

GREAT LAKES-ST. LAWRENCE BASIN

HEARINGS

BEFORE THE

COMMITTEE ON RIVERS AND HARBORS

HOUSE OF REPRESENTATIVES

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

ON THE SUBJECT OF

THE IMPROVEMENT OF

THE GREAT LAKES-ST. LAWRENCE SEAWAY

AND POWER PROJECT

PART 1

JUNE 17 TO JULY 9, 1941

REVISED



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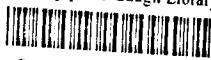
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CONTENTS

List of witnesses:	Page
Barnes, Julius H.....	302
Battle, John D.....	1522
Bede, Hon. J. Adam.....	1844
Bergen, Hugh G.....	1824
Berle, Adolf Augustus, Jr.....	19, 48, 64, 67
Beukema, John C.....	939
Bland, Hon. S. O.....	1460
Blunt, Royden A.....	1488
Bodman, H. L.....	1118
Bonbright, Dr. James C.....	841, 878, 895
Brissette, Armand J., Jr.....	1654
Brown, Alexander C.....	1638
Brown, Andrew H.....	751
Burns, Carlisle.....	2028
Burton, Frederick W.....	1195
Butler, Hon. J. C.....	1115
Cafferty, Hon. Frank J.....	1173
Callaghan, Cornelius H.....	1333
Conover, Julian D.....	1495
Corbett, John T.....	1919
Costello, Hon. James P., Jr.....	1650
Cruise, Gerald V.....	877
Danahy, James W.....	1275
Danielian, Dr. N. R.....	2033
Davis, Frank S.....	632
Dixon, Hon. Frank M.....	1253
Edgar, Ralph C.....	2029
Ellis, Hon. Clyde T.....	2244
England, Capt. Richard W.....	403
Flannery, Hon. J. Harold.....	1629
Fletcher, R. V.....	2197
Frye, P. A.....	619
Fuller, Hubert B.....	709, 736
Gaillard, S. P., Jr.....	1253
Garsaud, Marcel.....	1045, 1104
Greek, Darold I.....	2093
Griffith, M. D.....	1651
Grimm, George S.....	1171
Halleck, Hon. Charles A.....	1949, 1957
Hamlin, Chauncey J.....	466, 477, 525
Handschin, Robert.....	1029
Hart, Merwin K.....	1353
Hedden, Walter P.....	1667
Hedges, M. H.....	1017, 1041
Henderson, Hon. Leon.....	2229
Hiltner, J. K.....	1307
Holling, Hon. Thomas L.....	558
Hood, J. M.....	2105
Howe, R. E.....	1553
Hughitt, Thomas.....	1125
Ireland, R. L., Jr.....	1542
Jackman, Prof. William T.....	1688
Jeffries, Hon. Edward J.....	769
Johnson, Gilbert R.....	1869
Johnson, W. D.....	2019
Jones, Hon. Jesse H.....	282
Jones, W. A.....	1551
Kasten, Hugo.....	2028
Keiser, F. S.....	931, 1834

	Page
Kennedy, Thomas.....	1465
Ketner, H. E.....	1412
Kilburn, Hon. Clarence E.....	1953
Knox, Hon. Frank.....	95
Knudsen, William S.....	813
LaGuardia, Hon. Fiorello H.....	1071
Lehman, Hon. Herbert.....	114, 116, 118
Lewis, John L.....	1516
Luhrsen, J. G.....	2000
Lush, S. C.....	1817
Madeira, Louis C.....	1686
Maize, Richard.....	1811
Mansfield, Hon. J. J.....	1742
McCaffrey, George H.....	1290
McGrath, Tom J.....	369, 400
Minott, George H.....	1663
Molloy, Mrs. Joseph J.....	766
Moses, Hon. John.....	891
Nesbitt, J. A.....	1915
Newton, Hon. Cleveland A.....	1718
Northrup, John H.....	1158
O'Brien, Hon. George D.....	198
O'Brien, Thomas C.....	523
Olds, Hon. Leland.....	321
Owens, John R.....	2024
Panasci, Anthony.....	707
Parker, F. W.....	1263
Parker, Walter.....	1392
Parmelee, J. H.....	2162
Perkins, Coleman T.....	1194
Phillips, Hon. Leon C.....	1357
Poletti, Hon. Charles.....	233
Pouder, G. H.....	1711
Raper, Charles L.....	1235
Regan, Michael E.....	1176
Reilly, John J.....	2027
Renshaw, Fred M.....	1136
Robins, Brig. Gen. Thomas M.....	165, 203, 967, 998
Rock, Admiral George H.....	147
Ross, John H.....	914
Sabin, L. C.....	432, 452
Salmon, Herbert S.....	2096
Saunders, Capt. Thomas Howard.....	660
Schulten, Walter F.....	1561
Stadell, Charles W.....	2271
Stansbury, H. A.....	2100
Stassen, Hon. Harold E.....	915
Stimson, Hon. Henry L.....	3
Sullivan, Edmund D.....	1191
Sullivan, Jesse V.....	1557
Taber, L. J.....	1387
Tallamy, Bertram D.....	565, 599, 668
Taylor, Tyre.....	2134
Thornton, E. H.....	1747
Ulinski, J. A.....	1128
Umhey, Frederick F.....	1003
Vogtle, Alvin W.....	1987
Walker, Francis S.....	1269
Ward, Ralph P.....	2085
Waters, Mrs. Agnes.....	2140
Wickard, Hon. Claude R.....	1962
Widell, C. E.....	1760
Williams, Samuel H.....	1891
Wing, Frederick K.....	1105
Wood, A. T.....	1857
Wood, Baldwin.....	1401
Zeidler, Hon. Carl F.....	795
Ziegler, Louis.....	2026

GREAT LAKES-ST. LAWRENCE BASIN

TUESDAY, JUNE 17, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in the committee room, new House Office Building, Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will come to order.

We have before us for consideration this morning H. R. 4927 to provide for the improvement of the Great Lakes-St. Lawrence Basin in the interest of national defense, and for other purposes. The bill will be inserted in the record.

(The bill H. R. 4927 above referred to is as follows:)

[H. R. 4927, 77th Cong., 1st sess.]

A BILL To provide for the improvement of the Great Lakes-Saint Lawrence Basin in the interest of national defense, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of promoting interstate and foreign commerce and the national defense, and providing an improved waterway through the Great Lakes, the Saint Lawrence River, and connecting waters reaching to the Atlantic Ocean, and for the generating of electric energy as a means of financing, aiding, and assisting such undertaking, the agreement made by and between the Governments of the United States and Canada, published in House Document Numbered 153, Seventy-seventh Congress, first session, providing for the construction of dams and power works in the International Rapids section of the Saint Lawrence River, and the completion of the Saint Lawrence Deep Waterway, is hereby approved; and the President is authorized and empowered to fulfill the undertakings made in said agreement on behalf of the United States, and to delegate any of the powers and duties vested in him by this Act to such officers, departments, agents, or agencies of the United States as he may designate or appoint. The works allocated for construction by the United States under said agreement shall be undertaken immediately under the direction of the Secretary of War and the supervision of the Chief of Engineers in accordance with the laws, regulations, and procedures applicable to rivers and harbors projects, subject, however, to the terms and conditions of said agreement; and shall be diligently prosecuted with a view to making essential facilities of said project available for national defense uses at the earliest possible moment.

SEC. 2. The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said Power Authority of the power facilities constructed pursuant to this authorization and the right to use the United States' share of the waters at the project for hydroelectric power purposes upon such terms and conditions as may be agreed upon, including provision for payment of \$93,375,000, which represents the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers, United States Army, and the Power Authority of the State of New York dated February 7, 1933, such payment to be made by the Power Authority over a

period of fifty years with interest at the rate of 3 per centum compounded annually. In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances, and provisions for the prior use of such water for the purposes of navigation and the delivery, without charge to the War Department, of so much power as said Department shall need for the operation of navigation facilities. The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

SEC. 3. When the Secretary of War deems it necessary for the purpose of expediting the construction of this project he may enter into contracts without advertising or competitive bidding: *Provided*, That the cost-plus-a-percentage-of-cost system of contracting shall not be used; but this proviso shall not be construed to prohibit the use of the cost-plus-a-fixed-fee form of contract when such use is deemed necessary by the Secretary of War, and this authority to contract may be exercised through such officer or officers as the Secretary of War may designate. The prior use of all waters of the Saint Lawrence River within the boundaries of the United States and all lands, dam sites, and easements required for the purposes of this Act are hereby declared to be necessary for the regulation of interstate and foreign commerce.

The CHAIRMAN. I suggest that the President's message be printed at this point.

(The message above referred to reads as follows:)

[H. Doc. No. 245, 77th Cong., 1st sess.]

To the Congress of the United States:

I recommend authorization of construction of the St. Lawrence seaway and power project, pursuant to the agreement of March 19, 1941, with Canada, as an integral part of the joint defense of the North American continent.

Production and more production is the keynote of our all-out race for national defense. Electric power and transportation are limiting factors in the production of planes, guns, tanks, and ships.

The enemies of democracy are developing every hydroelectric resource and every waterway from Norway to the Dardanelles. Are we to allow this continent to be outmatched because short-sighted interests oppose the development of one of our greatest resources?

Your action on this project will either make available or withhold 2,200,000 horsepower of low-cost electric power for the joint defense of North America.

Your action on this project will either open or keep bottled up one of the greatest transportation resources ever offered a people.

Both countries need the power. Both face power shortages which threaten to grow more serious as the demands of the defense program multiply with almost incredible rapidity.

Let us remember that it takes tens of thousands of kilowatt-hours of electricity to produce the materials that go into a single airplane. Our present aluminum program alone calls for more than 10,000,000,000 kilowatt-hours a year. It is constantly expanding with the need for more planes to outstrip the aggressors.

Steam-power-plant construction offers no substitute for St. Lawrence power. No steam plants can provide the large blocks of low-cost electric energy required for certain essential defense industries. Furthermore, we are going to need all our capacity to produce steam-power-plant equipment to meet the tremendous demands which are growing in other parts of the country and to build power installations to drive our merchant and naval vessels.

Our defense production is a gigantic assembly line. Transportation is its conveyor belt. If raw materials cannot flow freely to our great industrial plants, and the products cannot move continuously to the front, defense breaks down. Bottlenecks in transportation are as serious as shortages of power.

Expanding production is going to burden the railroads to the limit. We are expanding their rolling stock as fast as we can, but even the present orders for new cars and locomotives are competing for manufacturing capacity which could otherwise produce tanks and other items of heavy armament.

The seaway will help prevent transportation bottlenecks. It will provide a great highway to and from important defense-production areas. It will cut by more than a thousand miles the stretch of dangerous open water which must

be traveled by supplies to Great Britain and strategic North Atlantic bases. It will increase our capacity to build ships.

The Great Lakes today hold many shipways and drydocks, as well as resources of men and materials for shipbuilding. They are bottled up because we have delayed completing the seaway. If we start the seaway now, scores of additional merchant ships may be built in coastal yards freed by transferring a portion of the longer-term naval program to the Great Lakes.

The St. Lawrence project must be expedited. No comparable power, shipbuilding, and transportation facilities can be made available in the time required to construct this project.

In dealing with the present emergency, too many people have underestimated the degree to which our resources will be taxed. We cannot afford to make any more mistakes of that kind.

I am advised that we can build the St. Lawrence project in 4 years. Under emergency pressure it may be completed in less time. I should like to agree with the people who say that the country's danger will be over sooner than that. But the course of world events gives no such assurance, and we have no right to take chances with the national safety.

I know of no single project of this nature more important to this country's future in peace or war. Its authorization will demonstrate to the enemies of democracy that, however long the effort, we intend to outstrip them in the race of production. In the modern world that race determines the rise and fall of nations.

I hope that authorization will not be delayed.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE.

June 5, 1941.

The CHAIRMAN. Gentlemen of the committee, we have a good many witnesses to come before us in the next few days and I suggest that each witness from the stand may be permitted to complete his statement before he is interfered with by questions, and then we will give each member of the committee an opportunity to ask questions at the proper time.

We have first with us Mr. Secretary Stimson, Secretary of War, and, Mr. Secretary, we will be glad to hear from you.

**STATEMENT OF HON. HENRY LEWIS STIMSON, SECRETARY OF WAR,
ACCOMPANIED BY MAJ. GEN. THOMAS M. ROBINS, ASSISTANT TO
THE CHIEF OF ENGINEERS**

Secretary STIMSON. Mr. Chairman—

The CHAIRMAN. Mr. Secretary.

Secretary STIMSON. On the 18th of July 1932, I signed on behalf of this country as Secretary of State, the original treaty with Canada for the Great Lakes-St. Lawrence deep waterway.

I understand that you have before you now H. R. 4927, to approve of an agreement providing for the construction of the St. Lawrence deep waterway, the agreement being published as House Document No. 153.

I am informed that the project of the St. Lawrence waterway which is provided by that agreement is substantially the same as the waterway provided for by the treaty which I signed as Secretary of State, with a single difference, which I will speak of in a moment.

The reasons which actuated the Government at that time in proposing that waterway was stated by President Hoover on the same day the treaty was signed in the following language, which I should like to read into the record.

The CHAIRMAN. Yes, sir.

Secretary STIMSON (reading):

The treaty represents to me the redemption of a promise which I made to the people of the Midwest. It provides for the construction of a 27-foot waterway from the sea to all Canadian and American points on the Great Lakes. Such a depth will admit practically 90 percent of ocean shipping of the world to our lake cities in the States of New York, Ohio, Michigan, Indiana, Illinois, Wisconsin, and Minnesota. Its influence in cheapening transportation of overseas goods will stretch widely into the interior from these points. Its completion will have a profoundly favorable effect upon the development of agriculture and industry throughout the Midwest. The large byproduct of power will benefit the Northwest. These benefits are mutual with the great Dominion to the north.

Now, I understand that the only substantial difference between the two projects is that whereas in 1932 there was contemplated a two-stage development of the portion of the waterway which runs through the International Rapids, now under the present agreement, there is but one stage contemplated.

At the time when the first treaty was proposed, the United States Government favored the one-stage project just as at present before you.

The two-stage arrangement was made at the insistence of the Government of Canada which feared for the overflow that would be caused by such a large dam, if one was created.

Canada, I understand, has now yielded her objections and the construction is for one stage as I stated. That results in certain benefits.

The one-stage system produces somewhat more electric power than the two-stage and it produces it at less cost of construction. So that the project as a whole before you is substantially the same as that which was proposed before, with the exception of this improvement in favor of the present project.

There may be some other minor changes, but I am not familiar with them at the present time and they can be taken up by other witnesses.

In the next place, the waterway provided by the proposed plan is for a 27-foot waterway throughout the entire Lakes and throughout the St. Lawrence River, with locks 800 feet in length.

The benefit of that change in regard to the facilities of shipping can be estimated when you consider that the present through waterway route provides for only 14 feet of depth and locks only 200 feet long. In other words, the present waterway is not feasible to ocean shipping.

There is one further benefit in the situation before you now over what we had 9 years ago in consequence of construction possibilities under modern methods. It was then estimated that the waterway would take some 10 years to complete. The Engineers inform me that it can now be built in 4 years, and possibly in three working seasons, the main improvement arising from the improvement in engineering methods in such projects that have been attained since that date.

So far as the benefits to this country at this time of emergency are concerned, as I see them in my Department, they are: First, the increase in our shipbuilding capacity by taking in the shipbuilding capacity on the Great Lakes; second, so far as transportation of munitions to Great Britain is concerned, there is a slight improvement, comparatively, in the distance which such munitions could be transported in a protected route.

In other words, under the existing seaway they could be transported without interruption as far as Labrador, without peril, I mean,

whereas now they have to start from either New York or other places on the coast farther away.

Thirdly, the great advantage is the fact that this waterway will produce an estimated total horsepower of 2,200,000. Now, that is a very important matter at this time of strain.

This horsepower produced by this proposed project is, I am informed by the engineers, the largest block of undeveloped power at one site in the United States, as well as the cheapest in its operation.

Speaking generally, it takes advantage of this enormous reservoir constituted by the five Great Lakes, of water power, and produces in the St. Lawrence River a flow of water which is steady throughout all seasons and does not have to be supplemented with steam power, and is, therefore, the most cheap to operate.

When I speak of the 2,200,000 horsepower, I am speaking of the total horsepower produced of which we shall receive one half.

Looking at it in just a final word, this project is proposed to realize the possibility of a great seaway reaching from the Atlantic Ocean into the very center of our country and producing, as Mr. Hoover said, in the statement which I read great decreases of ultimate costs in transportation of basic products from all of the central States of the United States.

Benefit in transportation, whatever the immediate disturbance that may be produced, ultimately inures to the benefit of the entire people of the country and to me it seems inconceivable that when we take into consideration the long view, that we should not have the benefit of this great possibility of cheapened transportation and increased power.

I think that that is all I have to say about it, sir. The details of the engineering part can be testified to by General Robins who has been a member of the joint committee on this, and I understand studies of the commercial benefits and effects of the waterway have been under study by the Department of Commerce.

Any international matters further than that can be, and I understand, will be, testified to by the Secretary of State when he has finished with his unfortunate indisposition.

The CHAIRMAN. I understand the Secretary of State will appear later, if he desires, not being able to be out today.

Now, Mr. Secretary, when this matter was up before, acted on in the United States Senate, I believe in 1934, at that time the production of power and transportation alone seemed to have been the only features under consideration.

We now have shipbuilding and power for national-defense purposes more prominent than was ever heretofore considered.

Now, objection has been made by many that this proposal could not operate to any extent for national-defense purposes, for the reason it is claimed that peace will probably be declared and the world cooled off a little before this work can be completed.

In your opinion, will defense measures be necessary several years from now, say 4 or 5 years in the future?

Secretary STIMSON. Mr. Chairman, I can only speak on such a question with the reservations that any person speaking in 1941 must speak about such an enormous drama as is going on throughout the

world today; but I can only say that in my opinion, it is necessary to prepare for a very long emergency. We all hope that it will be briefer, but it is not safe to act on hopes in such a case as confronts us today.

The one thing that your question brings up, Mr. Chairman, is that the construction of this seaway must necessarily be taken with due regard for the priorities of certain other great matters of national construction which are of immediate importance, this year—next year—but, even so, there is a very good chance, a very strong chance, in my opinion, of the emergency lasting long enough to enable this country to reap the benefits of this construction of the seaway.

The CHAIRMAN. Mr. Carter, did you wish to ask any questions?

Mr. CARTER. Mr. Secretary, you stated, you signed the treaty in regard to this matter, I believe, in 1932, when you were then Secretary of State?

Secretary STIMSON. Yes, sir.

Mr. CARTER. That treaty, I presume, was prepared under your direction?

Secretary STIMSON. Well, under my supervision; my general supervision.

Mr. CARTER. Your supervision?

Secretary STIMSON. Yes. I did not have charge of the details of it.

Mr. CARTER. No.

Secretary STIMSON. And it was 9 years ago.

Mr. CARTER. I beg your pardon.

Secretary STIMSON. And it was 9 years ago.

Mr. CARTER. What became of that treaty?

Secretary STIMSON. I understand that it was not approved by the Senate.

Mr. CARTER. Another treaty was submitted to the Senate of the United States in regard to this matter, was it not, at a later time?

Secretary STIMSON. I do not recollect it, sir. I ceased to be Secretary of State, as you may or may not recall, on the 4th of March 1933, and, thereafter, I had no connection with this or any other treaty.

Mr. CARTER. At the time you were Secretary of State you thought that the treaty was the proper way to approach this problem, did you?

Secretary STIMSON. It is the way that we did approach it then, sir.

Mr. CARTER. Have you any doubt as to the legality of the manner of approach on this particular occasion?

Secretary STIMSON. You mean this case before us?

Mr. CARTER. Yes.

Secretary STIMSON. Why—

Mr. CARTER. Yes; approaching it not through the treaty avenue, but through another avenue.

Secretary STIMSON. I have not considered that at all, sir; have had nothing to do with it.

Mr. CARTER. You have not given any consideration to the legal aspect; it has not been within your province and is not at this time?

Secretary STIMSON. It is not within my province or consideration.

Mr. CARTER. You would not venture an estimate of the cost of this project, Mr. Secretary, or would you want to do that, for the benefit and enlightenment of the committee?

Secretary STIMSON. There has been an estimate of it made by the Corps of Engineers, I believe, and I should prefer to have you get the details from them. I can only speak from hearsay.

Mr. CARTER. You have not gone over it personally then yourself?

Secretary STIMSON. Not the estimates; no, sir.

Mr. CARTER. You say that you list as one of the benefits an increase in shipbuilding.

Secretary STIMSON. An increase in the facilities for shipbuilding.

Mr. CARTER. Well, do you mean by that that we would have an increased coast line, or do you mean by that that there are actual facilities there that are available now for shipbuilding?

Secretary STIMSON. I am informed that there are actual facilities for shipbuilding on various portions of the Great Lakes; but I understand—

Mr. CARTER (interposing). You are not prepared as to the details as to that?

Secretary STIMSON. I am not at all. I understand that you are going to have the Secretary of the Navy before you and possibly others who may have studied that. I have not studied it.

Mr. CARTER. That is all.

The CHAIRMAN. Mr. Gavagan.

Mr. GAVAGAN. Mr. Secretary, this bill as submitted to us, H. R. 4927, is undoubtedly, is it not, predicated upon the treaty between the United States and Canada to which you testified?

Secretary STIMSON. What do you mean by "predicated"?

Mr. GAVAGAN. I mean this bill is based upon the treaty entered into between the United States and Canada?

Secretary STIMSON. If you mean by that that it contemplates the same kind of a waterway, I answer yes.

Mr. GAVAGAN. Well, as a matter of fact, does not the bill in specific terms approve the treaty? I call your attention to page 2, line 5. After citing the treaty it says "is hereby approved."

Secretary STIMSON. Excuse me, sir. I think that is the agreement. I do not think this refers to, or attempts to ratify the treaty.

Mr. GAVAGAN. Well, the agreement—is not the agreement based upon the treaty?

Secretary STIMSON. The agreement provides in substance for the same kind of a project as the treaty did, if that is what you mean by being based upon it, that is so.

Mr. GAVAGAN. In other words—

Secretary STIMSON (continuing). But it is an entirely new agreement.

Mr. GAVAGAN. But, it provides for substantially the same project as the treaty?

Secretary STIMSON. It does.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. Mr. Chairman, I have received some maps from the engineers which cover this development.

The CHAIRMAN. We will have those passed around.

Mr. CULKIN. I understand that my colleague, Mr. Pittenger has an illuminated map, or a colored map, which is to be considered later.

Mr. PITTENGER. A colored map prepared by the St. Lawrence survey in the Department of Commerce.

The CHAIRMAN. Perhaps you will want to use that when we get the engineers on the stand.

Mr. PITTENGER. Yes.

The CHAIRMAN. Do you have any questions, Mr. Culkin?

Mr. CULKIN. My colleague, Mr. Carter, asked you with reference to the propriety of ratifying this agreement with Canada by joint resolution. Is it not a fact that that is the way Texas came into the Union?

Secretary STIMSON. I do not dispute it, sir, if it is your recollection that that is the case.

Mr. CULKIN. Well, that is true, I think. You can see no present impropriety in legislation, constitutional impropriety in this, Mr. Secretary?

Secretary STIMSON. I have not been aware of any.

The CHAIRMAN. Judge Culkin, if you will permit me, in order to keep the record straight, I will say that Texas had a treaty with the United States for annexation to be admitted as a State. That treaty was defeated in the United States Senate in 1844. Then after the Presidential election in 1845, a resolution was passed by Congress creating Texas as a State, and it was not based upon the treaty.

Mr. CULKIN. As I understand your testimony, Mr. Secretary, your Department and you yourself, as Secretary of War, regard this project as essential to national defense. Am I correct in that?

Secretary STIMSON. I think it is a valuable national defense measure.

Mr. CULKIN. And if the war continues for some time, whether or not we participate in it, it will become more and more important, in your judgment?

Secretary STIMSON. I think so. It is particularly valuable in the production of power.

Mr. CULKIN. Yes.

Secretary STIMSON. That is what brought it to my attention, particularly. I have become aware of the possible shortage of power in the large effort which this country is contemplating now in the manufacture of its national-defense munitions, and this will be an addition of more than a million horsepower to that power, in a very strategically well-situated, part of the country. It would be within reach of a great many of our industrial cities.

Mr. CULKIN. Mr. Secretary, would you venture a prophecy, assuming that we do enter the war, as to the probable length of it?

Secretary STIMSON. I would rather not. I would rather not even hazard a guess at that, sir.

