

In my judgment, the questions raised by analysts about reducing the savings deduction by the amount of tax-exempt income can be resolved when the actual writing of tax reform legislation occurs in the future. It is my intention during those deliberations to make sure that municipal bonds retain a preference.

It is important to recognize that if the USA tax plan were to be enacted it would include significant incentives for savings and investment—the unlimited savings allowance—which defers Federal income taxes on any income saved or invested. As individuals change their behavior to save and invest more, the national savings pool will increase. In addition, the USA tax removes the bias for companies to use debt financing instead of equity financing. More companies may choose equity financing. These changes in the business Tax Code may lower the demand for borrowing. Increasing the savings pool will lower interest rates and the cost of capital. Lower interest rates will benefit all Americans who have to borrow. Since States and municipalities are big borrowers because they issue large quantities of bonds, lower interest rates should significantly benefit them, separate and apart from the specific USA tax provisions dealing with the tax treatment of municipal bonds.

I hope that this statement clarifies matters for participants in the municipal bond market who may fear that either the USA tax plan would penalize them, or will make issuance of municipal bonds for legitimate governmental purpose more expensive in the future. Neither of those outcomes is the intent of this Senator and I will do all I can to insure that neither occurs.

Mr. NUNN. Mr. President, I would like to join my good friend from New Mexico in trying to alleviate the fears of those concerned about the USA tax proposal's treatment of municipal bonds. In crafting our proposal, we explicitly elected to retain a preference for investments in municipal bonds, and we did so primarily to preserve the ability of State and local governments to obtain capital for needed infrastructure improvements. It was never our intention to undermine our country's municipal bond market.

As Senator DOMENICI pointed out, some analysts believe the manner in which our proposal is crafted could erode substantially the current tax preference for municipal bond investments. Others, including an editorial at the Bond Buyer, take a much more optimistic view and equate our proposal as being far too generous in its treatment of municipal bonds. I believe the truth falls somewhere in between these two analyses.

In the USA proposal, we have essentially equalized the tax treatment of all investments, including those investments in municipal bonds. All investments under the USA proposal are tax-deferred. However, the USA proposal makes an important distinction about the tax treatment of the returns from

these investments. The returns from investments other than municipal bonds would not be tax exempt unless the returns are reinvested in their entirety. On the other hand, returns from municipal bonds would be tax exempt and could be spent or reinvested without future income tax consequences. I believe this is an equitable outcome regarding the tax treatment of municipal bonds. If another approach, consistent with the overall goals of the USA proposal, especially revenue neutrality, can be found in this area, I am more than willing to consider such proposals.

Mr. President, before yielding the floor, I would like to raise a final point. I find it very interesting about the absence of any concern about the elimination of any, I repeat any, preference for municipal bonds under either the flat tax or the national sales tax proposals. I do not mind the criticism of our proposal. Constructive criticism is useful and can work to improve our proposal, but it would be refreshing to have an informed, factual comparison of all the tax replacement proposals and their tax treatment of municipal bonds, rather than a Chicken Little approach often evident today.

#### MATCHING AWARDS FOR EDUCATION GRANTS TO AMERICORPS GRADUATES

Mr. PELL. Mr. President, I want to share with my colleagues an extremely exciting and momentous development in regard to the AmeriCorps Program. Today, eight of Rhode Island's colleges and universities are announcing that they have each agreed to match the \$4,725 education grant for every Rhode Island AmeriCorps participant who successfully completes AmeriCorps service and attends one of the participating Rhode Island institutions. As a result of this commitment, the education benefit for successful AmeriCorps participation will be at least \$9,450.

As one of the first proponents of national service and of linking successful completion of service to an education benefit, I believe this is a remarkable and praiseworthy commitment to the concept of community service.

I take special pride in commending each of those institutions for this superb commitment. They include: the University of Rhode Island, the Community College of Rhode Island, Brown University, Bryant College, Johnson and Wales University, Salve Regina University, the Rhode Island School of Design, and Providence College. I might add that several other institutions in Rhode Island are currently exploring this idea, and the number may well grow.

I also want to pay special tribute to Mr. Lawrence Fish, chief executive officer of Citizens Financial Group in Providence, RI, who, as chair of the Rhode Island Commission on National Service, spearheaded the effort that re-

sulted in this truly historic achievement.

#### FEDERAL EXPRESS HUB AT SUBIC BAY

Mr. PRESSLER. Mr. President, I rise today to congratulate Federal Express Corp. on the opening last week of its new cargo hub at Subic Bay in the Philippines. This is a very favorable development for consumers of shipping services on both sides of the Pacific.

