation are to be fairly treated in preparing emergency legislation. This temporary suspension will make available to the President the sea-lift capability that he will need to discharge his responsibilities under this act.

We believe that this situation which develops with a shipping stoppage between West Coast ports and the State of Hawaii should be a subject for congressional concern and firm action. We sincerely hope that that action will be taken at this time.

Senator INOUYE. Thank you very much, Mr. Hughes.

I would like to comment, before proceeding with the questions, that Senator Stevens and I have considered the matter of the temporary suspension of the Jones Act, and it has been foremost in our minds. But, as the author of this measure, I was afraid that an initial inclusion of such a temporary suspension might have made this bill a bit more controversial.

Mr. HUGHES. I am inclined to agree with you, sir.

Senator INOUYE. And I wanted very much to have the opportunity to document the facts, as we have up until now, to present to my colleagues. So I am certain that you will understand.

You mentioned that a direct impact of the strike was the overtime work occasioned by your members. Were you able to pass on the extra costs of overtime?

Mr. HUGHES. No, we were not. Our rates are, as in other regulated industries, controlled in published tariffs regulated by the Public Utilities Commission. We were not able to initiate action to increase the rates to pass on these charges, and so they were absorbed within the industry, both before the strike and in the 90 days since the Taft-Hartley Act was invoked.

Senator INOUYE. So your industry suffered a loss of profits due to these costs, but I presume the workers enjoyed a little boon.

Mr. HUGHES. Before the strike and after the strike they did enjoy the overtime, that is true. Although I am not really in a position to speak for the employees at all, I wonder if they would not have been just as pleased to trade the work during the three months' stoppage for that overtime.

Senator INOUYE. You have indicated that 28 percent of the employees were laid off during the strike. Is that correct?

Mr. HUGHES. Yes, at the peak. We were able to recoup about 6 percent of them—oh, towards the end of August on, due to this transshipment traffic which developed through Hawaii.

Senator INOUYE. What is the current status of your employment picture?

Mr. HUGHES. Well, as of today we have not yet in our industry felt the impact of the immediate stoppage. We still have ships which have gotten out of the West Coast and are arriving here.

I would imagine there will be a severe cut-back in about ten days, though, with continuation of this stoppage.

The first impact of the strike, of course, falls on the shipping companies, and the second impact usually—oh, from five to ten days later. We get the next impact because we are the first ones to handle that cargo when it hits Hawaii. So we get the second impact.

Senator INOUYE. Thank you very much.

Senator Stevens.

Senator STEVENS. Regarding your figure for June—are you indicating that was an inflated figure because people were building up their inventories? Did you start off on June 25 with an inflated figure?

Mr. HUGHES. The June 25 figure in our table, Senator, is primarily a standard employment figure, which is drawn from Public Utility Commission records. I would venture to guess that there might have been a slightly higher level of employment at that time.

I say this, that it was only slight, because we do not have the quantities of qualified drivers and qualified technical people to work within the industry that we can just draw on that you might have in a larger community like San Francisco or Los Angeles. And for a short-term situation, a couple months, for example, you can not go to the added expense of training these people. And so each one of these short-term halts in the traffic, two or three months, does provide a critical situation for the industry in terms of impact on profits.

Senator STEVENS. Are these common carriers working under a labor-management agreement with the Teamsters? Are these organized carriers?

Mr. HUGHES. They are organized carriers. Many of them are organized by the Teamsters. Several of our firms are organized by the AFL-CIO Operating Engineers. Some of them are organized by the ILWU. We have several different jurisdictions within the industry here, unlike other parts of the country.

Senator STEVENS. Thank you very much.

Senator INOUYE. Thank you very much, sir. We appreciate your assistance very much.

Mr. HUGHES. Thank you.

Senator INOUYE. The table in Mr. Hughes' statement, will be made a part of the record.

(The document follows:)

TABLE 1.—CERTIFIED COMMON CARRIERS (182 FIRMS) SELECTED TOTAL INDUSTRY EMPLOYMENT, 1971[1]

Carrier groups	Actual employment			Projected employment[2]	
	June 25	Aug. 9	Sept. 13	Oct. 1	Nov. 1
General commodities	2,571	1,866	2,009	1,888	1,662
Household goods	1,033	898	700	648	553
Dump truck	814	796	711	689	637
Total	4,418	3,560	3,420	3,225	2,852

[1] Data collected during the week of Sept. 13, 1971.
[2] Projection based on the assumption that the shipping stoppage would continue through the survey period.

Senator INOUYE. Our next witness is Mr. Lowery Roobian, President of the Kailua Chamber of Commerce.

I am pleased to welcome you, sir.

STATEMENT OF LOWERY ROOBIAN, PRESIDENT, KAILUA CHAMBER OF COMMERCE

Mr. ROOBIAN. Mr. Chairman, Senator Inouye, Senator Stevens: My name is Lowery Roobian, President of the Kailua Chamber of Commerce, and Honorary Mayor of Kailua on Windward Oahu.

The 131 professional and business men and women of our Chamber have indicated to me repeatedly that they consider legislative action to protect Hawaii from recurring shipping tie-ups is an absolute necessity and is urgently needed now. We expect many small business failures and much unemployment if the present West Coast dock strike is allowed to continue.

One example of a very immediate problem is that of some 2,240 non-voting, non-union, and non-management cows, producing 7,800 gallons of milk per day, that are situated in our neighboring community of Waimanalo. Dairies here are dependent upon Mainland sources for an important part of their feed. An interruption in milk production because of lack of feed would affect thousands of families on this island.

You would be hearing from many more individual businessmen at these hearings if they did not fear immediate loss of credit, after making public statements about the possible demise of their business. I wish to congratulate John Weeks of Kailua and his Operation Blackeye, as well as Senator Rohlfing and all others who have asked for your help in what we know to be a dire emergency.