Mr. CULKIN. Could you say this, that this would be a prolonged war, reaching through many years?

Secretary STIMSON. I think we are facing a possibility of a long war.

Mr. CULKIN. Yes.

Secretary STIMSON. A very strong possibility.

Mr. CULKIN. And the use of this power and these added shipping facilities to continental America would be a matter of prime importance to the outcome of that struggle?

Secretary STIMSON. It would be a matter of great importance.

Mr. CULKIN. That is all.

The CHAIRMAN. Mr. Green.

Mr. GREEN. Mr. Secretary, under the provisions of the bill, and its operations, is it expected that Canada and the United States will share equally in the cost of construction?

Secretary STIMSON. Well, I would rather have you ask General Robins questions on that subject, because that is a matter that comes directly within his province.

The costs in general are to be shared, but they vary in amount now remaining to be paid, because each of the countries has already performed some of the work that will be counted in as a part of the construction of this seaway when it takes place.

For instance, I believe Canada has done some work on the Welland Canal, and I believe we have done some work on some of the other parts of the improvements that come within the United States, and I should not like to make a statement upon, exactly what remains to be divided when there is a gentleman here who knows the facts and can give you the whole thing.

I know that generally the provision was that the two countries should share equally.

Mr. GREEN. In costs and benefits?

Secretary STIMSON. In costs and benefits.

Mr. GREEN. That is all.

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. Mr. Secretary, can you give the committee any information as to about how much shipbuilding capacity the Great Lakes yards would add to our national-defense program, so far as shipbuilding is now concerned?

Secretary STIMSON. As I have already said, sir, I think that the Secretary of the Navy is coming to testify before you on that subject. I am not prepared to do it.

Mr. DONDERO. You offered it as an opinion that if the seaway were completed under modern methods and improved methods of warfare that it would be highly important to the United States that some of the shipbuilding facilities should be located in the interior of the country, such as the Great Lakes section.

Secretary STIMSON. I think I may have said something upon which you have based that. I think it would. I think it would be important that we should have some of the shipbuilding facilities for which an opportunity is offered by this project.

Mr. DONDERO. The fact is that the President of the United States has already suggested that our great munitions plants be located somewhere between the Allegheny Mountains and the Rocky Mountains in the Midwest, to remove them from the fear and danger of bombing on the coast line of the country. Is that not correct?

Secretary STIMSON. Yes; I think you are correct on that.

Mr. DONDERO. Just one more question. The agreement that has been signed between Canada and the United States is based entirely upon a

provision in the treaty of 1909 between the two countries which provided that any matters coming up between the border waterways might be disposed of by concurrent legislation.

Secretary STIMSON. I accept your statement, sir. I am not in a position to comment on it, for I have not refreshed my mind on it for a long time.

Mr. DONDERO. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Mr. Secretary, realizing how important the time element is in our entire national-defense program, I understand that it is your opinion that the power in the St. Lawrence project will probably be available within a period of from 3 to 4 years?

Secretary STIMSON. No; I have not said that, sir. I would rather have you ask for the details from the engineers. I am speaking just out of caution.

The waterway, I am told, might be completed, with good luck, in three working seasons; but that does not apply to the power construction, which would take somewhat longer. How much longer, I would rather have you ask General Robins.

Mr. SMITH. But are you of the opinion, Mr. Secretary, that the generation of power and making it available to our Government, a large block of power, would be a very valuable factor in the prosecution of any war which we might have to enter?

Secretary STIMSON. With that I heartily agree.

Mr. SMITH. Is it not a fact that Germany, starting with the Hitler regime, has developed all of the available hydroelectric power within Germany and now, since the outbreak of the war, is doing the same thing in all of the conquered countries under her sovereignty at this time?

Secretary STIMSON. Well, I cannot state the extent of which she has done it, but I understand she is making great steps in that direction.

Mr. SMITH. I have read somewhere the statement by an expert that the war might be won or lost, according to the number of kilowatt-hours available, electricity available. Is that a very far-fetched statement?

Secretary STIMSON. I have not read that, but I think the matter of electric power would certainly be a very large factor in the industrial development necessary to produce the mechanized warfare of the present day.

Mr. SMITH. Was it not demonstrated in the case of France, that that had a lot to do with her sudden collapse and downfall, the fact that she had not had and did not have the electric energy to carry out the vast mass-production program that was necessary?

Secretary STIMSON. Well, I could not state on that, sir, from my own knowledge at all.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTENGER. I have no questions.

The CHAIRMAN. Mr. Schulte.

Mr. SCHULTE. Mr. Secretary, you said, if I heard you correctly and remember right, that it was very necessary that this project be built for the defense of this Nation.

Secretary STIMSON. I said it was important, sir.

Mr. PITTENGER. I assume that you mean for this present conflict; is that right?

Secretary STIMSON. I haven't said that, sir. I was asked the question whether this emergency might last for a long time, and I said it might. I think that is as far as I have gone on that, sir. You are trying now to pin me down to a statement that it is necessary for the present part of the emergency, and I never said that.

Mr. PITTENGER. No; I am not trying to do that, Mr. Secretary. What I am trying to do is to get some facts so as to enlighten this committee. You said that you thought it would be a long war; is that right?

Secretary STIMSON. I said it might be a long war.

Mr. PITTENGER. What makes you think, Mr. Secretary, that it might be a long war?

Secretary STIMSON. When I review the various factors that are engaged in it, the strength of the opposing parties, and the eventualities that may occur, I think it is quite a possible thing that it may be a long war.

Mr. PITTENGER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Rodgers.

Mr. RODGERS. Mr. Secretary, Mr. Carter approached this proposition from the standpoint of the former treaty. It is not clear to me and maybe you can clear it up for me, just why we depart from the usual procedure, from the precedent established in 1932 and 1934 with reference to approaching this subject from the treaty standpoint and now to depart from that and approach it from the joint resolution standpoint.

Secretary STIMSON. When the present agreement was made and the present method that you speak of adopted, I was a private citizen and knew nothing about it. I would rather not comment on it now.

Mr. RODGERS. At any rate the departure has been made. Now, with reference to shipbuilding about which you spoke, what type of ships, what tonnage of ships would be built on the Great Lakes where facilities are not now either on the Great Lakes or otherwise provided?

Secretary STIMSON. I can only point out to you that the locks are to be 800 feet long, permitting a ship up to nearly that length, and the depth of the water will be 27 feet. You will have to ask the shipping experts what tonnage that will produce.

Mr. RODGERS. Now, in the event we have the canal or seaway and we have an emergency and we want to transport munitions and implements of war from the Great Lakes area out into the ocean in order to get them across and get them across quickly, there is no way that we can tell in advance as to what season of the year that emergency might occur, is there?

Secretary STIMSON. No, sir.

Mr. RODGERS. Then suppose, as this seaway will be out of commission for at least 5 months of the year on account of ice, what would we do then?

Secretary STIMSON. You wouldn't have the benefit of it in winter, but you will have the benefit of it at the time when the peak of production in the form of agricultural products and in the shape of manufactured products is at its highest.

Mr. RODGERS. What power could we obtain there in years which we could not obtain in months by the use of coal and steam power?

Secretary STIMSON. Well, I would rather have you ask the engineers about that.

Mr. RODGERS. What percentage of present-day United States ships could use this seaway if it were in commission now?

Secretary STIMSON. Now, Mr. Chairman, I think I have really made it perfectly clear as to the limitation of my testimony here. I am being asked now questions which these gentlemen must know are questions for men in different departments from that which I occupy and men of entirely different professional training. I should much prefer to have questions directed to me in line with my office and these other questions reserved for others. I have come here under great pressure and I am very anxious to get back to my natural work in the War Department.

The CHAIRMAN. I think you are correct, Mr. Secretary. Suppose you reserve those questions, Mr. Rodgers, until technical witnesses are on the stand.

Mr. GAVAGAN. We all know the Secretary is an eminent lawyer and not necessarily an engineer. This questioning is wasting our time as well as the Secretary's.

The CHAIRMAN. Judge Bell.

Mr. BELL. Mr. Secretary. I have one question that I would like to clear up in my mind, regarding something said a moment ago in regard to the length of time it would take to build this. I believe you made the statement in your opinion or upon the information which you have from the engineers.

Secretary STIMSON. Upon information which I have.

Mr. BELL. I believe you said it would probably take "three working seasons—three to four working seasons" to complete the canal as contemplated in this plan.

Secretary STIMSON. That is what I have been informed by General Robins, who sits beside me here.

Mr. BELL. And perhaps you would prefer that I ask him the question, but what I want to get at is what that means in terms of months or years—when would the first "working season" start?

Secretary STIMSON. I would much prefer you ask General Robins.

Mr. BELL. Very well, that is all.

The CHAIRMAN. Mr. Angell.

Mr. ANGELL. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Mr. Secretary, has not the War Department listed the advantages and disadvantages of inland waterways?

Secretary STIMSON. I assume it has.

Mr. BEITER. In respect to the St. Lawrence project, were the disadvantages and advantages listed by the War Department?

Secretary STIMSON. I haven't seen a comparison made myself, sir. Frankly, I have had very little time to prepare for this hearing. I was only notified last evening.

Mr. BEITER. I appreciate that. Will somebody else in your Department be able to answer that question?

Secretary STIMSON. All those matters are within the knowledge and the experience of the gentlemen who will come here from the Engineering Department.

Mr. BEITER. Well, this affects the War Department, Mr. Secretary, and I am wondering whether somebody else in your Department would be able to answer that question.

Secretary STIMSON. If anybody can I think it would be the Corps of Engineers; and both the Chief of Engineers and General Robins are here today.

Mr. BEITER. What I would like to have, Mr. Secretary, from you is whether there were disadvantages and advantages listed by the War Department—I want to know whether you have anything under your jurisdiction along those lines.

Secretary STIMSON. I have never seen such a list.

Mr. BEITER. So you wouldn't know?

Secretary STIMSON. I couldn't know of it of my own knowledge.

Mr. BEITER. Well, you stated a few moments ago, I believe, that you estimated—the engineers estimated the project would be completed in 4 years and possibly 3 years.

Secretary STIMSON. "With luck," I said.

Mr. BEITER. "With luck," that is right. According to the schedule of the Office of Production Management, then we would have passed our peak of defense effort, would we not?

Secretary STIMSON. Our present estimate of that peak, perhaps.

Mr. BEITER. Yes. The Office of Production Management, I believe, predicted that in 1943 we would reach our peak and from then on it would be declining, so the seaway will not be completed until we have reached and passed our peak.

Secretary STIMSON. No, no; that is a different statement, sir. That is their present estimate of the peak. They don't know everything about the future, and when they made that estimate they did not, certainly, know how long this emergency was going to last.

Mr. GAVAGAN. Evidently, Mr. Secretary, some of the members of this committee think you are omniscient.

Secretary STIMSON. I am beginning to think so.

Mr. BEITER. That is all.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Mr. Secretary, has Canada included this project in its defense program?

Secretary STIMSON. I cannot answer that offhand. I think a representative of the State Department can tell you better about that than I can.

Mr. BENDER. Mr. Secretary, isn't it a fact that Mr. Mackenzie-King in correspondence with the President, indicated—doubted—the wisdom of undertaking the project because of Canada's occupation with present defense measures and active participation in the war?

Secretary STIMSON. I cannot say of my own knowledge whether he did or not, but as I say a representative from the State Department is here now and he is undoubtedly full of all those facts.

Mr. BENDER. Mr. Secretary, why has Canada entered into cooperation with this project?

Secretary STIMSON. You had better ask Mr. Mackenzie-King that.

Mr. BENDER. Isn't it a fact it is because of the insistence of the President and because the British are not keen about displeasing the President at this time?

Secretary STIMSON. I don't care to answer a question of that sort, sir.

Mr. BENDER. Mr. Secretary, under modern conditions of aerial warfare, would not the entire waterway be vulnerable to attack?

Secretary STIMSON. It would depend on where the enemies were. I don't think Lake Superior would be very vulnerable, or any of the big lakes, nor the channels to them. Of course, it is possible that bombs might be dropped anywhere if the enemy had access.

Mr. BENDER. Mr. Secretary, couldn't the whole project be crippled by the dropping of one aerial bomb in a strategic place in this project—in fact, couldn't it be rendered useless?

Secretary STIMSON. That is a question which is so hypothetical that I would rather not attempt to answer it. If you could conceive that an airplane could avoid all antiaircraft dangers and reach within the limits of perhaps a lock or two and then make a fortunate hit, it might do great damage, but I would rather have you ask professional soldiers about that.

Mr. BENDER. Mr. Secretary, has there been any consideration by the War Department of the cost of defending a waterway such as the St. Lawrence?

Secretary STIMSON. Well, I think there you will have to ask the General Staff. I am not even omniscient about everything in my Department.

Mr. BENDER. One more question: How would priorities on tools and steel effect the progress of this proposed construction?

Secretary STIMSON. I think certain forms of tools should be given priority over this, but I think the main bulk of the construction of this waterway is of a different nature and will use different materials than are involved in our present bottlenecks.

My estimate is that a very large part of the construction necessary for this project will not interfere with our defense program. A great deal of it will be excavation work and such as that which would not interfere with the bottlenecks which we have at present. But I said in the beginning, sir, that I do not think that priorities should be given to this over a number of very important munitions which we are now in the course of manufacturing.

Mr. BENDER. That is all.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Mr. Secretary, the gentleman from Ohio, Mr. Bender, asked you about the vulnerability of these locks. They wouldn't be anymore vulnerable than the locks in the Panama Canal, would they?

Secretary STIMSON. Not nearly so vulnerable.

Mr. RANKIN. I heard the statement this morning that the Kiel Canal had been bombed over 100 times during this war and it is still in operation.

Secretary STIMSON. I am not sure of the number but I know it has been said to have been bombed a great many times.

Mr. RANKIN. These locks would be back at least 100 or 200 miles from the ocean, would they not?

Secretary STIMSON. They would be more than 200 miles; they would be 500 miles, I am told.

Mr. RANKIN. So far as the power dams are concerned nobody ever yet heard of a power dam being destroyed in this war by any country, because they are built heavily and are well protected. One of the gentlemen on the other side, or maybe on my side of the table, talked

about the necessity of developing this project for the future in the light of the present emergency.

Of course your answer was that nobody knows how long this emergency is going to last, but even if this emergency should close it would not materially affect the necessity for developing the water power in this river, would it?

Secretary STIMSON. It wouldn't affect the advisability of it, in my opinion.

Mr. RANKIN. That is what I say. Now, your statement here that we get the use of half of this power, or about 1,000,000 kilowatts—

Secretary STIMSON. No; 1,000,000 horsepower.

Mr. RANKIN. You said 2,200,000—

Secretary STIMSON. Horsepower.

Mr. RANKIN. Well, a horsepower is just a little less than a kilowatt. My recollection is that the engineers stated there would be about 2,000,000 kilowatts, which would leave us something like 1,000,000.

Secretary STIMSON. I don't know the estimates in terms of kilowatts; the figures given me were in horsepower.

Mr. RANKIN. That would amount to, as I figure it, a little more than 8,000,000,000 kilowatt-hours a year; and at 2 mills a kilowatt-hour that would amount to \$17,000,000 a year—a little more than \$17,000,000 a year—for the power alone.

It was stated by the Army engineers that Muscle Shoals could be amortized on a 4-percent basis. That \$17,000,000 is 4 percent more than \$400,000,000, or almost twice as much as the estimated cost of this entire project. I am bringing that out to show the value of the power to be developed there.

Now, so far as the area there is concerned, I want to ask, Mr. Secretary, if this isn't the most thickly settled area in the United States, and where the use of electricity is probably at its peak and the demand for electricity is greater there than for any other part of the country. I don't mean the peak for all time. What I am trying to bring out is they use more electricity in that area, or demand more electricity, and are still demanding more, than almost any other section of the country.

Secretary STIMSON. You mean the part of the United States which is adjacent to the international waterway?

Mr. RANKIN. Yes.

Secretary STIMSON. Or the International Rapids? Well, that portion of the waterway is, of course, near to the State of New York, and it is a highly industrialized section of the country. While I am not familiar with the figures as to the possibility of transportation of current, I feel quite sure that that length of possible transportation is long enough to include a very highly industrialized part of our country.

Mr. RANKIN. The report of the Army engineers, signed by Secretary Hurley in 1930, gave the distribution radius, the economic distribution radius, from Muscle Shoals as 350 miles.

Now, 350 miles from this power dam on the St. Lawrence River would cover the entire State of New York, the entire New England States, and a large portion of the State of Pennsylvania.

Last year the State of New York alone was overcharged \$183,000,000 for its electricity, according to the Tennessee Valley Authority rates, and \$201,000,000 according to the Ontario rates just across the river; and New England was overcharged \$97,000,000 according to the T. V. A. rates and considerably more than \$100,000,000 according to the Ontario rates. So if this power is distributed throughout that area not only can this dam, this investment be amortized by the sale of power, but it will also reduce the cost of power to the people of that area infinitely more in the time of that amortization than the entire investment would cost, would it not?

Secretary STIMSON. I haven't made any calculation in that connection, Congressman, and I would rather not be pinned down as to details; but I think I have made by general statement to the effect that it would produce a very valuable source of power. It would be steady power and it would be cheap power. It would be relatively inexpensive as to operation and will produce power in a very highly industrialized section of our country. That is all that I feel my omniscience at the present time entitles me to go.

The CHAIRMAN. I suggest we wait until Mr. Olds of the Federal Power Commission appears before us.

Mr. RANKIN. One more question and I will not take up any more of the Secretary's time.

Some gentleman on the other side seemed to think that we had about reached the limit of the use of electricity in this country. I want to call attention to the fact that they told us the same thing when we were building the Tennessee Valley Authority—creating the Tennessee Valley Authority.

At that time we used in this country only 62,000,000,000 kilowatt-hours of electricity a year. That was in 1932. Last year we used 118,000,000,000, and at the rate we are increasing consumption now we will reach 200,000,000,000, so the contention that there will be no market for this power is certainly beside the point.

Secretary STIMSON. I haven't made any such contention, sir.

Mr. RANKIN. I know the Secretary hasn't made any such contention, but one of the Congressman's questions inferred that.

Secretary STIMSON. On the contrary, I think we are face to face in our national-defense program with a greatly increased demand for power and a possible shortage.

Mr. RANKIN. And if they increase the use of power per capita as much as every other section of the country or as much as they have in the T. V. A. area or the Bonneville area or the Boulder Dam area, we would today, in my opinion, be using more than 200,000,000,000 kilowatt-hours and couldn't possibly supply the demand.

That is all, Mr. Secretary.

The CHAIRMAN. Mr. Hall.

Mr. HALL. Mr. Secretary, I understood you to say you didn't feel the construction of this waterway should be given precedence or priority over necessary national-defense projects.

Secretary STIMSON. Over some of the immediate necessities which we are now confronted with.

Mr. HALL. Well, money and efforts are needed in all national-defense projects and when we look at the new tax bill we see a lot of money is going to be needed. Now, if all that is needed for our

present national-defense projects, which we all know are needed in the present emergency, do you feel that irrespective of that, even though it may be desirable, that we should go ahead with this project?

Secretary STIMSON. When I saw the estimate of the Engineers for the share of the United States cost of this project, which I think was \$200,000,000, and when I contrasted that with some of the hundreds of millions that we are paying for various items of national defense, I thought this was quite a cheap project.

Mr. HALL. But your feeling would be that if all of our efforts are needed and all our money is needed for those projects we know now are necessary, we shouldn't take up anything like this.

Secretary STIMSON. I didn't say that.

Mr. HALL. I am just wondering. I am trying to follow out your thought.

Secretary STIMSON. No, no. My opinion is the reverse. While I am aware of the enormous expenditures that this country faces, I believe that the emergency which it faces is so immensely more vital that we have got to take every possible step that we can to prepare for meeting that emergency successfully, even though we know that it is going to be a tremendous strain and burden on the United States to do so.

Mr. HALL. That is all.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Secretary, out in the Middle West and the Southwest there are various hydroelectric projects under construction, within your Department, under the Corps of Engineers, and they are doing a grand job of it. They are going at it at half-pace, perhaps, because Congress has not given them sufficient funds to carry on. Don't you think in line with your statements concerning the St. Lawrence seaway and the power in connection with it, we should also start the construction at a more rapid pace of those projects out in the South, Southwest, and Middle West?

Secretary STIMSON. I am not sufficiently familiar with the projects that you have in mind to make my opinion worthwhile.

Mr. ELLIS. Well, wouldn't your general statement that power and more power is vital apply also to other sections of the country?

Secretary STIMSON. Well, it would depend altogether on the project and the feasibility of the project and the comparative expense of the project.

I would rather not state an opinion on it. I am not sufficiently familiar with it to make any statement of mine worth anything to you gentlemen.

Mr. ELLIS. That is all.

The CHAIRMAN. Mr. Peterson.

Mr. PETERSON. Mr. Secretary, do you favor or not favor the immediate building of this project as a part of our national emergency defense program?

Secretary STIMSON. I do favor it.

Mr. PETERSON. Well, why do you favor it?

Secretary STIMSON. I am afraid my hour here has been ill-spent if I haven't made it clear to you, sir.

Mr. PETERSON. Mr. Chairman, and I am inclined to think it has been rather ill-spent myself.

Mr. PITTENGER. I think that is a remark that you should not have made.

Mr. PETERSON. As I understand, the Secretary refuses to say it is necessary as a part of our national defense?

Mr. PITTENGER. The Secretary has been very frank with us, I think.

Mr. PETERSON. Do you consider it a necessary part of our national defense emergency program?

Secretary STIMSON. I have said it was. I thought, a very important project and that we should undertake it. I think that is sufficiently clear.

Mr. PETERSON. Mr. Secretary, is there a shortage of power in that vicinity which will be served by this project, at present?

Secretary STIMSON. I am informed there is.

Mr. PETERSON. That is all.

The CHAIRMAN. Mr. Secretary, on behalf of myself and the committee I want to thank you sincerely for your appearance here this morning.

Mr. BENDER. May I ask another question.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Have the estimates or has the estimated cost of this project included the cost of fortifying and defending the project?

Secretary STIMSON. I think it only includes the construction. The \$200,000,000 that I spoke of only includes construction costs.

Mr. BENDER. The Secretary surely is familiar with the cost of fortifying and defending the Panama Canal. I understand the Government has spent \$110,000,000 up to 1939 on defense of the canal and \$19,000,000 annually to maintain its defenses, including the pay of soldiers.

Secretary STIMSON. I was given notice that I was expected to be here this morning, at 6 o'clock last night. Now, whatever I have been able to bring you has been from papers perused since that time. You have asked me a great many questions which I think you should give more notice of and ask them of the gentlemen who have immediate control of such things.

Mr. BENDER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Secretary, thank you, sir.

Mr. Bender, I will state that the Secretary does not have all these details. He talked with me early this morning, and it was too late to go into those details before appearing here as a witness.

Mr. RANKIN. In answering a question the Secretary said that this project was 200 miles inland.

Mr. PITTENGER. Five hundred miles inland.

Mr. RANKIN. And therefore is protected from attack from the sea already.

The CHAIRMAN. Our next witness is Mr. Berle, Assistant Secretary of State.

**STATEMENT OF ADOLF AUGUSTUS BERLE, JR., ASSISTANT
SECRETARY OF STATE**

The CHAIRMAN. Mr. Berle, we have a letter from Mr. Secretary Hull, which we will ask the clerk to read.

(The letter read was as follows:)

DEPARTMENT OF STATE,
Washington, June 7, 1941.

The Honorable JOSEPH J. MANSFIELD,
House of Representatives.

MY DEAR MR. MANSFIELD: I have received your letter of June 3, 1941, transmitting a copy of H. R. 4927, a bill to provide for the improvement of the Great Lakes-St. Lawrence Basin in the interest of national defense, and for other purposes, and asking for an expression of my views relative to the advisability of enacting this measure into law.

In reply I am glad to inform you that I am in full accord with the proposed legislation, and I trust that the bill will receive prompt and favorable consideration.

The officers of this Department who are familiar with the subject matter of the bill will be glad to appear before your committee with reference thereto, should you desire to call upon them.

Sincerely yours,

(Signed) CORDELL HULL.

The CHAIRMAN. Now, Mr. Berle, we will be glad to hear from you. Mr. Berle is from the Secretary of State's office and is here representing the Secretary of State.

Mr. BERLE. Mr. Chairman and gentlemen of the committee, let me first express my regret that Secretary Hull is unable to be here. As you know, he has been confined to his quarters with a cold for the past few days, and that condition, unfortunately, still continues. He has requested me, accordingly, to represent the Department in this matter.