As many will remember, Federal Express had intended that its Subic Bay hub be fully operational in July. Unfortunately, even though the United States/Japan bilateral aviation agreement clearly authorized Federal Express to do so, the Government of Japan refused to permit Federal Express to operate several flights from Japan which were integral to its hub operation. In late July, Japan reversed its position and thereby enabled the Subic Bay hub, the cornerstone of Federal Express' intra-Asian network, to become fully operational.

As a result of the Subic Bay hub operation, consumers will be able to rely on expanded intra-Asian and trans-Pacific service. However, consumer choice will not be the only benefit. A recent article from the Journal of Commerce predicts this expanded service will come at a reduced cost to consumers. One economist estimates the price of intra-Asian shipping may drop by as much as 25 percent as a result of competition from Federal Express' intra-Asian network. I am confident the Federal Express experience in Subic Bay will again prove U.S. air carriers can compete effectively in any international market they have a chance to serve.

With respect to the widespread benefits of the Subic Bay hub, the Journal of Commerce article points out a very interesting irony. By violating the United States/Japan bilateral aviation agreement, the Government of Japan tried to prevent the Subic Bay hub from opening. Yet, Japanese companies are among the first flocking to the Subic Bay area to set up operations so they can benefit from Federal Express' superior air delivery services. For example, the Japan International Development Organization is planning a 450-acre industrial park in the area which will serve as a research and manufacturing center for 10 Japanese companies.

I ask unanimous consent that the article from the Journal of Commerce to which I have referred be printed in the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PRESSLER. Mr. President, on several occasions during the pendency of the United States/Japan cargo aviation dispute I cautioned that the economic stakes in that dispute were very

significant. A recent study by the Boeing Co. emphasizes the critical importance of our firm stand during that dispute.

Boeing Company's recently released annual world cargo forecast predicts the highest air freight market growth over the next 20 years will occur on Asian routes. Moreover, the study found international express delivery service grew 25 percent last year and it predicts the market will grow 18 percent a year for the next 20 years. That is why it was of critical importance that we safeguarded Federal Express' beyond rights. Now, Federal Express is well-positioned to earn its fair share of expanding Pacific rim business opportunities.

Later this month in Tokyo, our negotiators will attempt to secure a United States/Japan open skies agreement on cargo. I hope these talks result in the fullest liberalization of cargo shipping rights possible. I am confident our cargo carriers can effectively compete with their Japanese counterparts if protectionist regulations are eliminated and market forces are allowed to work.

#### EXHIBIT 1

[From the Journal of Commerce, Aug. 31, 1995]

#### FEDEX HUB TO GIVE LIFT TO SHIPPERS, PHILIPPINES

(By William Armbruster and P.T. Bangsberg)

Subic Bay, once the jumping off point for the U.S. military's cold war efforts in Asia, becomes key to Federal Express Corp.'s expansion plans on Monday, providing a major boost for the company, the local Philippine economy and both Asian and North American shippers.

AsiaOne, FedEx's intra-Asian network, opens its new Asia hub Sept. 4 at the former naval base. The operation, which nearly sparked a trade war with Japan, is shaking up the Asian market, making both regional and trans-Pacific shipments easier, quicker and cheaper while spurring foreign investment in the Philippines.

"It's really going to expand opportunities for investment in the Philippines," said Levi Richardson, director of the U.S.-Philippine Business Committee in Washington.

AsiaOne, FedEx's intra-Asia network, "will make the Philippines very attractive as a regional hub for other companies," Mr. Richardson said. "A lot of small and medium companies are looking at countries with a good infrastructure. FedEx's investment is going to provide them an opportunity to grow their business."

Joseph Schwieterman, a transportation economist at DePaul University in Chicago, said the new FedEx service will lead to intense price competition.

"I think you're going to see the price of intra-Asia shipments drop as much as 25% as competition heats up," he said, adding that AsiaOne also will provide overnight service on some routes for the first time.

Much of the foreign investment thus far at Subic Bay, a former U.S. naval base, has come from Taiwanese companies, such as Acer Inc., ranked the world's seventh-largest brand name personal computer vendor in 1994 by International Data Corp. in Framingham, Mass.

"The new FedEx service will be a great benefit for us by cutting lead time inbound and speeding shipments outbound," said Kenny Wang, manager at Acer Information Products (Philippines) Inc.

"Having a direct flight into Subic from Taipei will cut the time for delivery of components to one or two days from two or three days when routed via Manila, and 10 days by sea," Mr. Wang told The Journal of Commerce.

Cliff Deeds, a FedEx spokesman, said the carrier will have a single cutoff time for pickups in the Asian markets served by the new network, whereas shippers in the past faced different cutoffs depending on where they were shipping their goods. For those in Penang, a high-tech manufacturing center off the northwest coast, they might have a 1 p.m. deadline for shipments to Seoul, but a 2 p.m. cutoff for packages going to Taipei.