We have previously asked the help of all of Hawaii's congressional team in securing the passage of legislation which will set up workable machinery for the settlement of transportation disputes without injury to either the general public, management, or labor.

We repeat that request to this committee today with a new urgency, and trust that you will seek quick action toward that end.

Senator INOUYE. Thank you very much, Mr. Roobian.

On the matter of the dairy, are you aware of the status of the inventory at the present time of the feed?

Mr. ROOBIAN. No. However, we did talk to them out there and they were very concerned when this strike came into effect, and said that another strike such as this would require some emergency action.

Exactly what they were talking about, I don't know.

Senator INOUYE. What is the employment picture in Kailua at the present time?

Mr. ROOBIAN. Basically we are pretty well following the state unemployment situation, simple because we are, generally speaking, a bedroom of Honolulu in the working vicinity.

As far as our industry, as far as our small businesses, we have been affected to some small degree. I don't believe it is to the extent of 5 or 6 percent—probably 2 or 3 percent in the small businesses in laying off part-time employees and such as this, simply because of lack of capital.

Senator INOUYE. Do you wish to make any comments on the bill which is pending before this committee?

Mr. ROOBIAN. Yes. I think, Senator, the bill is excellent, with one particular prime exception.

First of all, I am very much in accord with Senator Rohlfing's feelings, and so is the Chamber of Commerce. We have testified in the past that not every working organization should be entitled to the right to strike. We feel that policemen should not. We have testified against the teachers' strike. And I don't feel a strike pertaining to shipping would be justified in the State of Hawaii.

We feel that arbitration should be had, or they should be able to come up with a reasonable settlement, but not at the expense of the general public as well as labor and management.

The other fact would be that the Governor would be the one entitled to impose this emergency situation and call upon the President to take action. I have a feeling that some other source, should declare the emergency—I don't think we would be in any better situation than we are right now, based on the Governor's action at this point if your bill had been in effect at the outset. When he was asked on several occasions that he declare this an emergency and request assistance, I heard him speak, I believe at an ILWU meeting, or at least a labor meeting, saying he would do nothing to break this strike.

And I feel this is wrong, that he feels this arbitration should go on and strikes should be allowed.

I feel possibly an amendment to this bill in the sense that our Senate and House could be called into emergency session and bring this action that you are talking about into play might be added.

Senator INOUYE. Your suggestions have some merit, and you may be assured that they will be considered by the committee.

Senator Stevens.

Senator STEVENS. That is a very interesting suggestion, and we thank you for that very much.

Senator INOUYE. Just one clarification: When you mentioned the Senate and the House coming into special session, were you referring to the Federal Senate and House or the State Senate and House?

Mr. ROOBIAN. The State Senate could call itself into emergency session and determine the emergency.

Senator INOUYE. I believe it would be rather difficult for the Congress of the United States to direct the State Legislature to go into session, but it is a novel approach and we will consider that, sir.

Thank you very much.

Our next witness is Mr. Gerald Hennings, the Division Manager of the National Federation of Independent Business.

Welcome to the committee, sir.

STATEMENT OF GERALD HENNINGS, HAWAII DIVISION MANAGER, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. HENNINGS. As you know, gentlemen—I am sure you know—the National Federation of Independent Business is the largest business membership organization in the United States. It is also the largest business membership organization in the State of Hawaii, our Hawaii Division. We have over 2,000 members in the state.

The reason, perhaps, the Federation has been so successful over the years is that customarily no officer or group of officers or division manager, such as myself, is permitted to take a stand on any prospective legislation or economic problem until a complete pooling of the entire membership has been concluded. And for my testimony I would wish to submit, if I may, a recap of a survey that was done at the request of the President of our Federation of the Hawaii members.

The request from the President went to the members in the last week of December, and rather than read long, lengthy testimony, I would like to offer it.

Senator INOUYE. Without objection, this survey will be made part of this record, sir.

Mr. HENNINGS. May I just point out a couple of highlights.

First, out of 2,000 members, this is the result of the first 421 responses.

I think perhaps the most significant items were the fact that 96 percent of these respondents—this is question No. 5—96 percent of the respondents either feel they will be seriously affected by this resumption of the strike, or may close their businesses.

Also there is the fact that 75 percent of the respondents will feel these effects, either immediately or at least within 30 days, which is in agreement with Senate Bill 2836.

And fourthly, of what we consider the four most important bills before Congress at this time, your bill, Senator Inouye, S. 2836, did receive more than a 10-to-1 support of the membership.

Senator INOUYE. I would like to say that as a member of the United States Senate, I found that your information surveys have been most welcome——

Mr. HENNINGS. Thank you, sir.

Senator INOUYE (continuing). In my consideration of measures pending before the Congress, if I may at this time publicly thank you and your organization.

Mr. HENNINGS. Thank you very much, Senator.

Senator INOUYE. Without objection, your letter dated January 15, 1972, and the attachment setting forth the survey, will be made part of the record at this time.

(The documents follow:)

NATIONAL FEDERATION OF INDEPENDENT BUSINESS,
San Mateo, Calif., January 15, 1972.

The National Federation of Independent Business respectfully submits the results of a recent polling of its membership in the State of Hawaii regarding new legislation to protect the small business and professional people here from the effects of shipping strikes.

Although the strongest possible legislation is the desire and wish of the businessmen here, there is very strong support for S. 2836. Of those responding 318 favor this bill, 34 oppose it, while 58 expressed no opinion. The bill, therefore, is supported at a nearly 10–1 ratio.

Other significant highlights of this study show that 21% of the businesses responding to the survey may close their business as a result of the resumption of a shipping strike. Another 75% will be affected seriously and only 4% will not be affected at all.

The urgency of appropriate action by Congress is evidenced by the statistics that 75% of the businesses will feel the effects of a shipping strike within 30 days after it begins.