If I may, I should like to begin by putting into the record the underlined documents, with most of which I think the committee is familiar, and therefore I shall not undertake to read them. The first is the text of the agreement signed at Ottawa on March 19, 1941, together with the text of letters exchanged between the President of the United States and the Prime Minister of Canada.

The CHAIRMAN. You may insert them in your statement.

Mr. BERLE. I don't undertake to read them because I think every member of the committee is familiar with them. If not, of course, they can be developed.

The CHAIRMAN. They can become familiar with the record and there is no use to take up time by reading them now.

(The document referred to is as follows:)

DEPARTMENT OF STATE,
March 19, 1941.

No. 112

The Department of State made public the following exchange of notes between the Prime Minister of Canada and Secretary of State for External Affairs, the Right Honorable W. L. Mackenzie King, and the United States Minister to Canada, Mr. Pierrepont Moffat. At the same time there was made public a pamphlet containing reports submitted to the President of the United States of America and the Prime Minister of Canada, by the Canadian Temporary Great Lakes-St. Lawrence Basin Committee and the United States St. Lawrence Advisory Committee. The document contains (1) joint report submitted by the committees; (2) engineering report transmitted by the committees; and (3) detailed estimate of cost.

DEPARTMENT OF EXTERNAL AFFAIRS,
Ottawa, March 5, 1941.

SIR: I have the honor to refer to certain questions which have arisen in the course of the St. Lawrence waterway negotiations, and which we have discussed recently.

2. As you are aware, my colleagues and I have been giving prolonged consideration to the problems presented by the St. Lawrence waterway project. We have noted the progress made in the preparation of the engineering plans for the international section and in the drafting of the general agreement. There is, however, one consideration of a fundamental character to which we desire to call attention.

3. The growing intensity of the war operations and the apprehension that still more serious perils will have to be faced in the very near future, necessitate the most careful examination of any proposed expenditure from the point of view of public need and in the light of war requirements.

4. In existing circumstances, the Canadian Government desires to know whether the Government of the United States is of the opinion, in view of the position in Canada, and, of course, the position in the United States as well, that the project as outlined in the State Department's proposals of 1936 and 1938 and under consideration since that time should now be proceeded with.

5. We have, of course, been fully aware of the desire of the Government of the United States to have a treaty or agreement respecting the St. Lawrence waterway concluded at as early a date as possible, and negotiations which have been carried on more or less continuously for some time past have had in view the desire on our part to arrive, at the earliest possible date, at terms of agreement which would be mutually advantageous. We are also aware of the pronouncements which have been made from time to time by the President, respecting the added emphasis given by the war to the importance alike of power and navigation developments in the Great Lakes-St. Lawrence waterway project. We are also duly appreciative of the agreement recently reached between our respective governments, whereby the Province of Ontario has obtained the right to the immediate use of additional power at Niagara, and the diversion of the waters of the Ogoki and Long Lac Rivers into Lake Superior, in consideration of which, authority was given for the immediate investigation by United States engineers of the project in the international section of the St. Lawrence River in Ontario, in order to enable work of future development to proceed with the least possible delay, once an agreement between the two governments respecting the St. Lawrence development was concluded.

6. We would naturally be prepared to give every consideration to power or navigation developments which the United States may deem necessary to the prosecution of measures calculated to aid Great Britain, Canada, and other parts of the British Commonwealth of Nations in the present war, or to further the security of the United States itself against possible future events which, at the moment cannot be foreseen, but of which in times like the present full account must be taken. We realize that the Government of the United States will be as solicitous as our own Government to appraise the project at the present time in terms of its contribution to the efforts which are being put forward by our respective countries to preserve and to restore freedom.

It is from this point of view and in this spirit that we would ask that the St. Lawrence project be again reviewed by the Government of the United States before an agreement or treaty be finally entered into.

Accept, sir, the renewed assurances of my highest consideration.

W. L. MACKENZIE KING,
Secretary of State for External Affairs.

LEGATION OF THE UNITED STATES OF AMERICA,
Ottawa, March 10, 1941.

SIR: I lost no time in bringing to the attention of my Government your note of March 5 in regard to the St. Lawrence waterway negotiations. In view of the importance of the question you raised, the matter was laid before the President, and I have been instructed, by way of reply, to transmit the following personal message from him to you:

"I have given careful consideration to your recent request that in view of the growing intensity of current war operations and the apprehension over perils

which may have to be faced in the near future, the Government of the United States reviews the St. Lawrence project and give you an indication of its views as to whether, in the existing circumstances, this project as outlined in the State Department's proposals of 1936 and 1938 should now be proceeded with.

"May I say at the outset that I am aware of Canada's increasing war effort and I readily agree that it must have first call upon your country's resources and manpower. I also agree that in view of the existing situation the most careful examination of any proposed expenditure is necessary from the point of view of the public need and in the light of defense requirements.

"With these considerations in mind, the Government of the United States has, as you requested, reviewed the St. Lawrence project. We have welcomed this occasion to review this project because of the fact that our own defense program renders it desirable that all public expenditures in the United States be weighed in the light of considerations similar to those set forth in your communication. The Government of the United States is engaged in a great defense program. It is determined to supply such aid in material to Great Britain, the members of the Commonwealth, and their Allies as may be necessary to enable them to bring the war to a successful termination. Simultaneously, our own defenses are being strengthened to the extent necessary to prevent any foe from menacing the security of this hemisphere. It is indispensable that all public projects contemplated by the Government of the United States be considered from the standpoint of their relationship to these supreme objectives.

"The Government of the United States regards the Great Lakes-St. Lawrence project as directly associated with the accomplishment of the foremost national objectives of this Government. It believes that the project should be proceeded with and that construction should commence at the earliest possible moment. It regards the construction of this project as a matter of vital necessity.

"You refer to the engineering investigation now being conducted in the international section of the St. Lawrence River. I need hardly say that I directed the release of \$1,000,000 from the special defense funds for this purpose only because of my conviction that the completion of this project by 1945 might prove of vital importance to our defense effort. It is gratifying that there has been sufficient progress to make possible the initiation of construction this spring.

"I am sure you will agree with me that, while our countries must put forth the maximum immediate defense effort, we must also prepare for the possibility of a protracted emergency which will call upon the industries on both sides of the border to meet constantly expanding demands. The combination of advantages offered by the St. Lawrence project makes it imperative that we undertake it immediately.

"In terms of the time factor, the St. Lawrence project as a part of our defense program is not exceptional, since we are today appropriating money for construction of vessels of war which will not be ready for service until the completion of the St. Lawrence undertaking.

"I am convinced of the urgent need for the large increment in low-cost electric power which the St. Lawrence project will provide. Already the demand for power is running ahead of expectations. In fact, one of the most serious handicaps to the rapid expansion of airplane production is the difficulty of finding the large supplies of high-load factor power required for aluminum production. We are, of course, expanding our electric facilities for this purpose as fast as practicable, but by the time the St. Lawrence power is available other sources of cheap power will have been largely allocated.

"The St. Lawrence project offers by far the soundest and most economical provision for the power requirements of certain portions of our long range defense program, more particularly for certain high-load-factor defense industries. Furthermore, the manufacturing facilities and skilled labor available for the construction of steam turbines and electric equipment will be needed to meet the requirements of the vast areas of our continent where water power is not so economically available.

"I am also convinced that the opening of the St. Lawrence deep waterway to afford an outlet for naval and cargo ships constructed in Great Lakes shipyards, far from representing a diversion of funds and resources from the defense effort, would have the opposite effect. Our shipbuilding program, to meet the requirements of defense, will call for a great expansion of shipyards with their associated machine shops and adequate supplies of skilled labor. The extent to which intensified submarine and air attacks on convoys may necessitate an expansion of the program is still unknown. If the war is protracted, however, it seems certain that the number of shipyards required will

have to be several times those at present available. In terms of our present industrial arrangements, many of these can be made most readily and economically available in the Great Lakes area.

"If the full burden of our expanding ship construction must fall on seaboard shipyards, the time required to complete the vessels themselves must, in many instances, be increased by the period necessary to construct new shipyards and facilities. With this in mind, it is apparent that the deep waterway could be completed in time to provide an outlet to the sea for many of the new vessels included in the present program.

"In the light of these facts, it is my belief that the funds and manpower required for the earliest possible completion of the St. Lawrence project could not be better spent for our joint defense effort, including aid to Great Britain. It is my feeling that failure to take advantage of the possibilities of this project would be short-sighted, in no way contributing to an increase in our immediate defense effort, while limiting our defense program in the difficult years which lie ahead."

Accept, sir, the renewed assurances of my highest consideration.

PIERREPONT MOFFAT.

MR. BERLE. I should like also to insert into the record the release of the Department of State, dated March 21, 1941, which likewise includes the text of the agreement and is the comment and official summary prepared by the Department of State thereon. This is, in substance, a guide to the interpretation to the agreement in the event there is any question as to the meaning of its terms.

The CHAIRMAN. You may hand it to the reporter.

(The document referred to is as follows:)

No. 117.

DEPARTMENT OF STATE, *March 21, 1941.*

[CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis, or intimation to be published or given out until the READING of the President's message transmitting the agreement has begun in the Congress. Extreme care must therefore be exercised to avoid premature publication]

The President of the United States of America and His Majesty the King of Great Britain, Ireland, and the British dominions beyond the Seas, Emperor of India, in respect of Canada, have decided to conclude an Agreement in relation to the utilization of the water in the Great Lakes-St. Lawrence Basin and to that end have named as their respective plenipotentiaries:

The President of the United States of America:

His Majesty the King of Great Britain, Ireland, and the British dominions beyond the Seas, Emperor of India, for Canada:

Who, after having communicated to each other their full powers, found in good and due form, have agreed upon the following Articles:

PRELIMINARY ARTICLE

For the purposes of the present Agreement, unless otherwise expressly provided, the expression—

(a) "Joint Board of Engineers" means the board appointed pursuant to an agreement between the Governments following the recommendation of the International Joint Commission, dated December 19, 1921;

(b) "Great Lakes System" means Lakes Superior, Michigan, Huron (including Georgian Bay), Erie, and Ontario, and the connecting waters, including Lake St. Clair;

(c) "St. Lawrence River" includes the river channels and the lakes forming parts of the river channels from the outlet of Lake Ontario to the sea;

(d) "International Section" means that part of the St. Lawrence River through which the international boundary line runs;

(e) "Canadian Section" means that part of the St. Lawrence River which lies wholly within Canada and which extends from the easterly limit of the International Section to Montreal Harbor;

(f) "International Rapids Section" means that part of the International Section which extends from Chimney Point to the village of St. Regis;

(g) "Governments" means the Government of the United States of America and the Government of Canada;

(h) "countries" mean the United States of America and Canada;

(i) "Special International Niagara Board" means the board appointed by the Governments in 1926 to ascertain and recommend ways and means to preserve the scenic beauty of the Niagara Falls;

(j) "deep waterway" means adequate provision for navigation requiring a controlling channel depth of 27 feet with a depth of 30 feet over lock sills, from the head of the Great Lakes to Montreal Harbor via the Great Lakes System and St. Lawrence River, in general accordance with the specifications set forth in the Report of the Joint Board of Engineers, dated November 16, 1926.

ARTICLE I

1. The Governments agree to establish and maintain a Great Lakes-St. Lawrence Basin Commission, hereinafter referred to as the Commission, consisting of not more than ten members of whom an equal number shall be appointed by each Government. The duties of the Commission shall be—

(a) to prepare and to recommend plans and specifications for the construction of works in the International Rapids Section in accordance with and containing the features described in the Annex attached to and made part of this Agreement, with such modifications as may be agreed upon by the Governments;

(b) upon approval of the plans and specifications by the Governments, to prepare a schedule allocating the construction of the works in the International Rapids Section on such a basis that each Government shall construct the works within its own territory or an equivalent proportion of the works so approved;

(c) to approve all contracts entered into on behalf of either Government for the works in the International Rapids Section;

(d) to supervise the construction of the works and to submit reports to the Governments from time to time, and at least once each calendar year, on the progress of the works;

(e) upon satisfactory completion of the works, to certify to the Governments that they meet the plans and specifications drawn up by the Commission and approved by the Governments;

(f) to perform the other duties assigned to it in this Agreement.

2. The Commission shall have the authority to employ such persons and to make such expenditures as may be necessary to carry out the duties set forth in this Agreement. It shall have the authority to avail itself of the services of such governmental agencies, officers and employees of either country as may be made available. The remuneration, general expenses, and all other expenses of its members shall be regulated and paid by their respective Governments; and the other expenses of the Commission, except as provided for under Article III, paragraph (b) of this Agreement, shall be borne by the Governments in equal moieties.

3. The Governments agree to permit the entry into their respective countries, within areas immediately adjacent to the Niagara River and the International Section to be delimited by exchange of notes, of personnel employed by the Commission or employed in the construction of the works, and to exempt such personnel from the operation of their immigration laws and regulations within the areas so delimited. In the event that the Commission, pursuant to the provisions of paragraph 1 (b) of this Article, allocates to either of the Governments the construction of works, any part of which is within the territory of the other Government, the latter Government shall make provision for the according, within the area in which such a part is situated, of such exemption from customs, excise, and other imposts, federal, state, and provincial, as may be reasonably practicable for the effective and economical prosecution of the work. Regulations providing for such exemptions may be settled by the Governments by exchange of notes.

4. The Governments shall, by exchange of notes, prescribe rules and regulations for the conduct of the Commission. They may by the same means extend or abridge its powers and duties; and reduce or after reduction increase the number of members (provided that there must always be an equal number appointed by each Government and that the total number of members shall at no time exceed 10); and upon completion of its duties, the Governments may terminate its existence.

ARTICLE II

The Government of Canada agrees:

(a) in accordance with the plans and specifications prepared by the Commission and approved by the Governments, to construct the works in the International Rapids section allocated to Canada by the Commission; and to operate and maintain or arrange for the operation and maintenance of the works situated in the territory of Canada;

(b) to complete, not later than December 31, 1948, the essential Canadian links in the deep waterway, including the necessary deepening of the new Welland Ship Canal and the construction of canals and other works to provide the necessary depth in the Canadian section of the St. Lawrence River: provided that, if the continuance of war conditions or the requirements of defence justify a modification of the period within which such works shall be completed, the Governments may, by exchange of notes, arrange to defer or expedite their completion as circumstances may require.

ARTICLE III

The Government of the United States of America agrees:

(a) in accordance with the plans and specifications prepared by the Commission and approved by the Governments, to construct the works in the International Rapids section allocated to the United States of America by the Commission; and to operate and maintain or arrange for the operation and maintenance of the works situated in the territory of the United States of America;

(b) to provide, as required by the progress of the works, funds for the construction, including design and supervision, of all works in the International Rapids section except (1) machinery and equipment for the development of power, and (2) works required for rehabilitation on the Canadian side of the international boundary;

(c) not later than the date of completion of the essential Canadian links in the deep waterway, to complete the works allocated to it in the International Rapids section and the works in the Great Lakes System above Lake Erie required to create essential links in the deep waterway.

ARTICLE IV

The Governments agree that:

(a) they may, in their respective territories, in conformity with the general plans for the project in the International Rapids Section, install or arrange for the installation of such machinery and equipment as may be desired for the development of power and at such time or times as may be most suitable in terms of their respective power requirements;

(b) in view of the need for coordination of the plans and specifications prepared by the Commission for general works in the International Rapids Section with plans for the development of power in the respective countries, the Commission may arrange for engineering services with any agency in either country, which may be authorized to develop power in the International Rapids Section;

(c) except as modified by the provisions of Article VIII, paragraph (b) of this Agreement, each country shall be entitled to utilize one-half of the water available for power purposes in the International Rapids Section;

(d) during the construction and upon the completion of the works provided for in the International Rapids section, the flow of water out of Lake Ontario into the St. Lawrence River shall be controlled and the flow of water through the International section shall be regulated so that the navigable depths of water for shipping in the Harbor of Montreal and throughout the navigable channel of the St. Lawrence River below Montreal, as such depths now exist or may hereafter be increased by dredging or other harbor or channel improvements, shall not be injuriously affected by the construction or operation of such works, and the power developments in the Canadian section of the St. Lawrence River shall not be adversely affected;

(e) upon the completion of the works provided for in the International Rapids section, the power works shall be operated, initially, with the water level at the powerhouses held at a maximum elevation 238.0, sea level datum as defined in the Report of the Joint Board of Engineers, for a test period of 10 years or such shorter period as may be approved by any board or authority designated or established under the provisions of paragraph (f) of this article; and, in the event

that such board or authority considers that operation with the water level at the powerhouses held to a maximum elevation exceeding 238.0 would be practicable and could be made effective within the limitations prescribed by paragraphs (c) and (d) of this article, the Governments may, by exchange of notes, authorize operation, subject to the provisions of this article, and for such times and subject to such terms as may be prescribed in the notes, at a maximum elevation exceeding 238.0.

(f) the Governments may, by exchange of notes, make provision for giving effect to paragraphs (c), (d), and (e) of this article;

(g) during the construction of the works provided for in the International Rapids section, facilities for 14 foot navigation in that section shall be maintained.

ARTICLE V

The Governments agree that nothing done under the authority of this agreement shall confer upon either of them proprietary rights, or legislative, administrative, or other jurisdiction in the territory of the other, and that the works constructed under the provisions of this agreement shall constitute a part of the territory of the country in which they are situated.

ARTICLE VI

The Governments agree that either of them may proceed at any time to construct, within its own territory and at its own cost, alternative canal and channel facilities for navigation in the International section or in waters connecting the Great Lakes, and to utilize the water necessary for the operation of such facilities.

ARTICLE VII

The High Contracting Parties agree that the rights of navigation accorded under the provisions of existing treaties between the United States of America and His Majesty shall be maintained notwithstanding the provisions for termination contained in any of such treaties, and declare that these treaties confer upon the citizens or subjects and upon the ships, vessels, and boats of each High Contracting Party, rights of navigation in the St. Lawrence River, and the Great Lake System, including the canals now existing or which may hereafter be constructed.

ARTICLE VIII

The Governments, recognizing their common interest in the preservation of the levels of the Great Lakes System, agree that:

(a) each Government in its own territory shall measure the quantities of water which at any point are diverted from or added to the Great Lake System, and shall place such measurements on record with the other Government semi annually;

(b) in the event of diversions being made into the Great Lakes System from other watersheds lying wholly within the borders of either country, the exclusive rights to the use of waters which are determined by the Governments to be equivalent in quantity to any waters so diverted shall, notwithstanding the provisions of Article IV paragraph (c) of this Agreement, be vested in the country diverting such waters, and the quantity of water so diverted shall be at all times available to that country for use for power below the point of entry, so long as it constitutes a part of boundary waters;

(c) if any diversion of water from the Great Lakes System or the International Section, other or greater in amount than diversions permitted in either of the countries on January 1, 1940, is authorized, the Government of such country agrees to give immediate consideration to any representations respecting the matter which the other Government may make; if it is impossible otherwise to reach a satisfactory settlement, the Government of the country in which the diversion of water has been authorized agrees, on the request of the other Government, to submit the matter to an arbitral tribunal which shall be empowered to direct such compensatory or remedial measures as it may deem just and equitable; the arbitral tribunal shall consist of three members, one to be appointed by each of the Governments, and the third, who will be the chairman, to be selected by the Governments;

(d) the Commission shall report upon the desirability of works for compensation and regulation in the Great Lakes System, and, upon the approval by the

Governments of any such works, shall prepare plans and specifications for their construction and recommend to the Governments an equitable allocation of their cost; the Governments shall make arrangements by exchange of notes for the construction of such works as they may agree upon.

ARTICLE IX

The Governments, recognizing their primary obligation to preserve and enhance the scenic beauty of the Niagara Falls and River, and consistent with that obligation, their common interest in providing for the most beneficial use of the waters of that River, as envisaged in the Final Report of the Special International Niagara Board, agree that:

(a) the Commission shall prepare and submit to the Governments plans and specifications for works in the Niagara River designed to distribute and control the waters thereof, to prevent erosion, and to ensure at all seasons unbroken crest lines on both the American Falls and the Canadian Falls, and to preserve and enhance their scenic beauty, taking into account the recommendations of the Special International Niagara Board; the Governments may make arrangements by exchange of notes for the construction of such works in the Niagara River as they may agree upon, including provision for temporary diversions of the waters of the Niagara River for the purpose of facilitating construction of the works; the cost of such works in the Niagara River shall be borne by the Governments in equal moieties;

(b) upon the completion of the works authorized in this Article, diversions of the waters of the Niagara River above the Falls from the natural course and stream thereof additional to the amounts specified in Article 5 of the Boundary Waters Treaty of 1909 may be authorized and permitted by the Governments to the extent and in the manner hereinafter provided:

(1) the United States may authorize and permit additional diversion within the State of New York of the waters of the River above the Falls for power purposes, in excess of the amount specified in Article 5 of the Boundary Waters Treaty of 1909, not to exceed in the aggregate a daily diversion at the rate of five thousand cubic feet of water per second;

(2) Canada may authorize and permit additional diversion within the Province of Ontario of the waters of the River above the Falls for power purposes, in excess of the amount specified in Article 5 of the Boundary Waters Treaty of 1909, not to exceed in the aggregate a daily diversion at the rate of five thousand cubic feet of water per second;

(c) upon completion of the works authorized in this Article, the Commission shall proceed immediately to test such works under a wide range of conditions, and to report and certify to the Governments the effect of such works, and to make recommendations respecting diversions of water from Lake Erie and the Niagara River, with particular reference to (1) the perpetual preservation of the scenic beauty of the Falls and Rapids, (2) the requirements of navigation in the Great Lakes System, and (3) the efficient utilization and equitable apportionment of such waters as may be available for power purposes; on the basis of the Commission's reports and recommendations, the Governments may by exchange of notes and concurrent legislation determine the methods by which these purposes may be attained.

ARTICLE X

The Governments agree that:

(a) each Government undertakes to make provision for the disposition of claims and for the satisfaction of any valid claims arising out of damage or injury to persons or property occurring in the territory of the other in the course of and in connection with construction by such Government of any of the works authorized or provided for by this Agreement;

(b) each Government is hereby released from responsibility for any damage or injury to persons or property in the territory of the other, which may be caused by any action authorized or provided for by this Agreement, other than damage or injury covered by the provisions of paragraph (a) of this Article;

(c) each Government will assume the responsibility for and the expense involved in the acquisition of any lands or interests in land in its own territory which may be necessary to give effect to the provisions of this Agreement.

ARTICLE XI

This Agreement shall be subject to approval by the Congress of the United States of America and the Parliament of Canada. Following such approval it shall be proclaimed by the President of the United States of America and ratified by His Majesty the King of Great Britain, Ireland and the British dominions beyond the Seas, Emperor of India, in respect of Canada. It shall enter into force on the day of the exchange of the instrument of ratification and a copy of the proclamation, which shall take place at Washington.

In witness whereof the respective plenipotentiaries have signed this Agreement in duplicate and have hereunto affixed their seals.

Done at Ottawa, the ---- day of March in the year of our Lord one thousand nine hundred and forty-one.

(SEAL)

(SEAL)

 ANNEX

CONTROLLED SINGLE-STAGE PROJECT (238-242) FOR WORKS IN THE INTERNATIONAL RAPIDS SECTION

(See art. I, par. 1 (a))

The main features of the controlled single-stage project (238-242), described in detail with cost estimates in the report of the Temporary Great Lakes-St. Lawrence Basin Committees, dated January 3, 1941, are as follows:

- (1) A control dam in the vicinity of Iroquois Point.
 - (2) A dam in the Long Sault Rapids at the head of Barnhart Island and two powerhouses, one on either side of the international boundary, at the foot of Barnhart Island.
 - (3) A side canal, with one lock, on the United States mainland to carry navigation around the control dam, and a side canal with one guard gate and two locks, on the United States mainland south of Barnhart Island to carry navigation from above the main long Sault Dam to the river south of Cornwall Island. All locks to provide 30-foot depth of water on the miter sills and to be of the general dimensions of those of the Welland Ship Canal. All navigation channels to be excavated to 27-foot depth.
 - (4) Dikes, where necessary on the United States and Canadian sides of the international boundary, to retain the pool level above the Long Sault Dam.
 - (5) Channel enlargement from the head of Galop Island to below Lotus Island, designed to give a maximum velocity in the navigation channel south of Galop Island not exceeding 4 feet per second at any time.
 - (6) Channel enlargement between Lotus Island and the control dam and from above Point Three Points to below Ogden Island, designed to give a maximum mean velocity in any cross section not exceeding $2\frac{1}{4}$ feet per second with the flow and at the stage to be permitted on the 1st of January of any year, under regulation of outflow and levels of Lake Ontario.
 - (7) The necessary railroad and highway modifications on either side of the international boundary.
 - (8) The necessary works to permit the continuance of 14-foot navigation on the Canadian side around the control dam and from the pool above the Long Sault Dam to connect with the existing Cornwall Canal.
 - (9) The rehabilitation of the towns of Iroquois and Morrisburg, Ontario.
- All the works in the pool below the control dam shall be designed to provide for full Lake Ontario level, but initially the pool shall be operated at maximum elevation 238.