Under the new FedEx network, the cutoff in Singapore will be 4 p.m., for example, but at Subic Bay, it will be 10 p.m., Mr. Deeds said.

"I see FedEx being instrumental in bringing Asian markets closer to the U.S.," said Raul Rabe, the Philippines' ambassador to the United States.

The Subic Bay flights, connecting 11 Asian business centers, will hook up with the carrier's expanded trans-Pacific operation. Acer's Mr. Wang said he looks forward to the new flight starting Sept. 4 from Osaka to Oakland, Calif., where FedEx has a regional hub serving Silicon Valley. "We've been promised one-day service on that run," he said.

Subic is Acer's first manufacturing site outside Taiwan. It has earmarked \$35 million over the next two years for expansion, with officials expecting to double capacity of its existing complex to 200,000 units by next year.

Acer will also add a global repair center at Subic "to take advantage of the abundant availability of high-quality local engineering talent," said Managing Director Harvey Chang.

#### TEXAS INSTRUMENTS GREET'S MOVE

Larry Horton, manager of logistics carrier management for Texas Instruments, welcomed the new FedEx operation. "It will give us a lot more cargo flights," he said. "We used to have to rely on commercial carriers for intra-Asia shipments."

The semiconductor manufacturer has a large operation in the Philippine city of Baguio and hopes FedEx will set up a small feeder service linking it with Subic Bay, he said, adding that the new hub will enable the company to feed its plants in Taiwan, Malaysia and Singapore.

"It should help us. Cycle time should be improved. Inventory reduction should take place," Mr. Horton said.

#### ANOTHER MEMPHIS

Joseph C. McCarty, FedEx's vice president for Asia, told a conference in Washington this summer that the Subic Bay operation will do for the Philippines what the carrier's main hub in Memphis has done for that city, where more than 100 companies have set up manufacturing operations to take advantage of the carrier's overnight network.

Japanese companies are starting to move in. The Japan International Development Organization is planning a 450-acre industrial park that will serve as a research and manufacturing center for 10 Japanese companies.

Subic, meanwhile, is promoting itself as an alternative printing and distribution center in Asia, a field now dominated by Hong Kong and Singapore.

Eric Montandon, manager at New Age Publications in Subic, said the new FedEx service could help his firm. New Age is essentially a printer, but also distributes newsletters, advertising and other material within the region.

"We were spun off and set up at Subic in anticipation of good air connections," he

told The Journal of Commerce. "We need the overnight service to Southeast Asia FedEx is now promising."

Current movement to Singapore can be two or even four days, he said.

DHL Worldwide Express plans to set up its own intra-Asia hub later this fall in Manila, but has had difficulty putting all the pieces together. Nonetheless, spokesman Dave Fonkalsrud said its traffic within the region was up 48% in the first half of this year, reflecting the tremendous potential in the world's fastest-growing area.

#### THE BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, on that evening in 1972 when I first was elected to the Senate, I made a commitment that I would never fail to see a young person, or a group of young people, who wanted to see me.

It has proved enormously beneficial to me because I have been inspired by the estimated 60,000 young people with whom I have visited during the nearly 23 years I have been in the Senate.

Mr. President, most of them have been concerned about the enormity of the Federal debt that Congress has run up for the coming generations to pay. The young people and I almost always discuss the fact that under the U.S. Constitution, no President can spend a dime of Federal money that has not first been authorized and appropriated by both the House and Senate of the United States.

That is why I began making these daily reports to the Senate on February 22, 1992. I wanted to make a matter of daily record of the precise size of the Federal debt which as of yesterday, Monday, September 11, stood at \$4,962,944,077,933.57 or \$18,839.42 for every man, woman, and child in America on a per capita basis.

#### MICKELSON WETLAND MEMORIAL

Mr. PRESSLER. Mr. President, nearly 2½ years have passed since South Dakota Gov. George S. Mickelson and eight distinguished South Dakota businessmen were killed tragically when their small aircraft crashed near Dubuque, IA. During this time, South Dakotans have grieved together over the loss of the crash victims. They are greatly missed.

Dealing with the loss of these prominent citizens has not been easy. Yet, the people of South Dakota have been strong. They have channeled their sorrow into great displays of respect and affection for the crash victims. Memorials have been built, statues erected, scholarships funded, and schools renamed—all in honor of the nine who perished in the fiery crash. I am proud of South Dakotans.

Last Saturday, September 9, a marsh near Estelline, SD, was dedicated in memory of Governor Mickelson, an avid geese hunter. Commissioned to paint an image of the Mickelson Wetland Memorial, Mark Anderson, a South Dakota wildlife artist, created a poignant image of the late Governor