The National Federation of Independent Business now numbers over 2,000 members in Hawaii. It represents the feelings of the independent business and professional people in the State and virtually to a man stands behind new legislation to protect the people of Hawaii from the devastating effects caused by any shipping interruption.

Respectfully submitted,

GERALD HENNINGS,
Hawaii Division Manager.



TO THE BUSINESS AND PROFESSIONAL PEOPLE OF HAWAII

New Legislation has been introduced in Congress to help protect the businessman in Hawaii from the effects of transportation strikes. In order to assist your Federation in Washington and in Honolulu in their fight for the best laws, please mark this ballot and return it to the National Headquarters Computer Department immediately.

BUS. NAME National Federation of Independent Business
(PLEASE PRINT)

ADDRESS Post Office Box 4232
(PLEASE PRINT)

CITY Honolulu, Hawaii 96813
(PLEASE PRINT) (ZIP)

YOUR NAME _____
(PLEASE PRINT)

Signature _____

URGENT Responses: 421 12/28/71 - 1/13/72

STRIKE LEGISLATION

	For	Against	No Opinion	
1. S.560 (Administration Bill). Empowers the President to implement further action if labor disputes are not settled after the 80-day "cooling off" period. These provisions allow a 30-day extension of the "cooling off" period, permit essential operations to critical customers, and other steps to protect the public.	318	19	68	1
2. S.594 (Sen. Javits). Empowers the President to freeze the status-quo for 30 days before invoking the 80-day injunction. If the dispute is not settled after this period it authorizes the President to order resumption of operations and to encourage collective bargaining. Also extends the emergency procedures to include regional disputes only.	277	27	101	2
3. S.2836 (Sen. Inouye). Authorizes the President to use chartered vessels to transport cargo "to and from" Hawaii and the West Coast if a dispute disrupts sea shipping for 30 days or more.	318	34	58	3
4. S.2959 (Sen. Fong and Taft). Empowers the President to order partial or full resumption of work in regional transportation disputes and allows him to order mandatory arbitration.	350	8	57	4

Facts and statistics are essential to proper consideration of any of the foregoing bills. Please answer the following questions to the very best of your ability and based on your experience during the current shipping strike:

1. If your gross sales have dropped off, estimate the dollar amount they dropped. $ 7,972,818.00

2. If your sales were not affected, please check box. 88 5 21%

3. If you had to lay off employees due to the current shipping strike, indicate the number laid off. 166 6

4. If there was no layoff, please check box. 269 7

5. How will the resumption of the shipping strike affect your business?

Not at all	17	8	4%
Seriously	308		75%
May close your business	87		21%

6. How long will it take your business to be directly affected?

Immediately	166	9	42%
30 days	134	10	33%
60 days	69	11	17%
90 days	33	12	8%

Your urgent cooperation in completing the foregoing is requested due to the vital nature of the subject.
Please give additional, factual and specific information relative to any other effect of the shipping strike on your business, on the reverse side.

1271 (NUMBERS BESIDE BOXES ARE FOR TABULATION PURPOSES)

Senator INOUYE. Senator Stevens.

Senator STEVENS. It is a very good and understandable survey, and clearly tells the story. We certainly appreciate it.

Senatory INOUYE. I have just one question.

Does your organization amplify the brief description you have for these specific problems or in this case, the definition?

Mr. HENNINGS. It's kind of an interesting thing, because I think another reason the Federation has been successful is because the polls are always conducted as fairly as possible. Any time any pending legislation is being considered, customarily the pros and the cons are very carefully stated, and as accurately as possible.

What you see, and what I have submitted as our testimony, is an exact duplicate of the ballot that went to the members. That is why this is up here, "To the Business and Professional People of Hawaii."

This is just an exact duplicate of it.

Senator INOUYE. I see.

Well, I thank you very much, once again, for your assistance this afternoon.

Mr. HENNINGS. Thank you for this opportunity.

Senator INOUYE. This survey will be made part of the record, and I think a very important part, sir.

Mr. HENNINGS. Thank you very much.

Senator INOUYE. Our next witness is Mr. Jerome Weinberg, President of Homes Hawaiian Unlimited, Inc.

Welcome to the committee, sir.

STATEMENT OF JEROME WEINBERG, PRESIDENT, HOMES HAWAIIAN UNLIMITED, INC.

Mr. WEINBERG. Thank you, Senator Inouye and Senator Stevens and members of the committee.

My name is Jerome Weinberg and I am President of Homes Hawaiian Unlimited, Inc. I have asked to appear at this hearing to describe to you the disastrous effects of the recent 99-day West Coast dock strike on my company.

Our company had leased the facility it was operating from in October of 1970. It wasn't until the end of May in 1971 that we were in the position to start our full production line of modular homes, which, needless to say, has a large market here in Hawaii.

We had received some of the materials needed for our production line and were awaiting the arrival of additional materials when the strike hit. I would like to say at this time that in a production line of the type we had, it is extremely important that the flow of all materials be constant. We had started a 30-day stockpile and were awaiting materials for the next 30 days. We had attempted to fly in some of the materials, and the cost of air freight for one item alone was $500 per house.

One of the additional problems in not allowing our production line to stop was that it had cost us a tremendous amount of money in the training of workers, and when we would furlough them we would lose them and then have to train new people all over again. We had attempted to purchase some of our materials locally, but the cost was prohibitive, and then the price freeze took effect and we could not increase our prices.

To sum up, the investors of this company had lost $500,000, the company had accrued an additional $250,000 in liabilities, and the company is now in bankruptcy.

It appears that there has to be some form of legislation that can remedy this type of situation, as has again already happened with the resumption of the strike on January 17, 1972.

Although I respect the right to collective bargaining, the situation in Hawaii is different from the Mainland United States, and that is what must be considered when responsible and reasonable people enact any legislation.