Mr. BERLE. And the third is the engineering report submitted to the President of the United States of America and to the Prime

Minister of Canada by the Canadian Temporary Great Lakes-St. Lawrence Basin Committee, on the one hand, representing Canada, and the United States St.-Lawrence Advisory Committee, on the other hand, representing the United States.

This report was jointly submitted to the Government of Canada and to the President of the United States. In that there are included (a) a joint report submitted by the two committees sitting together, (b) the engineering report transmitted by these committees, and (c) the detailed estimate of the cost submitted by these committees.

In amplification I should like to state that the engineers for the American Committee were headed by Gen. Thomas M. Robins, of the United States Army Corps of Engineers, and the estimates have likewise been approved by that body, and this is therefore offered as the report of the two international committees sitting together. The engineering report is also, if I am accurately informed, the substance of the report of the Army engineers thereon. The report has been concurred in likewise by the engineers for the Canadian Government and I should like to have this also appear in the record. It is dated at Ottawa, Canada, on January 3, 1941. The report of the Committee is signed by the Canadian members, being headed by Mr. Guy Lindsay for Canada and by the United States Committee members, headed by Mr. Leland Olds, chairman of the Federal Power Commission.

The engineers were, respectively, for the United States, Brig. Gen. Thomas M. Robbins and for the Dominion of Canada, Mr. Guy A. Lindsay.

The CHAIRMAN. Just hand the two documents you have mentioned to the reporter.

(The document dated March 21, 1941, is as follows:)

No. 118

DEPARTMENT OF STATE, *March 21, 1941.*

[Confidential: To be held in strict confidence and no portion, synopsis, or intimation to be published or given out until the reading of the President's message transmitting the agreement has begun in the Congress. Extreme care must, therefore, be exercised to avoid premature publication.]

M. J. McDERMOTT.

An agreement was signed between the United States and Canada on March 19, 1941, providing for a cooperative development and utilization of the water in the Great Lakes-St. Lawrence River Basin for navigation and power. The signatories to the pact, concluded at Ottawa, were the Honorable Leland Olds, Chairman of the Federal Power Commission, the Honorable Adolf A. Berle, Jr., Assistant Secretary of State, and the Honorable Jay Pierrepont Moffat, American Minister to Canada on behalf of the United States; and the Right Honorable W. L. Mackenzie King, Prime Minister of Canada, president of the Privy Council and Secretary of State for External Affairs; the Honorable Clarence D. Howe, Minister of Munitions and Supply, and Mr. John Read, legal adviser to the Department of External Affairs on behalf of Canada. The agreement contemplates an early completion of the seaway between the Great Lakes and the Atlantic Ocean by the St. Lawrence River, as well as the development of the vast hydroelectric resources of the International Rapids section of that river.

The agreement is subject to approval by the Congress of the United States and the Parliament of Canada.

An exchange of notes preceding the agreement revealed that the construction of this project is regarded as directly associated with both the power supply and shipbuilding phases of our national-defense program, including the

plan for defense of the Western Hemisphere and the determination to supply all possible aid to Great Britain, the members of the British Commonwealth, and their allies.

In a personal message to Prime Minister Mackenzie King, the President pointed out that "while our countries must put forth the maximum immediate defense effort, we must also prepare for a protracted emergency which will call upon the industries on both sides of the border to meet constantly expanding demands." He called attention to the fact that, in terms of the time factor, the St. Lawrence project could be completed as soon as vessels of war for which money is now being appropriated.

The President concluded that "failure to take advantage of the possibilities of this project would be short-sighted, in no way contributing to an increase in our immediate defense effort, while limiting our defense program in the difficult years which lie ahead."

The essential features of the agreement may be summarized as follows:

PROVISION FOR GREAT LAKES-ST. LAWRENCE BASIN COMMISSION

In article I the two Governments agree to establish and maintain a Great Lakes-St. Lawrence Basin Commission, consisting of not more than 10 members, with each Government designating an equal number. The duties of this Commission would be to prepare and recommend general plans and specifications for the construction of works in the International Rapids section, prepare a schedule allocating the construction of these works to the respective Governments, approve all contracts, and supervise the construction work. The Commission would submit periodic reports to the two Governments on the progress of the work.

UNDERTAKING BY CANADA

In article II the Government of Canada agrees to construct the works in the International Rapids section allocated to Canada by the Commission, to operate and maintain the works in Canadian territory, and to complete, not later than December 31, 1948, the essential Canadian links in the deep waterway. There is a proviso that the period within which the waterway links are to be completed may be changed by mutual agreement to meet the requirements of continuance of war conditions or of defense.

UNDERTAKING BY THE UNITED STATES

In article III the Government of the United States agrees to construct the works in the International Rapids section allocated to the United States by the Commission, to operate and maintain the works in United States territory, and, not later than the date of completion of the essential Canadian links, to complete the works allocated to it in the International Rapids section and the works in the Great Lakes system above Lake Erie required to create essential links in the deep waterway.

To counterbalance expenditures already made by Canada in the Welland Canal link in the deep waterway, the Government of the United States also agrees to provide funds for all works in the International Rapids section except machinery and equipment for the development of power and works required for rehabilitation on the Canadian side of the boundary.

INSTALLATION FOR POWER AND USE OF WATER

In article IV the two Governments agree that each may arrange for the installation in its own territory of machinery and equipment for the development of power at such time or times as may best meet its power requirements, and that, except for the water which Ontario plans to divert from the Albany watershed into the Great Lakes Basin, each country shall be entitled to utilize one-half of the natural flow of water available for power purposes in the International Rapids section of the St. Lawrence River.

In this article the two Governments also agree that the flow of the water shall be controlled and regulated so as to protect the navigable depths in the Harbor of Montreal and in the navigable channel of the St. Lawrence River below Montreal. They also agree to maintain facilities for 14-foot navigation during the construction period.

MAINTENANCE OF EXISTING RIGHTS

In articles V, VI, and VII the two Governments agree that nothing done under the agreement shall alter the rights of the Governments within their respective territories, that either Government may at any time construct at its own cost alternative canal and channel facilities for navigation within its own territory, and that existing rights of navigation in both the Great Lakes and the St. Lawrence River shall be maintained.

DIVERSIONS TO AND FROM THE GREAT LAKES BASIN

In article VIII the two Governments agree that either country diverting waters into the Great Lakes system, from other watersheds lying wholly within its borders, shall have the exclusive right to the use of equivalent amounts of water for power below the port of entry, so long as it constitutes a part of boundary waters.

In this article the two Governments also agree that, if any diversion of water from the Great Lakes-St. Lawrence system, other or greater than diversions permitted in either country on January 1, 1940, is authorized, the Government of such country will give immediate consideration to any representations which the other country may make. In case no settlement is reached, on the request of the other Government, such country will submit the matter to an arbitral tribunal which shall be empowered to direct such compensating or remedial measures as it deems just and reasonable.

PRESERVATION AND USE OF NIAGARA FALLS AND RIVER

In article IX, the two Governments agree to provide for the preservation and enhancement of the scenic beauty of the Niagara Falls and River and for the most beneficial use of the waters of that river, as envisaged in the Final Report of the Special International Niagara Board. Such provision would include:

(1) Plans, to be prepared by the Great Lakes-St. Lawrence Basin Commission, for works designed to distribute and control the waters of the Niagara River, to prevent erosion and insure at all seasons unbroken crest lines on both the American and Canadian Falls. The construction of such works would be arranged by exchange of notes.

(2) Permission, on completion of such works, for each country to authorize an additional diversion at the rate of 5,000 cubic feet of water per second for power purposes within its borders.

(3) Recommendation by the Commission, after exhaustive tests, for the best and most equitable use of the waters of the Niagara River, with particular reference to preservation of the scenic beauty of the falls and rapids, the requirements of navigation and power. The agreement provides that, on the basis of the Commission's recommendations, the Governments may by exchange of notes and concurrent legislation determine the methods by which these purposes may be attained.

CLAIMS, DAMAGES, AND LAND ACQUISITION

In article X the Governments agree on provisions for the disposition of claims and for responsibility for damages. Each Government assumes responsibility for the acquisition of lands or interests in lands in its own territory.

EMERGENCY SPEEDS NEGOTIATIONS

Negotiations leading to the present agreement were initiated in 1936. The outbreak of the war in 1939 and the events of 1940 which compelled adoption of a policy of hemispheric defense, made it obvious that an agreement was of major importance. Accordingly, the technical features of the project were reviewed by experts from both Canada and the United States. On October 17, 1940, President Roosevelt allocated \$1,000,000 of one of the early special defense appropriations to the Federal Power Commission and the Corps of Engineers of the United States Army for preliminary investigations, particularly engineering surveys, of the International Rapids section of the St. Lawrence River. At the same time the President established a St. Lawrence Advisory Committee consisting of Messrs. Leland Olds, Chairman of the Federal Power Commission; Adolf A. Berle, Jr., Assistant Secretary of State; Brig. Gen. Thomas M. Robins, Corps of Engineers, United States Army; and Gerald V. Cruise, executive secretary and acting chief engineer of the New York State Power Authority. The function of this Com-

mittee has been to advise the President in the necessary preliminary planning and to cooperate with the appropriate agencies of the Canadian Government, particularly the Canadian Temporary Great Lakes-St. Lawrence Basin Committee, a comparable body designated to assist the Canadian Government. These two committees completed a joint report on January 3, 1941, which has been submitted to President Roosevelt and Prime Minister King. In this joint report the results of engineering investigations are submitted. The principal conclusion contained in the report is that the so-called "238-242" single-stage control project is the plan best adapted for the development of the International Rapids section of the St. Lawrence River. Such a project, according to the joint report, "combines the essential features which have been continuously advocated by the representatives of both countries throughout the long period of study and negotiation devoted to the undertaking," and involves a construction program arranged "so that delivery of power can be begun and navigation provided within 4 years of the time when active work is initiated." Accompanying the joint report there were analyses of the main features of the single-stage project and a revised series of cost estimates which take into account rising construction costs and additional expense likely to be incurred in expediting the work in the interests of national defense.

These engineering data were submitted jointly by Brig. Gen. Thomas M. Robins, of the Corps of Engineers of the United States Army, and the Honorable Guy A. Lindsay, engineer in charge of the general engineering branch of the Department of Transport of the Canadian Government. They were assisted by Olivier O. Lefebvre, vice chairman of the Quebec Streams Commission; T. H. Hogg, chairman and chief engineer of the Hydroelectric Power Commission of Ontario; M. C. Hendry, assistant engineer, Hydroelectric Power Commission of Ontario; Roger B. McWharter, chief engineer, Federal Power Commission; and Gerald V. Cruise, executive secretary and acting chief engineer, New York Power Authority.

COST OF INTERNATIONAL RAPIDS SECTION PROJECT

According to the cost estimates, the total cost of the project in the International Rapids section will be \$266,170,000. This will provide for completion of the 2,200,000-horsepower power project as well as for the deep-waterway improvement in this section of the river. In addition, there will be expenditures for the improvement of navigation channels, both below and above the International Rapids section, in order that a waterway to accommodate vessels requiring 27 feet draft may be provided throughout the Great Lakes-St. Lawrence system, from Lake Superior to Montreal.

(The second document referred to, dated January 3, 1941, is as follows:)

ST. LAWRENCE DEEP WATERWAY—INTERNATIONAL RAPIDS SECTION

[Reports submitted to the President of the United States of America and the Prime Minister of Canada, by the Canadian Temporary Great Lakes-St. Lawrence Basin Committee and the United States St. Lawrence Advisory Committee]

1. JOINT REPORT SUBMITTED BY THE COMMITTEES
2. ENGINEERING REPORT TRANSMITTED BY THE COMMITTEES
3. DETAILED ESTIMATE OF COST

1. JOINT REPORT

TO: THE PRESIDENT OF THE UNITED STATES
THE PRIME MINISTER OF CANADA

The Canadian Temporary Great Lakes-St. Lawrence Committee and the United States St. Lawrence Advisory Committee, meeting at Ottawa, January 2 and 3, 1941, respectfully submit the following joint report on the preliminary engineering and other investigations for that part of the Great Lakes-St. Lawrence Basin project located in the International Rapids Section of the St. Lawrence River.

The two Committees held their first joint meeting at Massena, N. Y., on October 31, 1940, to determine upon the project plan best designed to serve the interests of

both countries and to agree upon the general lines which the engineering investigation should follow. The Committees met again at Massena on November 15, 1940, to consult with a group of outstanding hydraulic and electric experts on technical aspects of the proposed undertaking.

Special consideration has been given to the joint report prepared in January 1940, by a board of engineers representing Canada and the United States, including for Canada: Guy A. Lindsay, Engineer in Charge, General Engineering Branch, Department of Transport; Olivier O. Lefebvre, Vice Chairman of the Quebec Streams Commission; T. H. Hogg, Chairman and Chief Engineer of the Hydro-Electric Power Commission of Ontario; and M. C. Hendry, Assistant Engineer, Hydro-Electric Power Commission of Ontario; for the United States: Brigadier General Thomas M. Robins, Corps of Engineers, U. S. Army; Roger B. McWhorter, Chief Engineer, Federal Power Commission; and Gerald V. Cruise, Executive Secretary and Acting Chief Engineer of the Power Authority of the State of New York.

These engineers were requested by the two Governments to examine the various plans proposed for the development of the International Rapids Section of the St. Lawrence River together with their estimates of cost, and to recommend the plan best adapted to the needs of both countries. They agreed unanimously that the "238-242" Controlled Single Stage Project was the best from an engineering and economic point of view, bearing in mind the requirements of navigation and power and the protection of down-river interests.

The two Committees, at the meeting of October 31, 1940, agreed that the engineering investigations should be undertaken in accord with the project as described in the engineering report above referred to. Subsequent investigations, including the testing of foundation conditions, etc., which have been proceeding rapidly, have sustained the conclusion that the "238-242" Controlled Single Stage Project is the plan best adapted for the development of that part of the Great Lakes-St. Lawrence Basin project located in the International Rapids Section of the St. Lawrence River for the following reasons:

- (1) The plan combines the essential features which have been continuously advocated by the representatives of both countries throughout the long period of study and negotiation devoted to the undertaking. Specifically, it provides for the development of all the power in one stage at power houses located at the foot of Barnhart Island, while at the same time providing for complete control of the River at a control dam located near the head of the present rapids.
- (2) The plan is especially designed to assure full protection to the downstream power and navigation interests in the Province of Quebec, including the harbour of Montreal, while at the same time providing for the economical development of the International Rapids Section for navigation and power as a part of the general Great Lakes-St. Lawrence Basin project.
- (3) The recent investigations, including the checking of previous explorations, new core borings, etc., indicate that the foundation conditions for the proposed dams, navigation locks, and power houses are satisfactory, while consultations with outstanding hydroelectric engineers assure that the project works will be sound and the construction and equipment of the power houses in accord with the best modern practice.
- (4) The construction program can be arranged so that delivery of power can be begun and navigation provided within four years of the time when active work is initiated, time being an essential factor in the emergency.

Throughout their investigations, the two Committees have been constantly impressed with the defense aspects of the project as a part of a long-range program for use of the Great Lakes-St. Lawrence basin by both peoples to strengthen the defenses of the North American Continent. The power which the project will provide is urgently needed for expansion of essential defense production on both sides of the border. A deep waterway will afford an unexampled opportunity for the expansion of shipbuilding, both cargo vessels and naval vessels, in naturally protected waters.

At the request of the two Committees, the engineers who prepared the report of January 1940 have carefully reconsidered that report in the light of the engineering investigations and have revised the cost estimates to take account of the effect of recent increases in construction costs and the acceleration of the

construction program in the interest of defense. Their final conclusions, embodied in a report dated January 3, 1941, confirm the conclusions of the previous report.

The two Committees submit herewith the report of the board of engineers as embodying their own conclusions and recommend that, in the event that the Governments decide to proceed with the development of the International Rapids Section of the St. Lawrence River, the work be undertaken in general accordance with the plan of the "238-242" Controlled Single Stage Project described therein.

Respectfully submitted.

LELAND OLDS,
A. A. BERLE, JR.,
THOMAS M. ROBINS,
GERALD V. CRUISE,
United States Committee.

GUY A. LINDSAY,
T. H. HOGG,
OLIVIER O. LEFEBVRE,
J. E. READ,
Canadian Committee.

OTTAWA, CANADA, *January 3, 1941.*

2. ENGINEERING REPORT

ST. LAWRENCE DEEP WATERWAY—INTERNATIONAL RAPIDS SECTION

OTTAWA, CANADA,
January 3, 1941.

In view of the reopening of negotiations between representatives of the United States and Canada in respect of the improvement both for navigation and power of the International Rapids Section of the St. Lawrence River, engineers representing both countries were asked to examine the various plans proposed with their estimates of cost.

The engineers representing the United States were Brig. Gen. Thomas M. Robins, Corps of Engineers, U. S. Army; Mr. Roger B. McWhorter, Chief Engineer, Federal Power Commission; Mr. Gerald V. Cruise, Executive Secretary and Acting Chief Engineer, New York State Power Authority.

The engineers representing Canada were Mr. Guy A. Lindsay, Engineer-in-Charge, General Engineering Branch, Department of Transport; Dr. Olivier O. Lefebvre, Vice-Chairman, Quebec Streams Commission; Dr. T. H. Hogg, Chairman and Chief Engineer of the Hydro-Electric Power Commission of Ontario; Mr. M. C. Hendry, Assistant Engineer, Hydro Electric Power Commission of Ontario.

After careful consideration of the projects proposed and the estimates of cost thereof, the engineers agreed that the "238-242" Controlled Single Stage Project, is, in their opinion, the best from an engineering and economic point of view, bearing in mind the requirements of navigation and power and the protection of down river interests.

The main features of the "238-242" Controlled Single Stage Project are as follows:

- (1) A control dam in the vicinity of Iroquois Point.
- (2) A dam in the Long Sault Rapids at the head of Barnhart Island and two power houses, one on either side of the International Boundary, at the foot of Barnhart Island.
- (3) A side canal, with one lock on the United States mainland to carry navigation around the control dam and a side canal, with one guard gate and two locks, on the United States mainland south of Barnhart Island to carry navigation from above the main Long Sault Dam to the river south of Cornwall Island. All locks to provide 30-foot depth of water on the mitre sills and to be of the general dimensions of those on the Welland Ship Canal. All navigation channels to be excavated to 27-ft. depth.
- (4) Dykes, where necessary, on the United States and Canadian sides of the International Boundary, to retain the pool level above the Long Sault Dam.

- (5) Channel enlargement from the head of Galop Island to below Lotus Island designed to give a maximum velocity in the navigation channel south of Galop Island not exceeding four feet per second at any time.
- (6) Channel enlargement between Lotus Island and the control dam and from above Point Three Points to below Ogen Island designed to give a maximum mean velocity in any cross-section not exceeding two and one-quarter feet per second with the flow, and at the stage, to be permitted on the 1st of January of any year, under regulation of outflow and levels of Lake Ontario.
- (7) The necessary railroad and highway modifications on either side of the International Boundary.
- (8) The necessary works to permit the continuance of 14-ft. navigation on the Canadian Side around the control dam and from the pool above the Long Sault Dam to connect with the existing Cornwall Canal.
- (9) The rehabilitation of the towns of Iroquois and Morrisburg, Ontario.

All the works in the pool below the control dam shall be designed to provide for full Lake Ontario level, but initially the pool shall be operated at maximum elevation 238-0.

Attached hereto is the detailed estimate of cost of this project revised to take into account rising construction costs and additional expense likely to be incurred in expediting the work in the interest of National Defence. The total estimated cost is believed to be sufficient to complete the work.

THOMAS M. ROBINS,
Brigadier General, Corps of Engineers, U. S. Army.
GUY A. LINDSAY,
*Engineer-in-Charge, General Engineering Branch,
Department of Transport, Ottawa, Ont.*

3. DETAILED ESTIMATE OF COST

ST. LAWRENCE DEEP WATERWAY—INTERNATIONAL RAPIDS SECTION, DETAILED ESTIMATE OF COST OF CONTROLLED SINGLE STAGE PROJECT 238-242

[To accompany the Report of the Canadian and United States Engineers, dated Ottawa, Canada, January 3, 1941]

The detailed estimates are set up under three main divisions:

- (A) Works Solely for Navigation.
 - (B) Works Primarily for Power.
 - (C) Works Common to Navigation and Power.
- (A) Works Solely for Navigation: Under this heading are included the locks, entrance piers, channel or canal excavation, and all other works required solely for the purposes of navigation.
- (B) Works Primarily for Power: The items included under this heading are subdivided into:
- (i) Structures, Head and Tailrace Excavation: Under this heading are included all earth and rock excavation, ice sluices, railway connections, etc., required primarily for power, as well as the substructures and superstructures of the power houses. The substructures include headworks, gates, racks, unwatering gates, gate checks, all gate-operating equipment, intakes, water passages, draft tubes, tailrace piers and deck, all covers for openings, railings, gratings, ladders, drains, piping, conduit, pit liners, speed rings, throat rings, draft-tube liners, scroll cases (whether moulded in concrete or of cast or plate steel), and all parts embedded in the substructures incidental thereto or connected therewith. The substructures, as estimated, are of sufficient dimensions to accommodate all equipment and apparatus including transformers and provide the necessary space for assembly, operation, and maintenance.
 - (ii) Machinery and Equipment.—Under this heading are included turbines, governors, generators, and all other auxiliary machinery required above the generator floor, as well as the low voltage switching, control, and operating apparatus.
- (C) Works Common to Navigation and Power: Under this heading are included all channel excavation required for river enlargement, all dams, and

dykes required to retain the levels in the pools created for navigation and power purposes, all land and property damages resulting from the raised water levels, all works in connection with the rehabilitation of Morrisburg and Iroquois, the preservation of 14-ft. navigation on the Canadian side, railway and highway modifications, and all other works not included under "A" and "B."

Summary of estimate

(A) Works solely for Navigation:			
(i) Upper Pool—at Point Rockway.....	\$7,497,000		
(ii) Lower Pool—Opposite Barnhart Isd.....	31,081,100		
	\$38,578,000		
(B) Works primarily for Power:			
(i) Structures, Head and Tailrace Exc'n.....	46,476,000		
(ii) Machinery and Equipment.....	50,328,000		
	96,804,000		
(C) Works common to Navigation and Power:			
1. Channel excavation.....	48,136,000		
2. Ice cribs above Prescott and above Galop Isd..	656,000		
3. Iroquois Point Dam.....	7,310,000		
4. Dykes.....	12,374,000		
5. Supply channel and weir at Massena.....	2,363,000		
6. Diversion cut through Sault Isd.....	2,569,000		
7. Main Long Sault Dam.....	20,055,000		
8. Guard Gate, 14-ft. Lock and Weir at Maple Grove.....	2,624,000		
9. 14-ft. Lock and Dykes at Iroquois.....	604,000		
10. Railroad relocation.....	3,696,000		
11. Clearing pool.....	518,000		
12. Rehabilitation of Morrisburg.....	5,024,000		
13. Rehabilitation of Iroquois.....	3,379,000		
14. Acquisition of lands, etc., U. S. side.....	4,657,000		
15. Acquisition of lands, etc., Can. side.....	14,011,000		
16. Highway relocation.....	2,812,000		
	130,788,000		
Grand total.....	266,170,000		

(A) WORKS SOLELY FOR NAVIGATION—(27 FT. DEPTH)

(i) UPPER POOL AT POINT ROCKWAY

No.	Item	Unit	Quantity	Rate	Amount	Total
1	Guide Pier in South Galop— Cribwork.....	c. y.	6,000	5.00	\$30,000	\$30,000
2	Point Three Points Lock and Entrance Piers— Concrete.....	c. y.	141,960	10.00	1,419,600	
	Cribwork.....	c. y.	94,730	5.00	473,650	
	Excavation—earth.....	c. y.	220,000	0.40	88,000	
	earth.....	c. y.	40,000	0.65	26,000	
	Lock gates, valves, operating machinery, etc.....				947,700	
	Emergency gate.....				175,000	3,129,950
3	Approach channels to Point Three Points Lock— Excavation—earth.....	c. y.	3,030,000	0.40	1,212,000	1,569,350
	earth.....	c. y.	106,000	0.65	68,900	
	dredging.....	c. y.	320,500	0.90	288,450	
4	Dykes— Earth fill.....	c. y.	1,002,770	0.90	902,490	1,067,990
	Rock fill.....	c. y.	63,740	1.00	63,740	
	Stripping.....	c. y.	156,560	0.65	101,760	
5	Land Damage.....				200,000	200,000
6	Engineering and Contingencies.....			25%		1,499,710
7	Total.....					7,497,000

GREAT LAKES-ST. LAWRENCE BASIN

(A) WORKS SOLELY FOR NAVIGATION—(27 FT. DEPTH)—Continued

(ii) LOWER POOL—OPPOSITE BARNHART ISLAND

No.	Item	Unit	Quantity	Rate	Amount	Total
1	Channel Excavation—					
	(a) Above Long Sault Isd. to Robinson Bay Lock—					
	Excavation—dry earth.....	c. y.	2,513,880	0.65	\$1,634,020	
	Paving.....	c. y.	10,020	11.00	110,220	\$1,744,240
	(b) Robinson Bay Lock to Grass River Lock—					
	Excavation—dry earth.....	c. y.	2,942,200	0.65	1,912,430	1,912,430
	(c) Grass River Lock to Shore Line—					
	Excavation—dredging.....	c. y.	374,000	0.80	299,200	299,200
	(d) At lower end of Cornwall Isd.—					
	Excavation—dredging.....	c. y.	522,000	0.80	417,600	497,600
	overdepth.....	c. y.	100,000	0.80	80,000	
	(e) At mouth of Grass River—					
	Excavation—dredging.....	c. y.	227,000	0.80	181,600	181,600
2	Drainage ditch—					
	Excavation—earth.....	c. y.	10,200	0.65	6,630	6,630
3	Dykes—					
	(a) Above Robinson Bay Lock—					
	Earth fill.....	c. y.	807,860	0.42	339,300	
	Earth fill.....	c. y.	2,282,560	0.90	2,056,310	
	Rock fill.....	c. y.	49,500	1.00	49,500	
	Stripping.....	c. y.	312,110	0.65	202,880	
	Trimming.....	s. y.	191,370	0.25	47,840	
	Sodding.....	s. y.	17,000	0.45	7,650	2,683,480
	(b) Robinson Bay Lock to Grass River—					
	Earth fill.....	c. y.	669,270	0.42	281,090	
	Earth fill.....	c. y.	357,250	0.60	214,350	
	Rock fill.....	c. y.	145,510	0.65	95,240	
	Stripping.....	c. y.	167,010	0.25	41,750	
	Trimming.....	s. y.	22,000	0.45	9,900	
	Sodding.....	s. y.	13,880	11.00	152,680	795,000
	Paving—concrete.....	c. y.				
	(c) Rock fill guide dyke below Grass River Lock—					
	Rock fill.....	c. y.	63,000	2.00	126,000	126,000
4	Guard Gate and Supply Weir above Robinson Bay Lock—					
	Concrete.....	c. y.	4,520	12.00	54,240	
	Concrete.....	c. y.	38,080	10.00	380,800	
	Foundation contingency.....				5,400	
	Cribwork.....	c. y.	41,720	5.00	208,600	
	Excavation—earth.....	c. y.	39,240	0.65	25,510	
	trench.....	c. y.	3,310	3.10	10,260	
	Sheeting and bracing.....	M. F. B. M.	59	110.00	6,490	
	Lock gates, operating machinery, etc.....				149,000	
	Sluice gates, hoists, etc.....				33,800	874,120
5	Robinson Bay Lock—Entrance piers and weir—					
	Concrete.....	c. y.	305,920	10.00	3,059,200	
	Concrete.....	c. y.	114,600	15.00	1,719,000	
	Cribwork.....	c. y.	84,300	5.00	421,650	
	Excavation—earth.....	c. y.	878,530	0.65	571,040	
	Lock gates and operating machinery.....				801,000	
	Lock valves and operating machinery.....				100,000	
	Emergency gate.....				175,000	
	Fenders, capstans, lighting equipment, etc.....				206,700	
	Sluice gates, hoists, etc.....				52,690	7,106,580
6	Regulating weir at Robinson Bay—					
	Concrete.....	c. y.	13,200	12.00	158,400	
	Concrete.....	c. y.	22,190	10.00	221,900	
	Foundation contingency.....				15,840	
	Excavation—Rock footings.....	c. y.	2,970	2.40	7,130	
	Rock trench.....	c. y.	450	4.10	1,850	
	Earth.....	c. y.	348,360	.65	226,430	
	Unwatering.....				35,650	
	Sluice gates, hoists, etc.....				30,800	698,000

GREAT LAKES-ST. LAWRENCE BASIN

(A) WORKS SOLELY FOR NAVIGATION—(27 FT. DEPTH)—Continued

(ii) LOWER POOL—OPPOSITE BARNHART ISLAND—Continued

No.	Item	Unit	Quantity	Rate	Amount	Total
7	Grass River Lock and Entrance Piers—					
	Concrete.....	c. y.	351,060	10.00	\$3,510,600	
	Excavation—earth.....	c. y.	1,296,950	.65	843,020	
	Cribwork.....	c. y.	76,050	5.00	380,250	
	Lock gates and operating machinery.....				845,600	
	Lock valves and operating machinery.....				100,000	
	Fenders, capstans, lighting equipment, etc.....				206,700	
						\$5,886,170
8	N. Y. C. Rly. Diversion and bridges.....				1,308,000	1,308,000
9	Canal lighting and office.....				16,000	16,000
10	Clearing pool—					
	Clearing.....	acre	150	100.00	15,000	15,000
11	Roads—					
	Diversion.....	Mile	1.25	30,000	37,500	
	Improvements.....	Mile	2.75	3,000	8,250	
	New.....	Mile	2.40	30,000	72,000	117,750
12	Property damages—Lower Pool—					
	Flowage.....				330,330	
	Severance.....				266,600	
13	Engineering and Contingencies.....			25%		596,930
						6,216,270
14	Total (27 ft. depth).....					31,081,000

(B) WORKS PRIMARILY FOR POWER

(i) STRUCTURES, HEAD AND TAILRACE EXCAVATION

1	Tailrace Excavation—						
	(a) Tailrace—						
	Excavation—dry earth.....	c. y.	3,868,300	0.65	\$2,514,400		
	dry rock.....	c. y.	327,320	1.60	523,710		
	dredging.....	c. y.	844,560	0.90	760,100		
						3,798,210	
	Credit for rock excavation.....					327,320	
							\$3,470,890
	(b) Crab Island Shoal—						
	Excavation—dredging.....	c. y.	1,284,930	0.90	1,156,440		
	overdepth.....	c. y.	178,000	0.90	160,200		
						1,316,640	
2	Ice Sluices and Walls at Powerhouse—						
	Concrete.....	c. y.	169,130	12.00	2,029,560		
	Concrete.....	c. y.	115,050	10.00	1,150,500		
	Foundation contingency.....				202,960		
	Excavation—earth.....	c. y.	214,030	0.65	139,110		
	rock footing.....	c. y.	23,920	2.40	57,410		
	Sluice gates, hoists, etc.....				133,600		
						3,713,140	
3	Powerhouse Structures—						
	Concrete in substructures.....	c. y.	1,209,360	15.00	18,140,400		
	Superstructures.....				3,880,010		
	Gates and racks.....				3,594,090		
	Unwatering.....				1,943,500		
Excavation—earth.....	c. y.	1,135,850	0.65	738,300			
	dry rock.....	c. y.	235,510	1.60	376,820		
						28,663,120	
	Credit for rock excavation.....				235,510		
						28,427,610	
4	Railway Connection to Powerhouse.....					250,000	
5	Engineering and Contingencies.....			25%		9,297,720	
6	Total.....					46,476,000	

GREAT LAKES-ST. LAWRENCE BASIN

(B) WORKS PRIMARILY FOR POWER—Continued

(ii) MACHINERY AND EQUIPMENT

No.	Item	Unit	Quantity	Rate	Amount	Total
1	Machinery and Equipment— Generators and turbines				\$31,069,260	\$40,263,520
	Switching				8,695,780	
	Cranes and service units				498,480	
2	Engineering and contingencies			25%		10,064,480
3	Total					50,328,000

(C) WORKS COMMON TO NAVIGATION AND POWER

1	Channel excavation— (a) Chimney Point— Excavation—wet rock	e. y.	180,500	4.25	\$767,130	\$996,800
	dredging	e. y.	255,190	0.90	229,670	
	(b) Removal of Spencer Isd. pier— Excavation	e. y.	123,950	1.50	185,930	185,930
	(c) Removal of Gut Dam— Excavation	e. y.	44,640	1.50	66,960	66,960
	(d) Removal of center wall Locks 27 and 25 and Canal Bank— Excavation—Masonry and cribwork	e. y.	14,630	1.60	23,410	186,310
	Dredging	e. y.	181,000	0.90	162,900	
	(e) North Galop Channel to below Bay- craft Island— Excavation—dry earth	e. y.	2,839,980	0.65	1,845,980	5,171,470
	dry rock	e. y.	224,540	1.60	359,260	
	dredging	e. y.	2,197,000	0.90	1,977,300	
	wet rock	e. y.	232,690	4.25	988,930	
	(f) South Galop Channel—from Butter- nut Isd. to south of Baycraft Isd.— Excavation—dry earth	e. y.	464,610	0.65	302,000	6,244,080
	dry rock	e. y.	2,620,530	1.60	4,192,850	
	dredging	e. y.	362,520	0.90	326,270	
	Unwatering—incl. banks				1,422,960	
	(g) South of Baycraft Isd. to below Lotus Isd.— Excavation—dry earth	e. y.	416,030	0.65	270,420	3,117,800
	dry rock	e. y.	289,670	1.60	463,470	
	dredging	e. y.	2,648,780	0.90	2,383,910	
	(h) South of Lalone Isd.— Excavation—dry earth	e. y.	289,200	0.65	187,980	609,100
	dry rock	e. y.	263,200	1.60	421,120	
	(i) Sparrowhawk Point— Excavation—dredging	e. y.	3,004,090	0.90	2,704,040	3,673,050
	dry earth	e. y.	1,490,790	0.65	969,010	
	(j) Galop Canal Bank, Presqu'isle and Toussaints Isd.— Excavation—dredging	e. y.	2,557,600	0.90	2,301,840	2,512,940
	dry earth	e. y.	324,770	0.65	211,100	
	(k) Point Three Points— Excavation—dredging	e. y.	3,412,500	0.90	3,098,330	3,782,210
	dry earth	e. y.	1,032,130	0.65	683,880	
	(l) Leishman's Point and Opposite Leish- man's Point— Excavation—dredging	e. y.	1,719,620	0.90	1,547,660	2,570,340
	dry earth	e. y.	1,582,580	0.65	1,028,680	
	(m) North and South side of Ogden Island— Excavation—dredging	e. y.	1,400,780	0.90	1,260,700	4,039,970
	dry earth	e. y.	3,814,700	0.65	2,479,590	
	dry rock	e. y.	65,490	1.60	104,780	
	Unwatering				194,930	

(C) WORKS COMMON TO NAVIGATION AND POWER—Continued

No.	Item	Unit	Quantity	Rate	Amount	Total	
1	Channel excavation—Concluded.						
	(n) Morrisburg Canal Bank and Canada Island—						
		Excavation—dredging.....	c. y.	1,364,930	0.90	\$1,228,440	
		dry earth.....	c. y.	201,300	0.65	130,850	
		masonry.....	c. y.	13,770	1.60	22,030	
		Riprap.....	c. y.	5,180	2.70	13,990	
		Brought forward.....					\$1,395,310
		(o) North side of Cornwall Island—					\$4,558,270
		Excavation—dry earth.....	c. y.	800,000	0.65	520,000	
		dredging.....	c. y.	634,560	0.80	507,650	
		(p) South side of Cornwall Island—					1,027,650
		Excavation—dry earth.....	c. y.	618,270	0.65	401,880	
		dredging.....	c. y.	3,150,370	0.80	2,520,300	
		(g) Engineering and Contingencies.....					25%.....
		(r) Total.....					48,136,000
2	Ice Cribs above Prescott and above Galop Isd.—						
	(a) Cribs, booms and rock fill—						
		Cribwork.....				200,000	
		Booms.....				45,000	
		Rock fill.....				281,000	
	(b) Engineering and Contingencies.....					25%.....	
	(c) Total.....					526,000	
						130,000	
						656,000	
3	Iroquois Point Dam—						
	(a) Dam—						
		Concrete.....	c. y.	91,340	16.00	1,461,440	
		Concrete.....	c. y.	22,450	12.00	269,400	
		Concrete.....	c. y.	6,470	10.00	64,700	
		Foundation contingency.....					173,080
		Excavation—Earth.....	c. y.	37,890	19.00	719,910	
		Rock.....	c. y.	7,060	27.00	190,620	
		Earth.....	c. y.	69,920	0.90	62,930	
		Rock fill.....	c. y.	234,550	2.00	469,100	
		Gates, bridges, etc.....					682,200
		Placing caissons.....					780,000
		(b) Engineering and Contingencies.....					4,873,380
		(c) Total.....					2,436,620
							7,310,000
4	Dykes—						
	(a) North and South end of Iroquois Pt. Dam—						
		Earth fill.....	c. y.	83,720	0.90	75,350	
		Rock fill.....	c. y.	6,790	1.00	6,790	
		Stripping.....	c. y.	16,500	0.65	10,730	
		(b) U. S. Shore-Wilson Hill to Louisville Landing—					92,
		Earth fill.....	c. y.	558,640	0.90	500,980	
		Rock fill.....	c. y.	50,120	1.00	50,120	
		Stripping.....	c. y.	106,400	0.65	69,160	
		(c) West and East of Massena Canal—					620,260
		Earth fill.....	c. y.	1,843,600	0.90	1,659,240	
		Rock fill.....	c. y.	185,990	1.00	185,990	
		Stripping.....	c. y.	231,920	0.65	150,750	
		(d) Between Massena Canal and Navigation Canal—					1,995,980
		Earth fill.....	c. y.	478,660	0.90	430,800	
	Rock fill.....	c. y.	29,510	1.00	29,510		
	Stripping.....	c. y.	72,170	0.65	46,910		
	(e) East and West of Long Sault Dam—					507,220	
	Earth fill.....	c. y.	339,530	0.90	305,580		
	Rock fill.....	c. y.	48,840	1.00	48,840		
	Stripping.....	c. y.	32,360	0.65	21,030		
						375,450	

(C) WORKS COMMON TO NAVIGATION AND POWER—Continued

No.	Item	Unit	Quantity	Rate	Amount	Total
4	Dykes—Concluded.					
	(f) Canadian side—					
	Earth fill.....	c. y.	4,212,180	0.90	\$3,790,960	
	Rock fill.....	c. y.	583,330	1.00	583,550	
	Stripping.....	c. y.	392,820	0.65	255,330	\$4,629,840
	(g) On Barnhart Island—					
	Earth fill.....	c. y.	1,578,480	0.90	1,420,630	
	Rock fill.....	c. y.	126,600	1.00	126,600	
	Stripping.....	c. y.	201,590	0.65	131,030	1,678,260
	(h) Engineering and contingencies.....			25%		2,474,120
	(i) Total.....					12,374,000
5	Supply channel and weir at Massena—					
	(a) Supply channel and weir—					
	Concrete.....	c. y.	28,260	12.00	339,120	
	Concrete.....	c. y.	66,410	10.00	664,100	
	Foundation contingency.....				33,910	
	Excavation—rock footing.....	c. y.	5,400	2.40	12,960	
	rock trench.....	c. y.	650	4.10	2,660	
	earth.....	c. y.	988,540	0.65	642,550	
	dredging.....	c. y.	46,000	0.90	41,400	
	Concrete paving.....	c. y.	6,550	11.00	72,050	
	Gates, bridges, hoists, etc.....				82,100	1,890,850
	(b) Engineering and contingencies.....			25%		472,150
	(c) Total.....					2,363,000
6	Diversion cut through Long Sault Island—					
	(a) Diversion cut—					
	Excavation—dry earth.....	c. y.	2,172,420	0.65	1,412,070	
	dry rock.....	c. y.	29,110	1.60	46,580	
	dredging.....	c. y.	317,500	0.90	285,750	
	Concrete paving.....	c. y.	28,270	11.00	310,970	2,055,370
	(b) Engineering and Contingencies.....			25%		513,630
	(c) Total.....					2,569,000
7	Main Long Sault Dam—					
	(a) Dam—					
	Concrete.....	c. y.	709,070	12.00	8,508,840	
	Concrete.....	c. y.	81,290	10.00	812,900	
	Foundation contingency.....				850,880	
	Excavation—earth.....	c. y.	1,402,490	0.65	911,620	
	rock footings.....	c. y.	116,200	2.40	279,020	
	rock trench.....	c. y.	530	4.10	1,640	
	Gates, towers, hoists, etc.....				978,300	
	Unwatering.....				3,700,000	16,043,200
	(b) Engineering and Contingencies.....			25%		4,011,800
	(c) Total.....					20,055,000
8	Guard Gate, 14 ft. Lock and Weir at Maple Grove—					
	(a) Lock, entrance piers, and weir—					
	Concrete.....	c. y.	98,340	10.00	983,400	
	Cribwork.....	c. y.	40,870	5.00	204,350	
	Excavation—earth.....	c. y.	859,600	0.65	558,740	
	earth trench.....	c. y.	5,790	4.00	23,160	
	Sheeting and bracing.....				15,950	
	Lock gates, sluice gates, hoists, etc.....				314,000	2,069,600
	(b) Engineering and Contingencies.....			25%		524,400
	(c) Total.....					2,624,000
9	14 ft. Lock and Dykes at Iroquois—					
	(a) Lock—					
	Concrete.....	cu. yd.	19,140	10.00	191,400	
	Excavation—earth.....	cu. yd.	78,100	0.65	50,770	
	Earth fill.....	cu. yd.	162,040	0.90	145,840	
	Rock fill.....	cu. yd.	13,650	1.00	13,650	
	Stripping.....	cu. yd.	31,630	0.65	20,560	
	Lock gates, etc.....				60,000	482,230
	(b) Engineering and contingencies.....			25%		121,780
	(c) Total.....					604,000

(C) WORKS COMMON TO NAVIGATION AND POWER—Continued

No	Item	Unit	Quantity	Rate	Amount	Total
10	Railroad relocation—					
	(a) Norwood and St. Lawrence Rly.....				\$307,500	
	(b) Canadian National Rly.....				2,750,000	
	(c) Engineering and contingencies.....			25%		\$2,957,500
	(d) Total.....					738,500
						3,696,000
11	Clearing Pool—					
	(a) U. S. side.....				359,000	
	(b) Can. side.....				55,000	
	(c) Engineering and contingencies.....			25%		414,000
	(d) Total.....					104,000
						518,000
12	Rehabilitation of Morrisburg.....					5,024,000
13	Rehabilitation of Iroquois.....					3,379,000
14	Acquisition of land, etc., U. S. side.....					4,657,000
14	Acquisition of lands, etc., Can. side.....					14,011,000
16	Highway relocation—					
	(a) U. S. shore.....				549,500	
	(b) Can. shore.....				1,700,000	
	(c) Engineering and contingencies.....			25%		2,249,500
	(d) Total.....					562,500
						2,812,000

Mr. BERLE. I take the liberty of observing that some of the figures, including the final figures, differ rather widely from certain of the figures which have been freely talked about in some places.

If the committee will bear with me I think perhaps it may be interesting to spend a few moments on the long history of this project.

The CHAIRMAN. We will be glad to have you do so, sir.

Mr. BERLE. In 1895 an international commission was created to examine the feasibility of a ship canal from the Great Lakes to the Atlantic Ocean. That committee considered or had to consider the deepening of the existing St. Lawrence Canal, which as you know is a century old and is in operation. That commission reported unanimously in favor of it and, accordingly, in 1897 the United States created a Board of Engineers and that commission reported on June 30, 1900, in favor of a 21-foot waterway on American territory.

This was in 1900 when ships were not as large as they are now.

In 1905 an International Waterways Commission was created and that Commission reported periodically on various subjects, including various phases of this.

On January 21, 1920, the American and Canadian Governments created an International Joint Commission under the Boundary Waters Treaty of 1909. That Commission considered the question of the improvement of the St. Lawrence for navigation and for hydroelectric power.

The CHAIRMAN. We will proceed for 15 minutes. Proceed, then, Mr. Berle.

Mr. BERLE. Thank you, sir. We got as far as the commission of 1920, which reported in 1921; and in 1924 a St. Lawrence commission was appointed to consider the whole question. It is interesting to note that Mr. Herbert Hoover was chairman of that commission.

In 1924, likewise, Canada appointed a national advisory commission for like purposes. And in that same year we designated three

representatives to serve on the joint engineering board with the Canadian Government.

In 1926 the joint board of engineers reported back to the two Governments, and that report was unanimous; but there was then the beginning of the controversy as to whether you should have a two-stage or a single-stage form.

On April 9, 1932, the joint board of engineers was reconvened and made another report on the subject, and specifically on the International Rapids section, with which this agreement practically deals. And on July 18, as you know, the Treaty of 1932 was signed.

Since that time, aside from some reports, one in 1933 and another on January 10, 1934, the matter continued a subject of discussion by both Governments, but without definite action, until, on May 28, 1938, a draft of a probable new treaty or agreement was submitted to the Canadian Minister in Washington. Negotiations then continued more or less actively, and on March 14, 1940, by notes, exchange of notes, the joint international committees reestablished this report as it has been put in the record.

On January 3, the report which is in the record was made, and on March 19, 1941, an agreement was signed between Canada and the United States, providing for the utilization of this water. This agreement was sent by the President to the Congress of the United States on March 21, 1941, and that is the agreement in respect of which H. R. 4927 proposes approval.

On that point I should like to add that the agreement, by its terms, will go into force when it is approved by the legislative bodies of the two countries. That is to say, by the Congress of the United States and by the Parliament of the Dominion of Canada, respectively.

The question was very carefully considered as to whether or not it was legal to proceed by an agreement, and I should like to read into the record the opinion of the Attorney General obtained on that point. Without trying to read a lengthy legal argument, let me perhaps ask that it be inserted in the record. It consists of the letter of the Secretary of State to the Attorney General, dated March 13, 1941, and the question asked is:

I should appreciate it if you would advise me whether you agree that the arrangement may be effectuated by an agreement signed under the authority of the Executives of the two countries and approved by legislative enactments by the Congress and the Canadian Parliament.

That question submitted by Secretary Hull was accompanied by a memorandum of the Legal Adviser of the Department of State, Mr. Green Hackworth, setting forth his views.

The Attorney General answered, and the answer, perhaps, may be read into the record:

MY DEAR MR. SECRETARY: I have your letter of March 13 and concur in the conclusion reached by your Legal Adviser that it is legally unobjectionable so far as this country is concerned for the Executives of the United States and Canada to enter into an agreement regarding the Great Lakes-St. Lawrence deep waterway project conditioned for its effectiveness upon the subsequent enactment of necessary legislation by the Congress and by the Canadian Parliament.

If an agreement is executed and approved in this manner, its provisions would be binding upon the United States as respects Canada.

As you are aware, in Canada that kind of procedure, of course, has the same force as the ratification of a treaty.

(The documents referred to are in full as follows:)

GREAT LAKES-ST. LAWRENCE WATERWAY PROJECT

Correspondence between the Secretary of State and the Attorney General on the Great Lakes-St. Lawrence waterway project follows.

The Secretary of State to the Attorney General

MARCH 13, 1941.

MY DEAR MR. ATTORNEY GENERAL: I enclose for your consideration a memorandum prepared by the Legal Adviser of this Department, together with a copy of a proposed agreement between the United States and Canada regarding the Great Lakes-St. Lawrence Deep Waterway Project. It is hoped that an agreement may be signed within the next few days.

I should appreciate it if you would advise me whether you agree that the arrangement may be effectuated by an agreement signed under the authority of the Executives of the two countries and approved by legislative enactments by the Congress and the Canadian Parliament.

Sincerely yours,

CORDELL HULL.