The people of Hawaii desperately need the understanding of the Congress of the United States in finding a way to insure the protection of our shipping lifeline. If your bill, Senator Inouye, will solve this problem, I would strongly support it. I do not pretend to be knowledgeable in this particular area, and if your bill would not insure uninterrupted shipping, I would strongly urge amendments to make it so.

Thank you, gentlemen, for the opportunity to appear before you. I will be happy to answer any questions you may have regarding the tragic consequences to our company of the shipping strike which started on July 1, 1971.

Senator INOUYE. Mr. Weinberg, I am certain I speak for this panel when I say that we are sorry to hear your testimony and learn of your bankruptcy.

I am just curious: What component cost you $500 to fly in?

Mr. WEINBERG. It is a special ceiling material that was made specially—originally made for the mobile home industry, taken into the modular home industry. It is a long ceiling board, 12 feet long, only made on order. And because of the length and type of material, it had to be handled by a certain type aircraft.

And then, where it was shipped from, it had to be air freighted twice, to San Francisco—I think it was air freighted from Portland to San Francisco—and then from San Francisco here, and it doubled up the air freight cost.

Senator INOUYE. Was the shipping strike the sole cause of your bankruptcy, or were there other factors involved?

Mr. WEINBERG. Well, basically it is a small company, had just started up. When we had opened we had no knowledge of the impending strike, and because of the limited capital of a small company, we didn't anticipate the strike, of course, and did not have the means to stockpile that much in advance of the pending strike.

We had just started up. We spent an awful lot of money in start-up and prototype models, development, and so forth, and we finally developed a prototype, the type of house we were marketing. We had excellent sales and had accrued a lot of sales. We just could not deliver because of the impossibility of getting materials. All of the materials came from the mainland.

Senator INOUYE. Assuming that we did not experience a strike during 1971, would you project for this committee what the employment situation could have been for your company? In other words, how many people would have been employed by your company?

Mr. WEINBERG. We were prepared or ready, toward the end of 1971, to go on a double-shift basis because of the orders that we had, and we would have employed up to 150 people.

Senator INOUYE. And what would have been the projected gross sales, the volume of sales of your company?

Mr. WEINBERG. We anticipated between $9 million and $10 million a year.

Senator INOUYE. Most people are aware that one of the important factors in the cost of living in Hawaii is the high cost of housing. Would your enterprise have done anything to bring down the cost factor?

Mr. WEINBERG. The primary reason for starting our company was to produce fine, livable, low-cost housing units, and we had achieved that.

Senator INOUYE. Are you in bankruptcy or have you been declared a bankrupt?

Mr. WEINBERG. We are not. The reason is we held off. We were ready to inject additional funds into the company if the strike would not resume. Now that it has resumed we are in the process of filing bankruptcy action.

Senator INOUYE. Would you once again make an attempt to get into business here?

Mr. WEINBERG. I believe so. It is going to be a different type of business, not depending on shipping.

Senator INOUYE. I see. Thank you very much, sir.

Senator STEVENS. What was the price range of your homes?

Mr. WEINBERG. Our homes—we had a three-bedroom model that ranged from $12,500 to our four-bedroom higher-priced home at $14,100.

Senator STEVENS. This was——

Mr. WEINBERG (continuing). It was an F.O.B. factory price, but completely finished, trucked out to a site, similar to a mobile home, and installed. For an average lot cost on Oahu, the average posting for utility hook-up was $2,500.

Senator STEVENS. Were they pre-fab?

Mr. WEINBERG. Yes.

Senator STEVENS. Where were they coming from?

Mr. WEINBERG. They were manufactured right here in a factory on Oahu.

Senator STEVENS. How many did you actually build?

Mr. WEINBERG. We produced about 30 or 32 after we started our line up.

Senator STEVENS. Are there any other companies involved in that same business here?

Mr. WEINBERG. Yes, there are two other companies.

Senator STEVENS. And have they survived the strike?

Mr. WEINBERG. Yes. We were the last company to start up and they had started much sooner than us and were prepared for it, although they had difficulties also, and they are experiencing some difficulties now with some materials also.

Senator STEVENS. We appreciate your taking the time to come and inform us of the specific problem. I think it is very enlightening.

Senator INOUYE. Thank you very much once again, Mr. Weinberg.

Mr. WEINBERG. Thank you.

Senator INOUYE. We have a statement issued by Mr. Ken Yee, Chairman of the Legislative Committee for the Business League for Sound Government, dated January 19, 1972.

Is Mr. Ken Yee here?

Mr. YEE. Yes.

Senator INOUYE. Would you just prefer this matter be made part of the record? I would be very happy to do so.

Mr. YEE. OK, if you would like to. I would like to read it, too.

Senator INOUYE. You may proceed.

STATEMENT OF KEN YEE, CHAIRMAN, LEGISLATIVE COMMITTEE FOR THE BUSINESS LEAGUE FOR SOUND GOVERNMENT

Mr. YEE. Senator Inouye, Senator Stevens: My name is Ken Yee. I am chairman of the Legislative Committee for the Business League for Sound Government. I represent over 550 businessmen, of which the vast majority represent small businesses.

During the 100-day strike, all the people of Hawaii suffered to some degree, and it particularly struck hard at the small businessmen whose reserves are limited to cope with such situations. During a survey taken of the membership last October, 39 responded to a questionnaire. Approximately 12 percent of the employees of small businesses were laid off, took early vacations, or were put on a short week. Sixty-four percent of the small businesses reported sales reductions of 20 percent or more as compared with one out of five large businesses which reported.

This shows the tight spot that small businesses find themselves in. In desperation, a number of businessmen discussed means of staying afloat if the situation should worsen and finances tighten. Among these were the legality of withholding taxes at the Federal, State, and county levels.

Fortunately, the Taft-Hartley Law was invoked, with its 80-day cooling-off period. During this period, priority was given to foodstuffs and shipments of others were backlogged up to 50 days. Now that the strike has commenced again, we are fearful of the results of the resumption of the strike, especially before we have had a chance to build up our inventories and make a partial recovery from the effects of the recent tie-up.

Mr. Chairman, we are in favor of any bill that will afford the citizens relief from this situation. However, we would like to point out several points in your bill that would require further study, and these we make as suggestions.

1. The U.S. Government has only a limited number of cargo vessels, and most of these are committed to military logistics.

2. Vessels available for charter are also limited and are highly inefficient as compared with the modern container ships on the Hawaii run.

3. A question as to whether the longshoremen under strike will be used to load and unload cargo.

4. If so, wouldn't this be unfair to the ship owners who are struck and unable to use their vessels?

5. If other personnel are used to load and unload, where would they come from and what about the skills necessary in operating the machinery on board ships and on the docks?

6. What about the dock equipment necessary, such as straddle trucks, fork lifts, dock mules, pallets, et cetera? Would the equipment be rented from the stevedoring companies?

It seems that there will be many problems in having the government run an operation of this scope.

Legislation should be passed to set up strict guidelines as to wages and fringes which no settlement can exceed. These guidelines should be based on average productivity gains and should apply for the entire Nation.

Inflation has to be controlled. The cost of government and its spending programs has to be reduced.

Demands by labor have to be based on reason and not on the basis of threats. Costs of fringes already are in the neighborhood of 30 percent of wages, and it is anticipated that they will escalate to 50 percent in a few years. Should these escalating costs be allowed to go to 50 percent or higher? They add to the cost of living in spite of the fact that they are hidden and do not show up in the wages paid.

We feel that unions should be brought under the provisions of the anti-trust laws, the same as business. We also feel that labor disputes should be brought under the jurisdiction of courts of equity.

If we cannot secure an agreement on this maritime dispute quickly, we will support any measure giving us relief from a very bad situation, but strict guidelines must be formulated to settle this and all other strikes.

I thank you for the opportunity to present this statement.

Senator INOUYE. Mr. Yee, I appreciate your participation this afternoon, and may I assure you that the six suggestions you have made have been pointed out by other witnesses, and as we have indicated on several occasions, these matters are very high in our minds and they are being considered.

We realize that this bill under consideration has many weaknesses. It is a very imperfect bill. But we are happy that the hearings have been made available so that suggestions can be made, suggestions such as yours, and I thank you very much, sir.

Senator STEVENS. Thank you very much. We appreciate your testimony.

Mr. YEE. Thank you.

Senator INOUYE. Our final witness for the Hawaii hearings of S. 2836 is a very distinguished citizen of the State of Hawaii, the president of a prominent company, Castle & Cooke, Mr. Malcolm MacNaughton.

Welcome to the committee, sir.

STATEMENT OF MALCOLM MACNAUGHTON, PRESIDENT, CASTLE & COOKE, INC.

Mr. MACNAUGHTON. Thank you. Senator Inouye and Senator Stevens, we appreciate your coming here and providing this opportunity for all of us in this community to express our views.

As has been indicated, my name is Malcolm MacNaughton. I am President of Castle & Cooke, Inc., and the company appreciates the opportunity of appearing before you today for the purpose of presenting our views on the subject of U.S. maritime and waterfront work stoppages.

Castle & Cooke is an old company, having been founded in 1851. Its head offices are in Honolulu, Hawaii. Sales last year amounted to $507 million, shareholder equity was $193 million, and there were 23,812 shareholding owners. Our stock is listed on the New York, Pacific Coast, and Honolulu Stock Exchanges. While our total business includes land ownership and development, home building, manufacturing, and retail merchandising, our principal business is in food production and marketing. Dole pineapple, Cabana bananas, Bumble Bee seafood, and Royal Hawaiian macadamia nuts are all well-known national brands. We also participate as a cooperative owner in the C & H sugar operation of which you have already heard. Castle & Cooke owns two large sugar plantations in Hawaii which last year produced about 123,000 tons of raw sugar.

I recite this information so that you may appreciate what happens to Castle & Cooke is well known to many who live outside the State of Hawaii. Developments regularly are reported to the company's shareholders, 24,000 in number. These reports then are carried in the principal financial press and journals of the country.

In addition to the above, it is well to note that the principal markets for the company's food products are in the continental United States and that the great majority of these products is produced outside of the Continental United States.

I do not comment on the merits of either the ILWU or the shipowners' position in the recent west coast waterfront strike, and as it has resumed in the last day or so. This company was not a party to the differences. I do point out, however, that the company was the innocent victim of the strike. When all the factors involved are considered, such as inability to ship product, cost of special ship charter, cost of rerouting shipments from open ports to markets regularly serviced by closed ports, reduced prices realized because of serious market dislocations, loss of sales because of inability to provide product, and extra interest and warehousing charges because of excessive inventories, the 99-day strike cost Castle & Cooke a pre-tax figure of at least $5 million. Being the biggest shipper of raw and processed products with headquarters in Hawaii, our loss was probably the largest single loss, but the fact of extra costs, and therefore loss, was repeated up and down throughout the State.

These losses and the general business harassment became well known across the national financial community. With them we earn a bad name, "There must be better places to do business," "There must be better places to invest one's money," with the result that capital does not readily flow here and economic progress slows or even stops. Job opportunities slacken. There is no question but that our present unemployment figure is in part a result of the last strike and recently the threat of its resumption, and now that is a fact.

Because of Castle & Cooke's relative size and the nature of its business, the approximate loss recited is probably the largest single one. Undoubtedly, however, it is not the most costly. This falls in the area of small business where they do not have the financial reserves to withstand the business drought.

I recall the witness before last.

S. 2836 has some real weaknesses. Of these I am sure you are aware. It is not the purpose of this testimony to develop these. The hope is

that this and other hearings will develop a realization in the national Congress that legislation is needed to protect innocent third parties from financial ruin.

Thank you for your attention.