[Enclosure]

Memorandum by the Legal Adviser of the Department of State

For several years the United States and Canada have had under consideration the feasibility of a joint undertaking for the improvement of the Great Lakes-St. Lawrence Basin so as to make these waters available to seagoing vessels, the development of hydroelectric power, etc. The Legal Adviser of the Department of State, in a memorandum dated February 10, 1939, expressed the opinion that an arrangement between the United States and Canada concerning the project could be effected by a simple agreement between the two countries and approval of the agreement by legislation in the United States and in Canada. The negotiations have progressed to the point where an agreement is about ready to be signed, but before proceeding to signature it is thought desirable to ascertain whether the Attorney General concurs in the view that the purposes may be accomplished in this fashion.

It is not necessary here to enter into a discussion of the treaty-making power or of the power of the President to enter into executive agreements with foreign countries. It is sufficient to say that a very large number of such agreements on various subjects have been entered into from time to time throughout the history of this country. Some of them have been specifically authorized by acts of Congress; others, though not specifically authorized, have been within the framework of acts of Congress; and still others have been concluded without enabling legislation on the subject.

Following the failure of the Senate to approve a treaty for the annexation of Texas, the annexation was accomplished by a joint resolution approved on March 1, 1845 (5 Stat. 797), after passage by a simple majority vote of the two houses of Congress. Likewise, in the case of Hawaii, a treaty of annexation had been signed on June 16, 1897, and approved by the Hawaiian Legislature, but there was not sufficient support in the United States Senate to obtain approval by a two-thirds vote. Thereafter Congress passed a point resolution to accomplish the same purpose, which was approved July 7, 1898 (30 Stat. 750).

Of interest in this connection is action by Congress with respect to the construction of bridges across the international boundary—United States and Canada, subject to similar authorization by Canada. For example, Public Resolution No. 117, 75th Congress, 3d session, created the Niagara Falls Bridge Commission and authorized it to construct and operate bridges across the Niagara River, subject to "the approval of the proper authorities in the Dominion of Canada." (52 Stat. 767.)

On November 11, 1927, President Coolidge issued a presidential license to the Detroit-Ontario Subway, Inc., authorizing the company to construct, op-

erate, and maintain a tunnel from a point in or near Brush or Randolph Street in the City of Detroit to a point on the international boundary line under the Detroit River. It is understood that corresponding authorization was given on the part of Canada by an Order in Council.

The improvement of the Great Lakes-St. Lawrence Basin for navigation and other purposes would seem clearly to fall within the commerce clause of the Constitution, giving the Congress the authority to regulate interstate and foreign commerce. Where the undertaking with respect to interstate and foreign commerce involves boundary waters over which this country does not have exclusive jurisdiction, there would seem to be no reason why the Congress should not within its Constitutional power enact legislation, contingent upon a like legislative enactment in the other country, signifying its approval of a joint undertaking signed by both Governments. The signing of an agreement by the two Governments would be but a convenient way of bringing about in advance of legislative enactments a joint understanding by the two Governments on a complicated question which could hardly be handled without such advance understanding. The agreement would contain provisions which might otherwise be incorporated in a treaty, but would not take the treaty form or follow the treaty process. It would not constitute a binding international agreement until Congress and the Canadian Parliament had indicated their approval.

GREEN H. HACKWORTH.

The Attorney General to the Secretary of State

MARCH 14, 1941.

MY DEAR MR. SECRETARY: I have your letter of March 13 and concur in the conclusion reached by your Legal Adviser that it is legally unobjectionable so far as this country is concerned for the executives of the United States and Canada to enter into an agreement regarding the Great Lakes-St. Lawrence Deep Waterway project conditioned for its effectiveness upon the subsequent enactment of necessary legislation by the Congress and by the Canadian Parliament.

If an Agreement is executed and approved in this manner, its provisions would be binding upon the United States as respects Canada.

Respectfully,

ROBERT H. JACKSON.

The problem as to whether this would be submitted in the form of an agreement or in the form of a treaty was a problem which engaged the most careful consideration of the Department of State.

This agreement differs from many treaties in that the effect of it is quite as great in terms of domestic matters as in terms of foreign affairs. It differs, for instance, from the kind of treaty which one might make, as for instance, a treaty of alliance or a treaty regarding arms limitation, or things of that kind. It accordingly agreed that, in view of the fact that the issues were very largely domestic, the considered opinion of the House of Representatives as well as of the Senate was advisable and desirable and that it was only fair that it should be submitted also to that tribunal.

I should like to add that that form of submission of agreement is in no way unusual in our history. The Texas agreement has been already adverted to here. One could cite a very, very long list of other precedents which I do not care to do here by reference unless someone is interested in that point. But I might note, among others, that there was a legislative authorization of agreement relating to reciprocal reductions of duties more than 30 years ago, and that this procedure was declared constitutional by the Supreme Court of the United States in the case of *Altman v. United States* (224 U. S. 583, especially page 600). That under like congressional approval an agreement was entered into by which the United States entered the Inter-

national Labor Office in 1934; and that by like congressional authority agreements were entered into relating to the limitation of supplying arms to belligerent countries in this hemisphere.

An agreement on that point was upheld by the Supreme Court of the United States in what is, I suppose, the classic case on Executive power, *United States v. Curtiss Wright Co.* (299 U. S., 304).

Mr. BELL. Pardon me, Mr. Berle, 299 U. S.?

Mr. BERLE. 299 U. S. 304, which exempts such Executive power.

For those who have a real scholarly interest in the question and are interested in a thorough statement of it, which I profess myself both unable to make and I think probably none of us would care to take the time, I should like to refer to the authoritative work on the subject which is a book entitled, "International Executive Agreements," by Dr. Wallace McClure, published by the Columbia University Press, 1941, which takes in all of the long history beginning even in the days of the Continental Congress, and coming down to substantially the day of the date of these presents.

Mr. GAVAGAN. What is the name of it, Mr. Secretary?

Mr. BERLE. It is called International Executive Agreements, by Dr. Wallace McClure.

Mr. GAVAGAN. Yes.

Mr. BERLE. I merely mentioned this to indicate that this is not a new and casual idea. It is a thing which has been repeatedly done, and the United States Department of State functions now under a considerable number of agreements of that kind. One of them, for instance, the Finnish debt settlement, is familiar to you all, and the reciprocal-trade agreements, of course, have been a part of the history of the past 8 years.

In view of the fact, accordingly, that the primary considerations were domestic, it seemed fair to the United States to submit this as an agreement. It hardly seemed—

Mr. CARTER. Pardon me, Mr. Berle. We have news fresh from the front. The Interior Department bill will not come on this afternoon; it has been postponed until Thursday. The clerk of the committee just sent me word.

The CHAIRMAN. Then we will proceed in our usual way.

Mr. BERLE. I propose to close this phase of the subject by saying that it did seem that in an issue of this size and of this importance, it was hardly fair to place in the hands of the minority of one house the ultimate decision on a measure of very great importance to the entire country. For that reason the agreement form was selected, and it is in that form that it is here.

Speaking to the aspect of foreign relations, I should like to make merely a few observations, and then submit myself to such questioning as you care to do within my limited capacity to answer.

While this agreement was in course of negotiation, it became obvious that the defense effort of Canada and of the United States would have to be a coordinated defense effort. Specifically, a joint Canadian-American defense commission has been constituted and the staff exchanges took place, so that in terms of defense we had gone very far toward the road of parallel action.

During that same period it likewise became clear that the industrial effort would have to be coordinated, and the final development on that

subject came even after this agreement was signed, though not very long after it, and appeared in the famous Mackenzie King-Roosevelt communique of a few weeks ago. In a word, it became apparent that the development of the resources along the border could not be considered as merely for the advantage of one country or another, but that these resources would have to be used jointly by both countries for the common preparation of what might become a common defense.

To us in the State Department that question was still further accentuated by the state of occurrences which likewise have occupied some of the time of the Congress of the United States quite recently.

Specifically, the threatened shortage of power to which Secretary Stimson referred began to cast its shadow ahead. The Office of Production Management opened negotiations with the State Department and with the Federal Power Commission and requested us to find more power in that area. Their reason for wishing it could be better stated by the O. P. M. men themselves, who, I am told, will testify on that point. But a very large part of chemical and ferroalloy industries in the Niagara region needed more power, and at the same time the St. Lawrence section likewise needed more power if they were to meet the increased schedules. We were accordingly requested to see whether additional power could not be got in that area.

Under the boundary waters treaty of 1909 a division of the water has been reached, and it was agreed that only limited diversion should be made by each side. And all of those were already being used. Accordingly, we first made it possible for Canada to divert additional water over and above her allowance under the treaty of 1909 to meet the first onslaught of the present need. Later we increased the diversion which she could take and likewise got authority to divert additional water, ourselves. This by negotiation.

We have already been forced to give notice to the Canadians, and likewise to the authorities here, that we will within the next few weeks ask for another diversion of 7,500 feet out of Niagara; and, so far as we are aware, when that diversion is complete we shall have made full use of all the power there available. Subject to a limited amount of improvement which I am told is now going on on the Canadian side, when those resources are taken up we have come to the end of the road.

Nevertheless, we already do not have sufficient power to take care of the defense industries on the American side of the St. Lawrence, and we are at this moment borrowing power from the Canadians, who sorely need it themselves, as a part of the cooperative arrangement; but they have indicated very plainly that as their new defense plants go into action they will need that power for themselves. And we shall have to go into still further makeshifts if we are to maintain the present level, let alone increase it.

Perhaps that gives some of the background of the threatened shortage to which Secretary Stimson refers. As the new plants which are building and the new capacity which has been created go into action on our side of the river, we shall have to use not only all the water we are permitted to take but all the additional water there is under a temporary modification of the boundary waters agreement with Canada, approved only recently by the United States Senate; and we shall still be short, both for their needs and for our own.

Under these circumstances it is plain that we have no option save to seek the largest additional amount of power that we can where we can.

I should like to say that it is out of my jurisdiction, but this is without the slightest prejudice to certain additional resources of power in other parts of the country, which I am informed the Power Commission has been actively working on in the past few days, and in respect of which Mr. Leland Olds will be quite prepared to testify. Put concisely, it is not a question of this power as against some other power. It appears to be a question of needing all the power we can get, whether it be in Canada or in Arkansas; whether it be in the St. Lawrence or in the West.

At the same time, the problem was taken up as to the seaway. I should like to point out that in that regard the agreement makes a provision which I think perhaps might be borne in mind in this respect. Of the immediate necessity for developing power, both Governments were convinced by the most pressing of evidences and the most immediate of urgent necessities. As to the seaway, it was agreed that only the development of events could furnish a final answer. By consequence, the agreement provides that the seaway should be completed by the year 1948, but that the governments would continue in consultation as to the development of affairs, with a view either to accelerating that construction or deferring that construction, as the opinion of their respective governments particularly informed about defense needs might require.

Under these circumstances, we considered that the agreement had protected the obvious and present needs for power which was apparent and had taken care of the seaway which we ourselves, and which I myself eventually believe to be needed now, but had provided necessary loopholes in the event that some problem of priority or otherwise might call for its delay.

I should like to state that up to this point nothing has appeared which would indicate that the delay would be desirable, and many considerations have been adduced which would indicate that the construction of it should be promptly made.

I think that, so far as the strict State Department phases of this matter are concerned, that this covers the operative questions. I think perhaps the balance of the matter can be best developed in the questions which I know are to be asked.

I cannot refrain from commenting on one point which was raised in connection with Secretary Stimson's testimony, the problem of the defense of the Canal. The joint Canadian-American Defense Commission has charge, of course, of defending the entire border. It has had to make special arrangements for the defense of various parts of the Canadian waterways for, as you gentlemen are quite aware, the Canadian-St. Lawrence Waterway exists, except for a small sector of 47 miles, and that waterway being in use, has to be defended along with the rest of the continental United States and the railways which run through that territory and which are of equal importance. By consequence, I think it can be said that the problem of the defense of the Canadian-American waterway, as it now exists, which would include the defense of the St. Lawrence-International Rapids section, is already being dealt with.

In connection with that, it is also necessary to deal with one of the largest aluminum plants in the United States, at Massena, N. Y., which is in that area now, and with the other defense industries which likewise require equal defense. Unless it is assumed that we are to abandon one of our primary industrial defense regions to an enemy, which runs right along this route, the defense of that area has to be assumed.

We are likewise, as you know, obligated by declaration and policy to share in the defense of Canada as a vital necessity to the defense of the United States. In consequence the proposed waterway and power development lie within an area which this Government is already committed to defend and which in any event it would have to defend in simple consideration of its own safety.

The construction of the St. Lawrence waterway imposes no new obligations other than those presently employed in the defense of Canada, the defense of the existing waterway, the defense of the essential railroads which run through this territory, and the defense of the supremely essential war plants which are already there.

With that, plus the addition that my Department earnestly hopes that this agreement may be promptly and favorably acted upon, perhaps let me close and submit myself to questions.

The CHAIRMAN. Mr. Berle, it is now nearly half past 12. I suggest that we might adjourn now until 2 o'clock.

Mr. BERLE. With pleasure.

The CHAIRMAN. Without objection, we will adjourn until 2 o'clock. (Whereupon, at 12:25 p. m., a recess was taken until 2 p. m.)

AFTERNOON SESSION

(The committee reassembled, pursuant to the taking of a recess, at 2 p. m., Hon. Joseph J. Mansfield, chairman, presiding.)

STATEMENT OF ADOLF A. BERLE, JR., ASSISTANT SECRETARY OF STATE—Resumed

The CHAIRMAN. Now, Mr. Berle, I believe you had finished your main statement. Can you explain to us briefly, or in full, if necessary, what are the differences in many of the terms of this agreement now embraced in this bill with Canada and the treaty which was voted on in 1934?

Mr. BERLE. The first and the greatest difference is that it provides for a single-stage dam instead of for two dams. Strictly speaking, as General Robins can explain better than I, instead of having two distinct dams, you have one, with a small control dam further up the river to control the flow.

The second is that we endeavored to deal with a problem which has had a good deal of discussion, namely, the so-called Chicago diversion.

We provided that in the event that there should be diversion, under proper authority, that the problem of such a diversion should be referred to arbitration and appropriate compensation or remedy awarded. This is a general provision and in terms applies equally to any diversion by the United States or to any diversion by Canada, but in practice and in geography the only diversion that is really pos-

sible or that has been discussed at all is a possible diversion from Lake Michigan out of Chicago.

The CHAIRMAN. Now, the only diversions for navigation are the ones that occur at Chicago and the Erie Canal.

Mr. BERLE. I do not think that there is any great amount of diversion for the Erie Canal. There may be a very small amount of water diverted there.

Mr. CARTER. Mr. Chairman, I think that that water is returned to the Lakes.

Mr. BERLE. It is returned to Lake Ontario.

Mr. CARTER. It is returned later.

The CHAIRMAN. It is returned to the watershed.

Mr. BERLE. Yes.

The CHAIRMAN. It is not returned to Lake Erie, but is returned to Lake Ontario; but the water taken out at Chicago goes to the Gulf, of course.

Mr. BERLE. The water taken out at Chicago is not.

The third main difference is that this agreement likewise deals with and provides for the development and beautification of Niagara Falls, which likewise is an item that is on the minds of a great many of us.

The CHAIRMAN. Now, you spoke this morning of additional diversions for power purposes at Niagara Falls, both by Canada and by the United States. Would that interfere in any way with the beauty of the falls?

Mr. BERLE. If that were continued, sir, it would. Only the presence, sir, of a great emergency really leads us to do that. Those agreements are there limited in time. They expire, if I recall correctly, or rather the one that has been made, expires on October 1, 1942, subject to review in the event the emergency still continues, which shows what we thought of it. We could end that situation, were this agreement to go through, because in that case you could build the necessary compensatory works storing the power and creating a greater head further down and thereby getting the power without the diversion of the water. As it stands now it would ultimately impair the Falls. We should never think of these diversions, I may say, as permanent for that reason, because in times of emergency you do what you can while you can, and frankly one of the reasons that made us willing to do that, aside from the necessity, was the hope, and I trust the well-founded hope, that this agreement would pass and we could then get to work on building the necessary works so that this kind of diversion would no longer be necessary.

The CHAIRMAN. Mr. Carter, do you have any questions?

Mr. CARTER. Yes. The treaty has been referred to. The treaty was rejected by the Senate.

Mr. BERLE. Yes, sir.

Mr. CARTER. With whom was that treaty made?

Mr. BERLE. That treaty was made between the Government of the United States and the Dominion of Canada.

Mr. CARTER. Was it not with Great Britain at that time?

Mr. BERLE. Well, the formal title, the formal title both then, and I guess now, is the King of Great Britain, in respect to Canada. That, however, is as you know, part of the symbolism.

Mr. CARTER. But Canada at that time was not on diplomatic relations with us?

Mr. BERLE. I think it was; yes.

Mr. CARTER. Action taken or adopted by the various branches of the British Association of Nations was approved in 1925 and since that time Canada has transacted business virtually as an independent nation.

Mr. BERLE. I think, sir, our own legation was established there in 1926 and theirs here at the same time—it was 1927. I beg your pardon.

Mr. CARTER. What is the answer to the question, with whom was the treaty made?

Mr. BERLE. The treaty was made with the Dominion of Canada.

Mr. CARTER. With whom was that agreement made?

Mr. BERLE. The treaty likewise was made with the Dominion of Canada.

Mr. CARTER. You mean the agreement.

Mr. BERLE. The agreement. I do not know whether I accurately get the point of your question. As you know, the Statute of Westminster, which gives the substance of the sovereign power to the Dominion of Canada is a peculiar British creation. Canada does not consider that Great Britain, for instance, can declare war for her or make peace for her. She reserves that as her own sovereign right and it is done by act of the Canadian Parliament, but the party to all of the obligations, agreements, treaties, and so forth, is continued as the King of Great Britain, Ireland, and the British dominions beyond the sea, Emperor of India, in respect of the Dominion of Canada, and he can only do that on the recommendation of the Canadian Premier, and can only do it effectively with the assent of the Canadian Parliament.

Mr. CARTER. You say that you were searching, or at least I understood you to say in your testimony, that you were searching for other sources of power, electric energy to produce power, to carry us through the present situation.

Mr. BERLE. Strictly speaking, sir, I understand that the Federal Power Commission has conducted that search. It is naturally in their jurisdiction. We have assisted in that search insofar as it had to do with sources wholly or partly in Canada, and have worked with the Federal Power Commission in obtaining that power.

Mr. CARTER. Did you have something to do with the drafting of the agreement?

Mr. BERLE. The agreement was actually drafted as the result of a long set of negotiations, some part of which I helped to conduct.

The drafting on the side of the United States was largely done by the State Department experts with whom I was associated, guided by General Robins, of the Army engineers, and Mr. Leland Olds, of the Federal Power Commission, and in a number of those sessions, the New York Power Authority likewise sat in and was consulted.

Mr. CARTER. You stated that you did not think it was fair to put in the hands of the minority in one House a decision in this matter, and gave that, as I understood it, as one of the reasons why you chose the agreement course rather than the treaty; is that correct?

Mr. BERLE. Well, that is one of the reasons, of course, Mr. Congressman; yes. Actually, of course, the main reason was that the real issues here are domestic.

We should have exactly this debate if there were no Canadian boundary and the St. Lawrence River and the rapids were entirely in the United States territory. In that case, however, the State Department would not be involved, and we should be, presumably, dealing with a simple matter.

Mr. CARTER. That was a principal reason. You do not think that debate in the Senate would bring out all of these things—

Mr. BERLE. Not in the slightest.

Mr. CARTER (continuing). On a treaty confirmation, and you wanted to give the House the benefit and privilege of debating these questions?

Mr. BERLE. I think that since, among other things, we are asked to spend something in the vicinity of \$200,000,000 net of the United States Government's money, that at least that phase of it is one—I may say a peculiar one.

Mr. CARTER. Well, my dear sir, you know over and above that they would have to come to the Appropriations Committee of the House to get money, do you not?

Mr. BERLE. I know it well, Mr. Congressman.

Mr. CARTER. So it seems to me that they would have to come there anyhow, whether this was decided by treaty or agreement.

I was wondering, just as a sort of a matter of curiosity, if there was not some other reason that had not been stated here as yet.

Can you think of any other reason now, or has any other reason occurred to you as to why you chose this particular course rather than the treaty course?

Mr. BERLE. Well, it has occurred to me to wonder why a group of people whose main interests were in transportation should suddenly get excited about the treaty-making power of the Senate, I will confess, and turning the question around in reverse, why perhaps some of the real reasons for this debate really appear.

Joking aside, of course, it is perfectly obvious that a matter of this kind could only be properly authorized by the vote of the two Houses and just as I suppose the desire of the people who never previously have been very much interested in the treaty-making power of the Senate was to erect a situation in which a smaller vote could defeat it, speaking with entire frankness, I suppose that it is fair for the proponents of the project to wonder whether possibly a majority of both Houses might not be a perfectly adequate way of authorizing the project, particularly since, historically, that is the method by which this kind of project usually is authorized.

Mr. CARTER. Well, I agree with you, if you substitute some other word than "adequate" in there.

Mr. BERLE. Well, you are privileged to say that, Mr. Congressman. I, myself, would never have the temerity to say that a majority vote of this House and of the Senate went without adequate consideration and discussion and did not adequately speak for the sentiment of the United States.

Mr. CARTER. Well, you say that that was the adequate way of authorizing this. I still say that I would use other words, or another word than "adequate" in there.

You are familiar with the history of the treaty, are you not?

Mr. BERLE. Yes.

Mr. CARTER. You know that the Senate declined to adopt the treaty?

Mr. BERLE. Yes. Of course, I am familiar with something else, too, and that was that when the boundary waters treaty of 1909 was established, there was a provision in it which indicated that further work of this kind should be authorized by agreement, authorized or approved by the legislative bodies of both countries. In other words, at that time the Congress of the United States ratified a treaty which declared the policy by which this kind of work might be done thereafter, and you will find that provision in the boundary waters treaty of 1909.

I do not know what led the previous administration to select the treaty form, because I was then in private life.

Mr. CARTER. You think that the agreement form is a legal way of getting at this, do you not?

Mr. BERLE. Entirely legal.

Mr. CARTER. I am inclined to agree with you on that, Mr. Berle, but I had an idea in the back of my head that those in charge of this bill probably viewing what happened to the other treaty thought that probably they could get an agreement adopted by the Congress, when they could not get a treaty; but from what you say, that did not enter into the discussions at all as to which course to follow.

Mr. BERLE. That did not enter into our minds particularly, at least, not into my mind. I speak for myself only in that regard.

Mr. CARTER. Well, do you think that a mistake was made at the time the other procedure was started and this treaty plan was put forth?

Mr. BERLE. For myself I cannot say, because I do not know what the considerations and terms of international relations, and so on, then, were.

I know that at the time there was a very strong group of experts in the State Department—this was back in 1932—who advocated the agreement form at that time.

Since I have never had to try to figure out the rights and wrongs of it, and profess myself further unable to pass judgment on other men's work, I do not undertake to answer the question.

The idea was not a new one. It was very earnestly urged then.

Mr. CARTER. Yes. It has been done in all other cases as cited here, too.

Did you make the decision in this case?

Mr. BERLE. No; I did not.

Mr. CARTER. Did you confer with those who did make the decision?

Mr. BERLE. Well, I conferred with a great many people about it, but as you know, the ultimate decisions of the Department of State are made up in consultation with the entire group and ultimately no one of us would have the temerity to make a decision of that kind, except by the advice and with the authority of the entire Department.

Mr. CARTER. You think, however, that the fate of the treaty entered very largely, if any, in arriving at a decision in this particular case?

Mr. BERLE. Oh, I cannot say, but I do not think it was a controlling consideration, sir.

Mr. CARTER. That is all.

The CHAIRMAN. Mr. Gavagan.

Mr. GAVAGAN. No questions.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. Will you amplify, Mr. Berle, the section in the 1909 treaty that confers jurisdiction on the popular assemblies of both countries over such international questions? I suggest, if you have the text of that section, that it be put into the record.

Mr. BERLE. Will you pardon me for a moment?

Mr. CULKIN. My colleague from Michigan, Mr. Dondero, suggests that it is section 13.

Mr. BERLE. I believe he is right. I do not happen to have the text of the boundary-waters treaty of 1909 with me.

The CHAIRMAN. Mr. McGann, you have it, do you not?

The CLERK. Yes, sir.

The CHAIRMAN. We will have it in a moment.

Mr. BERLE. If you will permit, I will put it in the record.

Mr. CULKIN. Will you put it in the record, Mr. Berle?

Mr. BERLE. If I may; yes.

I should like to state, in slight amplification, I cited that as evidence of the policy.

Mr. CULKIN. Well, now that 1909 treaty was ratified by the Senate?

Mr. BERLE. Yes, sir.