Senator INOUYE. Thank you very much, Mr. MacNaughton.

Did this strike have any impact upon your employees? Do you have any layoffs or reduced work weeks or reduced hours because of the strike?

Mr. MACNAUGHTON. No, and that is because of the nature of our business. During the course of the strike, we were at the peak of the sugar harvest, we were at the peak of the pineapple harvest, and bananas continue to grow. And whether or not you are prepared you have to take the product in the field as it ripens, and you have to process it and put it in the can, so to speak.

Senator INOUYE. The thrust of your presentation was the thrust of the problems of outgoing shipments and lost sales. Did this strike have any impact on incoming supplies or incoming equipment for your operation?

Mr. MACNAUGHTON. We are not, in our business in the State, as dependent on incoming supplies as the usual business here. We divert to different sources.

For instance, we increased our purchase of tinplate from Japan. We can get our corrugated box material from Japan—we have these sources. We can get our fertilizers, our chemicals, and so forth, from Japan and other places, but particularly Japan as the source. We use these to the utmost.

It affected business suppliers in the Continental United States, but when it comes to groceries or personal amenities, food consumed, that sort of thing, our employees were affected—and we are in the same position as the average citizen in the state. But it did not, on incoming supplies, really adversely affect our business.

I emphasized as I did in my statement because most of the testimony has been, I am sure—I suspect it would be—about inability to get things into the State of Hawaii. That is not the secret of our business. Our business secret is to get them out of here and into the common marketplace and sell the material.

Senator INOUYE. The 1971 strike has been described as a half-strike because for the most part the East and Gulf ports were open, and ships from the Orient were coming in.

Despite that, with a half-strike, your testimony indicates that your company suffered a loss of $5 million.

Mr. MACNAUGHTON. I might put that in relationship. Our profits after taxes for the year preceding were about 92 cents a share. A $5 million loss before taxes would produce, let's say, rounding out, perhaps $2.5 million after-tax loss, which in our case would be about 22 cents a share. So it is very significant.

Senator INOUYE. If we had a full strike, that is, complete shut-down of the facilities here in Hawaii, what sort of loss would you project for, say, 60 days?

Mr. MACNAUGHTON. It would affect our sugar, and it would affect our pineapple business.

If we had a full strike only in the Islands of Hawaii, it would not affect our seafood business; it would not affect our merchandising

business on the Mainland; it would not affect our banana business. But the strike on the West Coast had a very real effect on us because we found ourselves shipping pineapple product into New Orleans and even the East Coast.

As you realize, there are no regular shipping services out of Hawaii to those areas. We were in the position of having to charter vessels or get such space as we could, based on infrequent sailings.

So pineapple product that went into New Orleans had to come by truck or rail back into San Francisco.

Our bananas from Central America for the West Coast market—our regular market is in Long Beach on a highly automated discharge set-up. We could unload those only in Ensenada, Mexico, which is some miles below the border. The mechanized facilities are not there. The harbor could only handle one vessel a week, as opposed to two vessels a week. We would regularly bring in a couple of hundred thousand boxes per vessel. And the one vessel product was trucked up into the West Coast markets. The other vessel had to be diverted into New Orleans or the East Coast, into markets that were already full of product. So there was a serious price decline in those markets.

Senator INOUYE. You have indicated that strikes of this nature, and the threat of a strike of this nature, have an impact upon investors or potential investors on the Mainland. Was this in the minds of some of our business people in deciding to export capital from Hawaii?

I say this because the record seems to indicate that the complexion of Hawaiian companies is changing, not gradually but rapidly.

Mr. MACNAUGHTON. I speak only in our own case, Castle & Cooke. Some years ago we reached a position of cash flow and profit development so that under business opportunities as they existed in Hawaii, we could not find profitable employment for all this capital, so we have gone elsewhere.

I believe that is the case with other companies that have also gone elsewhere.

Senator STEVENS. We welcome them, Senator. They are coming up our way, I believe.

Mr. MACNAUGHTON. We are up there. We have been up there for a long time. We have, either individually or in joint ownership with others, about 12 plants in Alaska.

Senator STEVENS. I know.

Senator INOUYE. I thank you very much.

Senator STEVENS. Thank you very much, Mr. MacNaughton. We are very familiar with your organizations up there, and they are doing a great job—and having similar problems, I might add, because of the dock strike.

Mr. MACNAUGHTON. Thank you very much.

Senator INOUYE. Thank you very much, Mr. MacNaughton.

Without objection, a letter and a statement submitted by Mr. Harold C. Eichelberger, Chairman of the Board of AMFAC, Inc.; a letter from Mr. F. S. Morgan, Vice President, Theo. H. Davies & Co., Ltd.; a statement by the Chairman of the Legislative Committee of the Hawaii Farm Bureau Federation, Mr. Albert Hokama; and a statement prepared by the President of Alexander and Baldwin, Mr. Allen Wilcox, Jr., will be made part of the record.

(The documents follow:)

AMFAC, INC.,
Honolulu, Hawaii, January 11, 1972.

MERCHANT MARINE SUBCOMMITTEE,
U.S. Senate, Committee on Commerce, Washington, D.C. 20510

GENTLEMEN: We welcome the opportunity you have furnished us to present our views on Senate Bill 2836.

In our corporate responsibility in Hawaii as an employer of 8,000 persons and through our merchandising operations serving some 150,000 customers, we at Amfac, Inc. are deeply concerned and troubled by the effects of prolonged disruptions of our surface transportation life lines between Hawaii and the United States mainland. These effects include, of course, the immediate costs in terms of deprivation of essential supplies, unemployment and increased prices. Even more significant are the ongoing costs by which tie-ups or the continual threat of tie-ups result in the loss of mainland markets for our products, the necessity to substitute as a standard operating procedure the more expensive movement of goods by air and the stocking of much larger inventories than should be required. In addition, the effects of these disruptions on the tax base and the tax revenues of our local governments can be only to curtail our government services and the aspirations of our citizens that have to do with the services of our public sector.

We submit that the ultimate impact of such prolonged disruptions and the almost constant threat of tie-ups in our transportation life lines is a reduced standard of living of the people of Hawaii and an impairment of their progress, health and welfare.

Through our various operations in Hawaii we customarily ship into the state by surface approximately 110,000 tons annually of merchandise, materials and supplies. We ship some 430,000 tons, principally raw sugar and molasses, to the United States mainland. More than 75% of these tonnages moves through the west coast ports.

Reduced income, together with increased costs resulting from the shipping tie-up in 1971, totaled over $1,750,000 for the various operations of the company. In our agricultural operations alone it triggered the permanent layoff of over eighty people and a reduction of our payroll of nearly $1,000,000 annually. The loss of confidence on the part of our mainland customers in our ability to serve them may well take years to regain, if ever. We have no meaningful way of measuring the future cost of this marketing problem but believe it to be substantial.

We have these comments with respect to the provisions of Senate Bill 2836. We concur fully with the purposes of the bill and the statements under the heading of Congressional Findings in Section 2 to the best of our knowledge are indisputable. We do not believe, however, that the bill in its present form will accomplish the purposes for which it is intended. It is our opinion that it would more nearly meet these purposes if it were amended in the following respects:

(1) Either the Governor should be required, not "permitted", to request the President to provide remedial action or the requirement of the President to act should be without reference to a request by the Governor.

(2) The definition of the term "major seaports of the State of Hawaii" should include Hilo, Kahului and Nawiliwili The needs of the people on the neighbor islands are fully as important to them as those of the people served by the port of Honolulu.

(3) Crockett, California, should be included in the definition of seaports of the west coast since over 800,000 tons of eastbound cargo is discharged there in a normal year.

(4) The President should be empowered to commandeer vessels and equipment by whomever owned, and regardless of whether the owner may be a party to the dispute, should he find it necessary or convenient to do so and payment for the use of such property as may be owned by a party or by parties involved in the dispute should be on the basis of cost only with no profit factor included in the reimbursement.

(5) The Department of the Treasury or some other appropriate agency of the federal government should be designated as the legal collection agency for commercial transactions and not state administrative machinery established by the Governor Since the costs of providing the emergency service would be incurred by and be the responsibility of the President, the shipping rates to recoup these costs should be set by him and the charges therefor collected by a federal agency

Thank you for your consideration of this subject so vitally important to our state

Yours very truly,

H. C. EICHELBERGER.

THEO. H. DAVIES & CO. LTD.,
Honolulu, Hawaii, January 14, 1972.

Hon. DANIEL K. INOUYE,
U.S. Senator,
Capital Investment Building,
Honolulu, Hawaii.

DEAR SENATOR INOUYE: Thank you for the opportunity to present this testimony to the Merchant Marine Subcommittee of the Senate Commerce Committee with respect to the economic impact of the recent West Coast shipping strike upon Hawaii.

As in any interruption of surface transportation to the Islands, the inability of large and small businesses as well as government agencies to maintain inventories of needed merchandise, produce, and supplies through normal surface transportation leads to excessive nonproductive costs of air shipments or expensive rerouting of cargo through non-struck ports.

Similarly, the inability of large and small businesses in Hawaii to export products and produce through normal surface transportation leads to excessive storage costs and temporary or permanent loss of markets. For instance, additional and nonproductive sugar storage costs at Davies' plantations amounted to $660,000 and it is estimated that loss of mainland sugar markets cost Davies' plantations an additional $550,000, all due to the 100-day shipping tie-up.

During such an interruption, collection of accounts receivable deteriorates substantially, putting a serious financial burden on large companies and in many cases, a disastrous burden on small companies.

Not only are current agricultural crops seriously handicapped by interruption of the supply of needed fertilizers, weedicides, etc. but so are those crops of the next year, and in the case of sugar cane, even of the second year following.

Psychologically, a major strike such as a shipping interruption, imparts caution, an uncertainty, a fear of the future to many people which results in a downturn of business in general—including service businesses which might not otherwise be directly affected.

The foregoing are only a few of the strike-induced hardships imposed on the people of Hawaii—on the "people" because words like "business", "corporation", and "government" are only words indicating collections of people—owners, employees, customers, taxpayers, citizens.

Thus the effect of any such serious interruption in the economic life of Hawaii is to reduce the standard of living substantially of all the people of this State by increasing the costs of what they buy or, in the case of exporters, of what they sell. The standard of living is seriously affected by reduced employment, reduced corporate income, reduced private income and reduced government income. Such reduced income inhibits the ability to expand corporate activities, government service and personal investment in the State, thus further reducing the potential for a high standard of living—this high standard of living that so many of us in business, government, and in our private lives have done so much to attain and maintain for all Hawaii. It is this that is the real disheartening result of such strikes.

It is my feelIng, and I am sure that of many, if not most, of the citizens of Hawaii, that some legislative action is now necessary to prevent continued serious impositions on the people of Hawaii. S. 2836, if enacted, would go far to mitigate the effect of such strikes but I do question whether action under the provisions of that Bill could be taken with sufficient speed to avoid much serious damage to the people of our State.

Respectfully,

F. S. MORGAN, *Vice President.*

HAWAII FARM BUREAU FEDERATION,
Honolulu, Hawaii.

MR. CHAIRMAN: I am Albert Hokama, Legislative chairman for the Hawaii Farm Bureau Federation, representing the diversified agriculture and both the independent pineapple and sugar cane growers.

Dock strikes have adverse impacts upon various segments of the economy and upon many persons and groups, who are not represented and have no opportunity to participate in resolving such disputes. The general public interest and the interest of the unrepresented persons and groups should be given more effective attention.