Mr. CULKIN. By the customary two-thirds vote?

Mr. BERLE. That is right.

Mr. CULKIN. And what was in the minds of the men who wrote that treaty in behalf of the United States, you cannot tell now; you do not know what the reasoning was on it?

Mr. BERLE. Well, as a matter of fact, I have seen some decisions in respect to that section.

Mr. CULKIN. And what the reasoning on it from the standpoint of the United States was?

Mr. BERLE. The reasoning was that the additional works, improvements, or structural changes, which might be needed along that waterway, really came under the head of ordinary river, harbor, and similar improvements, and that therefore they might be dealt with in the ordinary course of legislation rather than as a matter of international treaty, since the policy has been established.

Mr. CULKIN. And that was the reason that section 13 was written into the treaty, I assume?

Mr. BERLE. I believe so.

Mr. CULKIN. And there was not anything sinister about it?

Mr. BERLE. I cannot see what it would be.

Mr. CULKIN. The treaty was adopted in the Senate and now confers jurisdiction on this whole question by joint resolution; is that true?

Mr. BERLE. By a majority action of the two legislatures.

Mr. CULKIN. Of both Houses.

Mr. BERLE. Yes.

Mr. CULKIN. That was the action of the Congress of the United States?

Mr. BERLE. That was the action of the Congress of the United States.

Mr. CULKIN. So if there is anything impure or sinister about it, it comes within the category of congressional action?

Mr. BERLE. Yes. Well, this is one of the historical ways by which we have traditionally arranged matters with Canada. Even President Taft, when he proposed his reciprocity agreement, which failed of passage, proposed it in the form of an agreement.

Mr. CULKIN. What year was that?

Mr. BERLE. 1911.

Mr. CULKIN. That was subsequent to the 1909 treaty?

Mr. BERLE. That was subsequent to the 1909 treaty.

Mr. CULKIN. And I assume that it was based on the 1909 treaty.

Mr. BERLE. No, sir; that was a separate and distinct subject. It merely conformed to the policy which, well, which antedated the 1909 treaty, but which was enshrined as to certain matters in the 1909 treaty.

Mr. CULKIN. Now, the relations of the United States with Canada, from the standpoint of continental defense, has changed greatly since 1934, have they not?

Mr. BERLE. Very much; yes.

Mr. CULKIN. And it is now the pronounced policy of the United States, which I believe is shared in by both sides of the aisle in both Houses, that we are committed to the defense of Canada.

Mr. BERLE. Yes.

Mr. CULKIN. Am I stating that too broadly?

Mr. BERLE. You are not. I believe that probably the Monroe Doctrine committed us to it, in substance, in any event.

Mr. CULKIN. So the great hue and cry that went up against the ratification of the former St. Lawrence Treaty was based on the fact that it was a waterway in a foreign country. You recall that?

Mr. BERLE. I do.

Mr. CULKIN. And from your viewpoint now, is it not a fact that that attitude was entirely mistaken, and to the detriment of the United States?

Mr. BERLE. Well, in retrospect—

Mr. CULKIN. I mean in retrospect.

Mr. BERLE. I believe so. I know, of course, now that it is a wholly extraneous issue.

Mr. CULKIN. Yes.

Mr. BERLE. This is one defense area.

Mr. CULKIN. And if that had any weight then, in your judgment, it was genuinely mistaken?

Mr. BERLE. I think that it was a mistaken issue then, and whatever validity it had then has certainly ceased to exist, in the light of the North American defense plans of today.

Mr. CULKIN. Now, can you amplify that question further from the standpoint of your department?

Mr. BERLE. In respect of defense.

Mr. CULKIN. Yes; in respect of defense, and correlate with that the construction or the proposed construction of the St. Lawrence seaway as an aid to that.

Mr. BERLE. Why, I think so, sir.

We are now committed to the defense of the entire North American Continent. In aid of that we have obtained the right to construct bases in Newfoundland; bases on the Canadian coast—I beg your

pardon. My mentor here points out that Newfoundland, technically, is not Canada. I should not have included Newfoundland. Newfoundland is a Crown colony.

We have of course strengthened our own defenses all down the coast.

In addition to that, we have worked out a plan for the common defense of that area, and through the operation of the Canadian-American Joint Defense Commission, and we have implemented those agreements in respect of the defense of that area, and one of the considerations is the continued flow of industrial supplies and munitions; the manufacture in the terms of material and industrial supplies, and their transport in the form of munitions, and the plants contemplate, of course, such transportation as is available.

Mr. CULKIN. Do you agree with the suggestion, Mr. Berle, that was made by Julius Barnes, who is a very distinguished publicist, internationally known, and I think the Grain Coordinator at the time of the World War—

Mr. BERLE. That is right.

Mr. CULKIN. That if the St. Lawrence seaway had been built then, that we might not have been compelled to enter the World War; that is, if the flow of materials, munitions, supplies, and food had not been interrupted by the glut on our side, largely the rail glut, that we would not have had to go into the war.

Mr. BERLE. I do not know that I have facts sufficient to form an opinion other than to say that that probably was one of the contributing factors.

I was myself a doughboy and later a second lieutenant in that war, and my mind was not on cosmic matters at the time.

Mr. CULKIN. You should have had a much higher rank, Mr. Berle.

Mr. BERLE. I regret to say that I thought so, but the War Department did not agree with me, and I am inclined to think that they were right and I was wrong.

Mr. CULKIN. Now, Mr. Julius Barnes made this further statement, and, as I say, he is extremely eminent in my judgment. He says that if the flow of materials had not been impeded by reason of the lack of lake transportation, together with the St. Lawrence waterway, the war at least would have been shortened and many thousands of lives would have been saved.

Mr. BERLE. Well, it goes without saying, I suppose, that the more efficient your transport the more effective the military operations at the front.

Mr. CULKIN. In fact, it is the real handmaiden of war; the service of supplies is the real handmaiden of war.

Mr. BERLE. The line of communications is essential; yes.

I speak as though I knew more about it than I do, Mr. Congressman. I have to realize that I do not claim to be an expert in military tactics.

Mr. CULKIN. I certainly am not. Will you read that section now?

Mr. BERLE. It is article XIII:

In all cases where special agreements between the High Contracting Parties hereto are referred to in the foregoing articles such agreements are understood and intended to include not only direct agreements between the High Contracting Parties but also any mutual agreement between the United States and the Dominion of Canada expressed by concurrent or reciprocal legislation on the part of Congress and the Parliament of the Dominion.

Mr. CULKIN. And that, you would say, is the genesis of this power to ratify by joint resolution?

Mr. BERLE. No. I would say that that expressed the policy as laid down by the two Governments.

We did not relate this agreement directly to article XIII, but we considered that this was an expression of policy employed in a formal treaty between the two countries on which we could appropriately rely in suggesting or choosing this method as against the treaty method.

Mr. CULKIN. And that treaty was solemnly ratified by the United States Senate.

Mr. BERLE. That treaty was signed by Philander Knox and by Ambassador James Bryce and was approved by the Senate on March 3, 1909.

I beg your pardon. It was signed by Elihu Root.

Mr. CULKIN. And that would, of course, remove any sinister influence or sinister suggestion in connection with the propriety of the present procedure, would it not?

Mr. BERLE. I think it is generally recognized that Elihu Root, who was then Secretary of State, was one of the greatest constitutional lawyers of his time and he also had been in the United States Senate, and I cannot imagine that he would have laid down a policy like that in article XIII, if he had thought there was anything sinister in it.

Mr. CULKIN. I wanted to calm the fears of my distinguished friend from California (Mr. Carter).

Mr. CARTER. I have not had any fears, and so expressed myself to Mr. Berle.

I want to say that I made quite an examination of the legal right to go ahead here by agreement, and I am inclined to the view that, notwithstanding that article XIII—

The CHAIRMAN (interposing). And you so told me, before the discussion commenced.

Mr. CARTER. Yes. So, if you have been wasting your time trying to quiet me, I regret it, sir.

Mr. CULKIN. I sit close to you. I observed your demeanor and the tone of your questions. Of course, I am tone deaf as to that.

Mr. CARTER. You observed some things that are not there.

Mr. CULKIN. I sit very close to you.

Mr. BERLE. On behalf of the State Department, I should like to express appreciation for the generosity of the gentleman from California.

Mr. CULKIN. Sometimes the gentleman can deal terrific blows.

I want to ask you a bit about this diversion question: The older members of the committee had a liberal education on that several years ago. At that time I was fighting side by side with the gentleman representing New York. I differ with him now.

Do you consider this section with reference to diversion liberalizes the old treaty?

Mr. BERLE. Well, I consider that it really sets up an entirely different basis.

Mr. CULKIN. That it sets up—had you finished?

Mr. BERLE. I do not undertake to say what the powers of the Congress of the United States are in respect to authorizing additional

diversions. I believe that the only gentlemen who can answer that are the gentlemen who are the members of the Supreme Court of the United States. I do not undertake to forecast their decisions.

The present article protects any rights which the Congress may constitutionally have in that respect, and it provides that should anything of that kind happen, then, and in that case, the government of the country which may have accomplished that diversion will give immediate consideration to any representations concerning the matters which the other government may make, and if they cannot reach a satisfactory settlement, then the country which shall have diverted agrees, at the request of the other, to submit the matter to an arbitral tribunal, who may direct the appropriate remedy.

Mr. CULKIN. That, of course, would involve, I assume, in its broad sense, compensation for the taking of the water.

Mr. BERLE. I presume so.

Mr. CULKIN. Yes.

Mr. BERLE. I suppose so.

Mr. CULKIN. And you regard that section as a workable section, Mr. Berle?

Mr. BERLE. I do; yes.

Mr. CULKIN. And it does not take away, in fact, assuming the opinion of the Supreme Court would be against diversion, it does not add to the jurisdiction of the Congress on the whole question.

Mr. BERLE. Well, as to that, I do not undertake to be able to answer.

Mr. CULKIN. Of course—I agree with you; the question is moot as to what the Supreme Court has never passed on. It has never passed on it, has it?

Mr. BERLE. No; not finally. There have been, as you know, certain cases in the Supreme Court of the United States, but, as I understand it, the question has never squarely come up for a decision.

Mr. CULKIN. I think the judge who wrote the opinion was Judge Taft. He said that he did not pass upon that question, as I understand.

The CHAIRMAN. That is my recollection. Judge Hughes was master in that case, you know.

Mr. CULKIN. But this treaty does not close the door to added diversion, assuming that this agreement does not close the door to diversion.

Mr. BERLE. No.

Mr. CULKIN. Assuming the Congress should so determine.

Mr. BERLE. No. It closes no door that is not already closed by the legal situation, which I do not propose to state.

Mr. CULKIN. Well, on that question I want to ask you this question, Mr. Berle: Does this treaty in any way affect the sovereignty of Lake Michigan or this agreement?

Mr. BERLE. No; not in the slightest.

Mr. CULKIN. Because of my association with my friend from California (Mr. Carter), I have called this a treaty. I mean agreement, of course.

Will you please explain that?

Mr. BERLE. If the committee will bear with me. There has been, of course, some discussion in various quarters about the so-called sovereignty of Lake Michigan. The sovereignty of Lake Michigan has not been in dispute, so far as I am aware, since the Canadian-American boundary was determined, a great, great many years ago.

The Department considered whether we ought to have in the treaty a statement definitely recognizing the sovereignty of Lake Michigan, and we came to the conclusion that to do so would be to cast the first doubt that had ever been cast on that sovereignty—just as a man who knows he is sane does not normally go to a doctor to get his head examined and get a certificate of sanity so that he can prove the fact. If it had been desired to obtain such a recognition, I imagine there would have been no doubt that it could have easily been done.

The fact of the matter is that the sovereignty of Lake Michigan never has been in question, is not now, and is not even remotely affected by this agreement.

It is true that the water in an international reservoir system is, of course, capable of being affected by what either side does, and we are under the ancient common-law obligation not to use our own property so that our neighbors shall suffer, and they are under an equivalent obligation, and that does not affect sovereignty in any way, shape, manner, or form.

Mr. CULKIN. It is merely a pawn of international comity, so far as international relations are concerned.

Mr. BERLE. Actually, the same thing prevents us from putting a factory building on our side and producing poisonous gases on our side of the line and letting them go over on the other.

Mr. CULKIN. There has been some change or will be some change in the water coming into the Great Lakes watershed, will there not?

Mr. BERLE. Yes.

Mr. CULKIN. And can you tell about that, the character of it, and the amount of it?

Mr. BERLE. Yes. I should prefer to be pretty general on that point, and refer you, if I may, to the Army engineers.

The fact is that the Canadian Government proposes to divert into the Great Lakes a river which formerly has flowed northward, thereby getting about 5,000 additional feet of water, which they thereupon wish to use for power purposes, as it flows down through the rapids and through the long millrace which is Niagara, and the rapids, which is what it really amounts to. That is the proposal which they have made and also is covered in this treaty.

Mr. CULKIN. That diversion is in operation now?

Mr. BERLE. That is right.

Mr. CULKIN. Has it been accomplished?

Mr. BERLE. I cannot answer the question definitely. Part of it has; part of the flow is coming in, but not the full flow.

Mr. CULKIN. And that will be, as I understand you, 5,000 cubic feet per second?

Mr. BERLE. Yes.

The CHAIRMAN. That water is now flowing into Hudson Bay?

Mr. BERLE. Yes.

Mr. CARTER. That water; we have the use of that water all of the way down the chain of lakes?

Mr. BERLE. For navigation we have it; for power they have it.

Mr. CARTER. Is there any intervening power?

The CHAIRMAN. For navigation, both countries have it.

Mr. BERLE. For navigation, both countries have it.

Mr. CARTER. I will withdraw that question.

I heard you make a very able radio address in which I thought you were most devastating to your opponents, and in that radio address you spoke in regard to shipbuilding on the Great Lakes.

Mr. BERLE. Yes.

Mr. CARTER. Can you tell us anything about the possibility of that and the need for it?

Mr. BERLE. I did not undertake to develop that in my direct testimony, because the Secretary of the Navy, who has jurisdiction over it, will be testifying before this committee in a day or two, and with him, I imagine, will be Admiral Robinson and Admiral Rock, and some of the other men who are in charge of those things.

The CHAIRMAN. Admiral Williams.

Mr. BERLE. For that reason, it seems to me that perhaps it was better that this committee get the picture from the experts on it.

In general, of course, it can be said that the deep waterway will permit the construction of ships in the Great Lakes yards; further, that it would permit the construction of the ships not designed to be ready for, let us say, 3 or 4 years, in the Great Lakes yards, instead of occupying existing oceanside facilities for that construction. The need, of course, of additional shipbuilding, in view of the losses due to the war, is well known. And, finally, the information in the possession of the Department appears to indicate that, should the Axis powers be victorious, they would commence a shipbuilding race against the United States with the shipbuilding facilities of the entire European coasts, which are several times larger than our own. In that event, as indeed at the present, we should be faced with a situation in which every shipbuilding facility we might have and all that we could easily construct would be taxed to the limit.

I prefer to let that be developed, if you will bear with me, by the Navy experts who have the matter thoroughly in hand.

Mr. CARTER. Well, does the gentleman know, or can he state at the present, that the shipbuilding facilities in the United States on both coasts and in the Gulf are now being used to the limit? If the gentleman does not know—

Mr. BERLE. I am informed by the Maritime Commission that they are being used to the limit, or have been, or are being committed for. I say that because I am aware that there are a few yards in various places that they expect to fill which have not yet been filled.

But that is information that is second-hand. There is not at the moment any surplus shipbuilding capacity available anywhere. I think that is a fair statement.

Mr. CULKIN. I am going to venture one more question. I attempted to ask this question with somewhat sad results, of the late distinguished witness, Secretary of War: "How long is this emergency, in your opinion, going to continue?" I just want you to state from the general situation the possibility of victory by the Allies or the possibility of victory by Germany, and how soon it will come. An answer to that question would be an illuminating one with reference to the necessity of building this seaway.

Mr. BERLE. Naturally no one of us can predict the inscrutable future. All I can say is that there is no information in the Department which would lead to the belief that the present conflict will come to a speedy end. We have no basis which would lead us to assume that there

would be a rapid conclusion. We cannot, of course, say how long it would last.

The historical analogy of the Napoleonic wars, of course, calls itself at once to the attention. I am informed that that belief is also shared by a good many military and naval quarters.

Mr. CULKIN. By the way, what was the duration of the Napoleonic wars?

Mr. BERLE. It depends on where you take off from, but they were practically continuous for 17 years. I hope this won't last that long. There were occasional breathing spells, as you know, but not many of them.

Mr. CULKIN. Well, I would like for you to divide the discussion in two specific subjects. Assuming Hitler wins, how about the future? How far will that extend into this hemisphere? Of course, in my nightly prayers I pray he won't do that, but facing that terrible eventuality, how long would we have to be on our toes here in America?

Mr. BERLE. Well, we would have to be on our toes as long as a military philosophy dominated the continent of Europe. That might be a very considerable period of time. Possibly forever, but we hope not, of course.

You would then have to be prepared against all of the force that that victory would imply as a possible menace to the United States.

Mr. CULKIN. And assuming the eventuality comes that we go into this war, how long do you estimate the struggle would continue? I understand it is more or less speculative, but I would like to get your opinion on that.

Mr. BERLE. I would not rather estimate, if you will forgive me, because I don't think anyone of us have the materials for an estimate. The best I can say it probably might have to be an extended period. No living being can tell what it would be. But I should like to state that no responsible person in this Government would undertake to take any chances on its being of short duration. Whatever your possible guess might be, the only sane, safe, and prudent course that responsible men could take would be to prepare for a long period of stress. And if a kindly providence let us off we should be very happy.

In that regard I should think that the Secretary of War made the only answer that could be made, which is that every dictate of prudence, precaution, and foresight would require preparation for a very long period, which would seem to be indicated by present circumstances.

Although, of course, we might be fortunate; but one cannot entrust the safety of the Nation to the hope of good fortune.

Mr. CULKIN. Now, if this treaty had been ratified in 1934, would you consider that we would be much better prepared for national defense and even a war abroad than we are now?

Mr. BERLE. Of that there is no possible shadow of doubt. We have virtually had our defense program saved for us by another project which was opposed in some respects, on grounds similar to the Tennessee Valley Authority, which has proved a mighty bulwark. If we had had this in 1934 and the construction had now been finished, as it would have been, we should have had the huge resources of power. We should have had a tremendous accretion to our ferro-alloy and aluminum industries, either in existence or readily, very readily pos-

sible, and, of course, we should have had the navigation resources of the Great Lakes ready at hand.

I think every student agrees that it was a mistake from the point of view of the national defense not to have done it in 1934. I say this not by way of criticism of the men who then opposed it, because who of us foresaw what occurred, but in the light of what has actually happened and hindsight. We know that we very much wish we had had it.

Mr. CULKIN. That is all, Mr. Chairman. Thank you, Mr. Berle.

The CHAIRMAN. Mr. Green.

Mr. GREEN. Mr. Secretary, where is the location of the majority of the expenditure proposed in this agreement—in the United States or in Canada or jointly? I mean by that where is the site of the expenditure—this side of the line or on their side of the line?

Mr. BERLE. There are two main items of cost, the dam and the seaway. The dam, of course, crosses the International Rapids, and therefore is partly on their side of the line and partly on our side of the line. The bulk of the constructions, added up, would be on our side of the river bed.

Mr. GREEN. The seaway and the dam both?

Mr. BERLE. Yes; if you take the two together.

Mr. GREEN. And the expense is to be borne jointly and equally; is that right?

Mr. BERLE. Not quite. In 1928, or it may have been in the forepart of 1929, if you will forgive my vagrant memory, the United States and Canada entered into a gentleman's agreement in respect of the Great Lakes-St. Lawrence system. This agreement was that we would match dollars—that is to say, that we would spend an amount equal to what they spent.

Canada has spent a very considerably larger amount than we have up to this point. We are behind in our development—I mean in our expenditures. Accordingly the agreement is that we shall spend on this project up to the point where we are equal in dollars to the amount that they have spent, and the balance thereupon we divide.

The CHAIRMAN. Was that agreement contained in a treaty?

Mr. BERLE. No; that was an exchange of notes and therefore merely set forth the policy of the two Governments. I may add that that agreement, in my judgment—and I hesitate to say this lest my Canadian friends find it out—is probably one of the best bargains that the United States ever drove, because while we divide equally in terms of power, in navigation, in view of our vastly greater population and greater use, we get a great deal more use out of it than they do.

Mr. GREEN. Does this agreement give us any greater sovereignty over the waters of the Great Lakes, including such items as water levels and diversions?

Mr. BERLE. It makes no change in any situation as to sovereignty at all. As to the diversion of water, I have nothing to add to the previous answer; but it does not affect sovereignty in any way, shape, manner, or form.

Mr. GREEN. Did the Canadian Government when it entered the war in Europe do so of its own accord—did it have that right, or does it automatically go to war with Great Britain?

Mr. BERLE. It declares war separately, sir. I may add that this precise point came up the 1st of September or the first week in September of 1939, when that point was canvassed.

Great Britain then declared a state of war, as you know. The problem came up as to whether Canada was thereupon automatically at war. The Canadian authorities ruled that they were not and that a state of war did not come into existence until the Canadian Parliament had declared that state, which happened to be some 4 or 5 days later. So that precise point has been passed on.

Mr. GREEN. Then the Crown and Parliament in London does not in that regard exercise the same power that our Federal Government does over the respective States, does it?

Mr. BERLE. As a practical matter, I think it can be said that Parliament in London now has no power over the Dominion of Canada. There is even a question as to the method, if any, by which the Constitution of Canada, which was an act of Parliament, can be amended because Parliament in London no longer has authority to do that. Canada has a constitution and sometimes there is an academic debate, the question posed: "How Canada would go to work to amend her constitution."

Mr. GREEN. Presuming the present war should come to an early end and some country other than one friendly to the United States took control of Canada, what would become of our investment there?

Mr. BERLE. If some country unfriendly to the United States took control of Canada we wouldn't be thinking about investments; we would be thinking about a lot of things a great deal more fundamental than that.

I cannot imagine that such a thing could have occurred and I don't even propose to envisage the possibility of the United States being defeated in the field.

Mr. GREEN. I have in mind that in seventeen—1776 and again in 1812 and at one other period, the feeling and condition existing between the United States and Canada as it does today was not in that condition then.

In these far-flung vast expenditures on foreign soil, part of it at least, I don't see what insurance we can have that those very investments might not be turned back and used against the United States by a power that may become an enemy power.

Mr. BERLE. Well, the fact of the matter is that Canada, vast though its expanse is when you include the northern wildernesses, is in substance a strip a couple of hundred miles wide, running directly across our northern frontier; in language, in habits, in customs, in friendship, in economic ties it occupies a unique position to the United States. Their people come here to take office in our Government, go back and take office in the Canadian Government; the late Canadian Minister got his start as an attorney in the United States Department of Justice. Our people cross the line with equal freedom.

A century ago or a century and a half ago when this country was struggling for its independence, of course you had a different situation. Today it is questionable whether Canada could exist were the United States suddenly to be withdrawn and to become hostile. Just as it is an open question whether we could maintain ourselves militarily were she to be occupied by an enemy.

That is why the Monroe Doctrine originally, and now the Canadian-American defense agreements, are almost prescribed by geography and by foreign affairs. Our two countries are locked together in destiny and geography and the statesmen of both countries know it.

Mr. GREEN. And it is quite remarkable we don't have any fortified line between the two. That is a great compliment to the Canadian people and to ourselves and a recognition of our power by the English Crown; but I am having some trouble to reconcile myself as to an expenditure of this nature when we have other streams running from these Lakes likewise through our own territory—the Erie Canal, the Mississippi River, Lake Champlain up the Hudson River and canals across Florida; western dams where we can produce our power; others that give us adequate access to the ocean—for instance, the Erie Canal development would answer the same purpose as this foreign investment. However, that solidifies the feeling between the two States and I don't expect you to answer that question, but it does seem a little odd we would do this.

Mr. BERLE. Mr. Congressman, none of these other possibilities really are comparable; and in any case it is a bit late to be raising that. As you probably are aware, the entire steel industry depends on the western part of this waterway. The St. Mary's River, which is a part of this waterway and which actually carries now more traffic than the Panama Canal carries, is an international section. So that we have already built up a fair proportion of one of the hugest industries in the United States on just that basis, and so far as I know nobody has ever worried about the investment.

After all, this isn't a new thing. This St. Lawrence waterway is already there. It is this one small section in the middle of it that hasn't been completed. We are using it and the greater part of it does represent investments from days past. We use the Welland Canal all the time and it is in Canadian territory. We build industries and our cities on that basis. We have already crossed that bridge. This relates merely to the final completing link.