Farmers are among the groups most affected by the dock strikes. The farmers are dependent on the shipping lines being kept open so that they are well supplied with feeds, fertilizers and supplies to produce the food that keep the people of Hawaii fed. With the dock strike, the supply route is disrupted and we are faced with an undue economic hardship.

Therefore, Mr. Chairman, the Hawaii Farm Bureau Federation is in favor of S. 2836 titled "Noncontiguous State Public Interest Protection Act of 1971." To supplement our statement, I have attached two resolutions adopted at our 24th Annual Hawaii Farm Bureau Federation meeting held in Lihue, Kauai for informational purposes.

Thank you.

ALBERT HOKAMA,
Chairman, Legislative Committee.

Enclosure.

HFBF RESOLUTION NO. 15

HARDSHIP DUE TO INTERSTATE TRANSPORTATION STRIKES

Whereas interstate transportation strikes caused undue hardship to the people in the State of Hawaii; and

Whereas it creates enormous economic loss, which the people of Hawaii, especially farmers and small businessmen cannot absorb; and

Whereas in the conflict between labor and management, the general public, including farmers are innocent victims; Therefore, be it

Resolved, That the Hawaii Farm Bureau Federation request the Hawaii State Administration, the Hawaii State Legislature, our Congressional Delegation, and the American Farm Bureau Federation to seek and enact legal means to avoid and alleviate the effects of such work stoppages on the innocent third parties and to enact legislation, which will provide economic relief to farmers during prolonged transportation strikes

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HFBF RESOLUTION NO. 18

TO SEEK GOVERNMENT RELIEF ON SHORTAGES OF ALL FARM SUPPLIES AND OTHER FARM SUPPLIES RELATED TO AGRICULTURE 30 DAYS AFTER ANY TRANSPORTATION TIE-UP

Whereas in time of prolonged Maritime strike many essential farm and related supplies become short; and

Whereas such shortages of farm and related supplies become critical so that production of essential food may be reduced; and

Whereas food production must be kept up so that Hawaii can self-sustain as much as possible during period of strikes: Therefore, be it

Resolved, That the 24th Annual Convention of HFBF assembled request the State through its governor provide ways and means to bring in farm and related supplies to Hawaii 30 days after any ship tie-up.

ALEXANDER & BALDWIN, INC.,
Honolulu, Hawaii, January 14, 1972.

Hon. DANIEL K. INOUYE,
Capital Investment Building,
Honolulu, Hawaii.

DEAR SENATOR INOUYE: In reply to your letter of December 27, I offer the following written testimony which can be made part of the record of the hearings on your proposed Hawaii Public Interest Protection Act of 1972.

Ocean transportation of goods between the mainland and Hawaii is as essential to the people of Hawaii and important segments of some West Coast communities as any public utility.

We are concerned that the Governor of this State has no practical power to prevent crippling strikes in this important area. We are also concerned that our Federal Government has no way to prevent the recurrence of a strike once the Taft-Hartley "cooling off" period has expired. To the extent that these hearings generate responsible consideration of effective alternatives to strikes, they will be constructive.

We believe free collective bargaining, including the right to strike or lockout, is normally the most desirable way to settle issues between labor and management. In the present situation, however, unusual factors have prevented and will prevent the normal operation of the collective bargaining process.

Because ocean shipping is so vulnerable to labor disruptions and is so important to our island economy, including Alexander & Baldwin's interests in sugar, land development and merchandising, which are in addition to its interests in ocean shipping, the current labor dispute requires special treatment. Compulsory arbitration of the last positions presented by the parties involved appears to be best suited in the current situation.

In the long range, however, there should be Federal Legislation which would automatically trigger procedures to prevent disruption of surface shipping between the mainland United States and Hawaii. Disputes about labor costs in this shipping industry should be settled on a basis which, combined with other essential costs, will provide for a fair return on capital invested in the business and a level of wages, hours and working conditions for employees which are no higher and no lower than those paid in other private business for like work. We are convinced that these objectives can be achieved through modern financial and job evaluation techniques and need not be dependent upon decisions made by governmental leaders under the emotional stress and pressures of a threatened or actual interruption of our lifeline.

Sincerely,

ALLEN C. WILCOX, Jr.

Senator INOUYE. Before I call these hearings to a recess, I would like to say on behalf of the subcommittee that we are most grateful to the people of Hawaii for responding to these hearings and assisting the subcommittee by providing us with the necessary information. It is absolutely essential that the Congress of the United States be made aware of the plight of the people of Hawaii, and to do this it was felt that it was necessary to document facts, figures, and statistics.

As some of you are aware, these are the first hearings ever held here or anywhere else concerning themselves with the specific and unique plight of the Hawaiian economy on strikes of this nature.

These hearings are technically in recess because they are not concluded. As some of you may have noted, we have not heard from Federal witnesses; we have not heard from the administration. Therefore, as soon as I return to Washington, I will make arrangements to receive testimony from the Federal officials involved in this matter, such as the Justice Department, the Commerce Department, and the Federal Maritime Commission, et cetera.

So once again I would like, on behalf of the committee, to thank all of you for spending these many hours with us and contributing your time, your talent, and your wisdom, to hopefully coming forth with some solution to our problems.

As I indicated in my opening remarks, I knew very well from the outset that the measure pending before us was an imperfect instrument; it was not perfect. And I think that the hearings here have produced valid and meritorious suggestions which will do much to make this instrument a much more perfect one.

You may be assured that I will do my best to convince my colleagues and my committee to consider this measure with appropriate amendments, and expedite its passage in the United States Senate.

On behalf of myself and, I am sure, the residents of Hawaii, we would also like to thank Senator Ted Stevens for taking his time to come out here and participating in these hearings. This has been a very busy time in the Senate, and only his great concern for the citizens of our State would have motivated him to come out.

With that, these hearings will stand at recess until reconvened in Washington.

(Whereupon, at 4:14 p.m., the hearing was recessed sine die.)

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