Mr. GREEN. But that doesn't get us around the fact that the outgo to the ocean is absolutely controlled and owned by another country, and, after all, we could so easily be cut off from our access to the ocean; and, too, it is only a 6 or 8 months' access to the ocean on account of the snow and ice.

Mr. BERLE. We would have to have a great change in the situation that has existed since 1817, the date of the Treaty of Washington. That treaty has guaranteed us perpetual rights to ingress and egress into the Gulf of St. Lawrence and through the river up to it, so that so far as the legal situation now exists the Canadian Government does not have the right to take that away. The only thing that could change that would be a military change, and I cannot conceive that a military change could take place while we were still in the field.

Mr. GREEN. Or a difference in the diplomatic policy of the two countries.

Mr. BERLE. No; I don't think that could even happen. Those rights are perpetual and they cannot be abrogated.

Mr. GREEN. Unless the nation becomes unfriendly.

Mr. BERLE. And that suggests a military change.

Mr. GREEN. Yes.

Mr. BERLE. But you have to assume the continent of North America is defeated before that could take place.

The CHAIRMAN. In regard to the steel industry, the famous Livingstone Channel, which we dug, is wholly on Canadian soil, is it not?

Mr. BERLE. Yes.

The CHAIRMAN. It is wholly on the Canadian side of the international boundary line?

Mr. BERLE. Yes.

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. Mr. Berle, I don't think this record would be complete unless we had in it somewhere a brief record of your official, and I want to say splendid, service to this Nation. I think the committee would be interested in knowing that as a background and the foundation for the testimony that you are giving to the country through this committee today. Will you state your background for the record?

Mr. BERLE. Well, I consider it a very courteous request, but at the same time I am far too young to begin to be autobiographical.

As I think you know, I left the practice of law to enter the United States Army. I was a private in the Signal Corps, a second lieutenant of infantry and then detailed to the staff of the American Commission To Negotiate Peace With Germany after the war.

That Commission was present at the negotiations and joined in the negotiations of the so-called Versailles Treaty. My diplomatic career ended there. I resigned in protest against the Versailles Treaty.

I then practiced law and taught first at Harvard and then Columbia University. Still later when the first Franklin Roosevelt administration took office I was special assistant, particularly in railroad transportation matters, to the Reconstruction Finance Corporation, and did various jobs in foreign affairs and in the Caribbean Sea and elsewhere.

Later I undertook the job as treasurer of New York City when we were endeavoring to rehabilitate the finances of that city after Mayor LaGuardia was elected. That was interrupted by two terms of duty as a delegate to the inter-American conferences.

Mr. DONDERO. You mean between the North American and South American republics?

Mr. BERLE. Yes; and I left their office, which I had arranged to have abolished, to become Assistant Secretary of State.

Mr. DONDERO. What year was that?

Mr. BERLE. That was a little over 3 years ago, sir. That was in February of 1938.

Mr. DONDERO. And since that time your time has been taken up very largely with this agreement between the United States and Canada?

Mr. BERLE. A good deal of it, yes; although I don't claim to have the expert knowledge to do it. I am charged with Canadian affairs among others in the Department of State.

Mr. DONDERO. And you were one who signed this agreement on the part of the United States?

Mr. BERLE. I was, yes.

Mr. DONDERO. And the Dominion of Canada?

Mr. BERLE. Yes; I say that because my associates in the State Department do most of the work and I know that any one of them knows a great deal more about it than I do, but I have been continuously engaged in Canadian affairs since my arrival here.

Mr. DONDERO. Now, Mr. Berle, directing your attention to the waterway in particular, isn't it a fact that the entire St. Lawrence seaway from the Atlantic Ocean practically to the canal and the locks at the Soo, Mich., is considered as one waterway?

Mr. BERLE. Yes.

Mr. DONDERO. And the connecting links in the Great Lakes are now completed?

Mr. BERLE. Yes; practically.

Mr. DONDERO. Were they completed with a view of the deepening of the St. Lawrence seaway some time in the future?

Mr. BERLE. In the main they were; yes.

Mr. DONDERO. There has been considerable work done on these connecting links, and most of them are international boundaries between the United States and Canada; isn't that correct?

Mr. BERLE. Yes.

Mr. DONDERO. How did you proceed to do that work? Was it by treaty or was it by agreement?

Mr. BERLE. Practically all by agreement embodied in an exchange of notes and legislation.

I think that in certain cases we proceeded by direct legislation, which I presume at that time came before this committee or the equivalent of this committee.

The CHAIRMAN. On several occasions.

Mr. DONDERO. Most of that work was done substantially under the machinery provided in the treaty of 1909.

Mr. BERLE. Or its predecessor provisions.

Mr. DONDERO. And particularly section 13, which permits concurrent legislation on the part of the legislative branches of the two Governments?

Mr. BERLE. Either under that section or within the policy of that section in the treaty. That is a rather more enlarged construction than the statute, and that section not only creates a method within the frame of the treaty but also indicates a policy, and that policy we have steadfastly or steadily followed.

Mr. DONDERO. Now, the chairman of the committee has called your attention to the fact that the Livingstone Channel in the Detroit River is wholly in Canadian waters.

Mr. BERLE. That is correct.

Mr. DONDERO. And while the locks at the Soo, Mich., canal are practically all in American waters?

Mr. BERLE. That is right.

Mr. DONDERO. And the Welland Canal, which American commerce uses, is all in Canadian waters?

Mr. BERLE. That is right.

Mr. DONDERO. So that the entire waterway of 2,000 miles, more or less, is operated under "a gentleman's agreement" carried out under the treaties heretofore made?

Mr. BERLE. That is right.

Mr. DONDERO. And this proposal is simply an addition to the many other agreements similarly made in the past and carried out by the two nations.

Mr. BERLE. It is simply the last link in that chain; yes, sir.

Mr. DONDERO. Mr. Berle, do you know how many shipyards there are in the Great Lakes?

Mr. BERLE. I would prefer you ask that of the Navy Department.

Mr. DONDERO. I don't want to press the matter if you haven't the information.

Mr. BERLE. I don't know. I have the facts and figures here in the St. Lawrence survey and I could look them up but I don't carry figures in my head very well.

Mr. BARDEN. If the gentleman will permit me I will answer the question—there are eight.

Mr. GAVAGAN. Forty-five in the Great Lakes.

Mr. DONDERO. I asked the question and perhaps we better defer the answer.

Mr. CULKIN. I suggest we are all sitting here as judges of the facts and I don't think we ought to have any prosecuting attorneys.

Mr. DONDERO. I have just one other question: The question was raised this morning about the cost of defending this waterway should it be built, and my colleague from Florida has referred to the treaty between this country and Canada which ended the War of 1812. That treaty was completed in 1817. Didn't that treaty provide that neither government could erect any works of defense along the entire international boundary line between the two nations?

Mr. BERLE. No. My impression is that that treaty provided that neither should maintain a naval establishment. I think that the treaty to which you refer probably is the 1870 treaty of the so-called Rush-Bagot agreement.

Mr. DONDERO. 1817?

Mr. BERLE. That is right, the Rush-Bagot treaty.

Mr. DONDERO. That provided for the building of one boat not exceeding 100 tons and not carrying more than one gun?

Mr. BERLE. That is right.

Mr. DONDERO. And that treaty has been carried out by the two Governments ever since that time, or for 120 years or more.

Mr. BERLE. Yes; subject to an exchange of notes, which is quite recent, because both of us wanted to build naval vessels in the Great Lakes. Quite recently we effected an exchange of notes interpreting the Rush-Bagot agreement in the sense that we could, both of us, build and take the boats out—that is to say, that we could construct but could not maintain gunboats or vessels of war in that area. That is the substantial modification, if you call it a modification, which has taken place in the last few months.

Mr. DONDERO. Of course, that construction is somewhat limited by the fact that we cannot now take those ships out to the open sea for want of deep water in the St. Lawrence River?

Mr. BERLE. That is right.

Mr. DONDERO. This is not for the purpose of debate; but what is your opinion on this point: Even though a part of this waterway is wholly within Canadian territory, if for any unforeseen reason they should shut off the upper St. Lawrence, the way the geography of the two

countries stand they would also be shutting themselves off from an outlet to the sea as well as the United States if that should ever occur.

Mr. BERLE. At once; yes.

Mr. DONDERO. What is the government of Newfoundland? You made some statement that it was not a part of the Dominion of Canada.

Mr. BERLE. Newfoundland has had a long and somewhat tangled history. It used to be one of the Dominions of the Empire, a separate Dominion. Subsequently it got into certain financial difficulties, and thereupon it was placed under a special form of government by a commission governing from London or deriving the authority from London. Whether that is a permanent status, of course, remains to be seen. The question is somewhat discussed in Canada even today. As you know, Newfoundland has relatively little industry, and therefore has had some heavy flooding economically. That is the reason why it happens to have a status somewhat different from the rest of Canada.

Mr. DONDERO. As bearing upon the question of keeping the St. Lawrence River open for navigation and commerce of the United States, isn't it a fact that we have recently established some bases on Newfoundland?

Mr. BERLE. That is the fact.

Mr. DONDERO. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Mr. Berle, we have all followed your distinguished career for a good many years, and I would like to go back just a little further than my good friend from Michigan, Mr. Dondero, and have the record show whether it isn't a fact that you were graduated from Harvard cum laude at a very early age?

Mr. BERLE. I had hoped I had lived that down.

Mr. SMITH. Well, we will agree that you have splendidly, but I think I have read somewhere that it was at the age of 17.

Mr. BERLE. Yes; I suppose so, technically. I finished my work for my B. A. then and took leave of absence for a year and accumulated an "M. A." I was quite proud of it at the time, but in retrospect I am not so clear.

Mr. SMITH. I think you still have reason to be proud of the fact.

Mr. BERLE. Well, I don't know. Let me say in an aside that since there was a man who took at the age of 18 his doctor of philosophy—that is a graduate degree—at the same year I took mine. The comparisons were all in favor of somebody else which spoiled the drama of the occasion.

Mr. GAVAGAN. What happened to the doctor?

Mr. BERLE. He is a very able professor at the Massachusetts Institute of Technology.

Mr. SMITH. Mr. Secretary, reference has been made to the legal status of Canada as a signatory to this agreement, and I just want to ask if it isn't a fact that Canada, of course, is a member of the British Commonwealth of Nations, which forms a very unique confederation of nations, of what might be termed "quasi-independent nations," and probably without a parallel in history?

Mr. BERLE. I believe that to be true; yes.

Mr. SMITH. Which might afford a prototype for some future form of world association of governments because these nations apparently retain almost entirely their sovereignty and still they are associated

with Great Britain in the British Commonwealth of Nations—a very unique situation.

Mr. BERLE. Yes; it is one of the most fascinating developments of modern history.

Mr. SMITH. Isn't it obvious that sometimes our Government makes a mistake in deferring the actual construction of a project until the time arrives when it is needed?

Mr. BERLE. Mr. Congressman, I have sometimes, perhaps unjustly, thought that some of these projects were worked out after the fashion of the man with the leaky roof. When the sun shone he didn't have to repair it, and when it rained he thought he couldn't. That may not be a fair comparison and, of course, in view of the immense amount of useful work that has been done it is wholly unfair, but here is a case where everyone realizes it ought to have been done a long time ago. Now they say:

"But there may not be time," and yet we know that the United States has been at war roughly once in every 25 years of its history and there will be other crises after this and no one can tell how long this crisis will last."

Mr. SMITH. I think we can cite a number of such cases, and I have in mind particularly the Bonneville project on the Columbia River, which happens to be in my district on the Washington side of the Columbia River, and members of this committee will recall that in 1935 we had that project before this committee and there was a lot of opposition to it. The claim was widely made all over the Nation that "we never could use that power—we had no possible market for that power in the Pacific Northwest."

Now, we have an actual shortage of power out there, and it is proving one of the most valuable assets to our Government in connection with national defense that we have.

We have built two large aluminum plants there on the Columbia River in my district on account of Bonneville power, without which we couldn't get along at the present time in producing aluminum for our airplane construction and yet 5 and 6 years ago a great many people thought it was ill-advised.

Mr. BERLE. The parallel is very apt.

Mr. SMITH. That is all.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTENGER. Mr. Berle, you referred awhile ago to the diversion of water at Chicago into the Mississippi and discussed the Supreme Court decisions. Did I understand you to say that House Document 153 of the Seventy-seventh Congress opened up an avenue for those folks who wanted further diversion to have the diplomatic representatives of the United States take it up with the diplomatic representatives of Canada so that if H. R. 4927 is enacted that holds possibilities to them which are now foreclosed under the Supreme Court decisions?

Mr. BERLE. Well, obviously no agreement could enlarge the constitutional powers of the Congress, and I don't think that we could undertake to say what those are in the absence of a definitive ruling by the Supreme Court. To the extent that the Congress has any powers, they are free to exercise them. I presume, therefore, that we could, if

desired—or we are at liberty, if desired—to make appropriate representations to the Dominion Government in that regard.

The strict letter of the treaty provides merely that should such a diversion take place, then the opposite party, in this case Canada, could make representations which we would be bound to give attention to, and if we were unable to agree, then to submit to arbitration for appropriate remedy.

Mr. PITTENGER. Are you discussing House Document 153 in those remarks?

Mr. BERLE. Do you mind correcting me? My memory is that House Document 153 is the agreement.

Mr. PITTENGER. That is the agreement; yes.

Mr. BERLE. That is what I thought. Yes; I was.

Mr. PITTENGER. In other words, as matters stand now, unless the Supreme Court of the United States should grant a right for a further diversion under the 1919 treaty or the 1909 treaty, the people that might want that diversion are forever foreclosed?

Mr. BERLE. Well, they are foreclosed, if I may say so, not by any problem of treaty but by the law of our land, and that, of course, no agreement between this Government and the Canadian Government could change.

Mr. PITTENGER. But if House Document 153, which is this recent agreement—if that is approved their rights are enlarged under that document, which refers to procedure for the diversion. Is that correct?

Mr. BERLE. No; I don't think that that is true. I think that the limitations on diversion don't arise out of the treaty of 1909. To the best of my recollection, that treaty does not apply to the Chicago situation. I should have to check my memory on it, but my best recollection is that the legalities of that case are decided not on the treaty of 1909 but on the legal rights of the parties in view of the situation, and that it was on that that the Supreme Court rendered such decisions as it has rendered.

Mr. PITTENGER. But there is language in House Document 153, the agreement under which they could apply to the Commission.

Mr. BERLE. To the extent that there is any legal right inherent in the Congress, that article gives you the chance to exercise whatever rights you have; yes. As I say, we are not clear that we have such rights under the law and we cannot find out until a test case were finally decided.

Mr. PITTENGER. That is all.

The CHAIRMAN. Mr. Bell?

Mr. BELL. Mr. Secretary, I have just one or two questions. You spoke of the ocean-side shipways and also of the shipbuilding facilities on the Great Lakes. I think you said in your opinion that the building of this canal—the opening of the canal so that ships built upon the Great Lakes could be transferable to the open ocean—was the advantage in having these shipways in the Great Lakes.

From the standpoint of existing shipways, are there shipways on the Great Lakes now that are large enough to use for the purpose of building battleships or large ocean-going vessels, or would shipways of that character have to be built before that type of vessel could be constructed on the Great Lakes?

Mr. BERLE. I should like to preface my answer by saying that you are getting a purely lay opinion. I am not any expert on shipbuilding. We have to rely there on the advice of the departments who do know that business and all about it.

Mr. BELL. I realize that.

Mr. BERLE. So you are merely getting an impression, and it is subject to correction by the men who know infinitely more about it than I do.

There are now building certain types of naval craft in the Great Lakes. Naturally it is small craft. There are facilities available to build ships of ocean-going size, and, in fact, there are a good many such ships actually plowing the waters of the Great Lakes now. Naturally they have no exit to the sea.

You have asked the type of vessel. My impression is that there are no facilities which would take care of the large battleships and none, perhaps, of the heavy battle cruisers. For light battle cruisers and boats of comparable size, I believe there are facilities and that others are easily available. And there are shipbuilding concerns there that are capable of building such ships and that industry could considerably be expanded. In respect of the ocean-side ways:

My understanding is that some part of those, and very likely as situations may develop, a larger part of them are tied up sometimes for 2 or 3 or even 4 years in building these certain type of craft, which, of course, blocks the ways so that they cannot be used for the merchant ships which can be built at the rate of 2, 3, or sometimes even 4 a year. For that reason it would be possible, I suppose, to build the long-range shipping, commencing, let us say now, if you gentlemen approve the agreement, and thereby freeing those yards for the building of merchant ships.

Mr. BELL. May I interrupt you, Mr. Secretary? Do you mean that the contemplation is to build a larger type of ship which would take 3 or 4 years to construct upon the Great Lakes and release the shipyards on the open coast for larger vessels?

Mr. BERLE. I prefer to rest my statement on the fact that that possibility is contemplated. As to the actual plans, I think the Navy can answer you more definitively. The possibility is there, and, of course, is obvious.

Mr. BELL. The thing that I had in mind, Mr. Secretary, was that in the event that it is contemplated building large ships on the Great Lakes, ships which would take 3 or 4 years to produce, it would also mean that larger and different shipbuilding facilities would first have to be constructed in the Great Lakes. Isn't that your understanding?

The CHAIRMAN. The large ships on the Lakes are larger than the oceangoing ships and have a greater capacity.

Mr. PITTENGER. They are built in the Lakes in Great Lake yards.

Mr. BELL. You mean ships built on the Great Lakes now are larger than ships that cross the ocean?

Mr. BERLE. As large; yes, sir.

Mr. CULKIN. Might I make an observation?

Mr. BELL. Yes.

Mr. CULKIN. During the World War there were a number of ships built on the Great Lakes on these ways. A good many of them were built in Duluth, as I remember it, and they were cut in two and

taken to Montreal and there placed together. I don't recall the exact number but there were a number of them.

The CHAIRMAN. Two of them, I believe.

Mr. CULKIN. And may I observe further that at the time the need for shipping was not as grievous as now.

Mr. BELL. That is all I want; thank you.

Mr. BERLE. I ought to say, if I may, in slight amplification of that, we have been put to strange shifts, like the World War shift, and I am informed that there are somewhat similar shifts being resorted to now. The building of large ocean-going ships in the Great Lakes, but only half building them and taking them out via the Mississippi, but they then have to be reassembled, and the engines put in, and the superstructure put on, and all the rest of it, farther down. Of course, that is very expensive and a time-consuming process.

I think it is fair to say that there are considerable amounts of facilities for that kind of shipping.

Now, I prefer to rest on the testimony of the Maritime Commission as to the exact amount of it; but they build ocean-going ships in the Great Lakes at this minute, and those facilities are available.

There are a couple of million tons in one way or another, and a considerable portion of that would be ocean-going tonnage if it had an outlet.

Mr. BELL. That is all.

The CHAIRMAN. Mr. Angell.

Mr. ANGELL. Mr. Berle, if this agreement is approved, what expenditure is contemplated on the part of the United States?

Mr. BERLE. Under this particular agreement, I suppose it will work out, gross, slightly under \$300,000,000, and no doubt \$100,000,000—

Mr. ANGELL. That is the part allocated to the United States?

Mr. BERLE. Yes. Of that amount the total gross amount, which is approximately \$280,000,000, \$93,000,000 comes back because of the power development and pays that, and that pays itself out. The balance is the United States expenditure, and there remains a certain amount which Canada has to pay. My offhand recollection is about \$50,000,000 is the total amount when we are all through, that the Canadian Government will be asked to pay.

Mr. ANGELL. The figure you have mentioned is not only for the waterway development, for the dams, but also for the power installation, as well?

Mr. BERLE. That is right.

Mr. ANGELL. Now, what is the amount contemplated on the part of the Canadian Government?

Mr. BERLE. I think their total amount will approximate \$50,000,000.

Mr. ANGELL. Is that giving them credit for the work already done?

Mr. BERLE. That is after giving them credit for the work that is done. Of course, the Canadian adjustments are their business and not ours. The last estimate, which was furnished quite recently by the Army Corps of Engineers, shows a total United States expenditure of \$285,056,515 remaining to be expended. Of that, we shall get back \$93,500,000, approximately, from the power people.

Mr. ANGELL. That is amortization and the power investment?

Mr. BERLE. That is power investment. If that goes to New York, then New York would undertake to repay that.

In addition to that, we get back from Canada—not that we get back from Canada, but to Canada, which Canada has to expend, approximately; well, she would have to spend \$144,000,000 for the entire proposition. She does not have to spend it all, now. I think that their estimates call for approximately \$50,000,000 of present expenditure.

Mr. ANGELL. Will you give us a break-down of those credits to which Canada will be entitled?

Mr. BERLE. Well, as I say, you run into a problem there. The total cost to Canada, if you put it that way, would come to \$144,048,000. But then of that the power development, which is paid by the Ontario Hydro, who are going to have to spend that money, anyway, either here or somewhere, comes to about \$90,000,000. So that her total expenditure comes to, as I say, in round numbers, somewhat over \$50,000,000. That is her net. That takes in the Great Lakes section, including the new lock at Sault Ste. Marie, and takes in the work that might have to be done on the Welland Canal, and it takes in the St. Lawrence River all the way, and it takes in whatever additional work has to be done on the St. Francis and the Soulange and the Lachine sections.

The CHAIRMAN. Did you include the Welland Canal work?

Mr. BERLE. Yes, sir; that includes the Welland Canal work. That is, that would be included because that was provided when they constructed the Welland Canal.

Mr. ANGELL. You contemplate that the United States will assist Canada or make any advance on these projects?

Mr. BERLE. They have not raised that, and anyhow, the Canadian policy has been not to borrow money.

Mr. ANGELL. Does this proposition come under the operation of the lease-lend bill?

Mr. BERLE. My associate from the State Department says, unhesitatingly, "No." I do not undertake to say, because it has never been considered, I have never, myself, considered it in connection with the lease-lend bill. So, without checking up, I could not say. We had never thought of that contingency, and that is why I never have looked it up.

Mr. CULKIN. Might I ask a question, Mr. Chairman?

The CHAIRMAN. Go ahead.

Mr. BERLE. I might add, at the conclusion of this you will see we shall merely have completed the gentlemen's agreement with Canada with reference to this whole Great Lakes waterway which has been made now back 12 or 13 years ago. We would then be even with the game. We are obligated at some time in the history of the world to make a substantial investment to match the investment they have made and the advantage we have had through the years, for lo, these many years.

Mr. ANGELL. May I ask one additional question: In your judgment, Mr. Berle, would it require an additional modification of the existing treaty with Canada to provide for policing and defending this project?

Mr. BERLE. No. You see, we are committed to defending that land line, as it is. If there never were any St. Lawrence waterway, we

should still have to protect or join with the Canadians in protecting the deep waterway and up the St. Lawrence the very important aluminum plants at Massena, the section above the rapids, the ferro-alloy industries in Niagara, the St. Marys River and canal, which carries our ore, and so on all the way up. Our staff plans provide for that.

Mr. ANGELL. Mr. Berle, in connection with the testimony you have given previously, under the treaty we are not permitted to maintain the vessels there on the locks. Could we, if we proceed with this project, continue, or maintain vessels of that character without further modification of the treaty provision?

Mr. BERLE. No; we could not. All the staff plans contemplate, not defending against each other, but defending against an extra-continental foe. I hope that contingency will never arise.

Undoubtedly, were it necessary in general defense of our two countries to modify the treaty, it would be possible to do so, but as yet no military necessity has been called to the attention of the State Department which would indicate that that would be needed.

Mr. ANGELL. There is the possibility, however, that Canada might be taken over by some enemy country?

Mr. BERLE. Well, I think if that happened, it would have happened somewhere else, and I think that then we would be radically revising not only this kind of an arrangement, but pretty much the entire national life of the United States; and we would be thinking, not so much of defending the waterway, as we would be of taking care of a vast frontier and everything that goes with it. I do not contemplate that possibility, really. Should it happen, why, naturally, all arrangements would have to be immediately revised.

Mr. GAVAGAN. From the national viewpoint, in the event such a contingency did arise, we would have to protect Canada by military force, even if that meant taking Canada, would we not, under our national commitments under the Monroe Doctrine and our recent declared Congressional policy of the United States?

Mr. BERLE. And by every dictate of common sense and everything else.

Mr. GAVAGAN. For self-defense?

Mr. BERLE. Obviously.

Mr. ANGELL. The modern method of protecting a country is by taking it over, as we have learned in Europe.

Mr. BERLE. I agree with that. I am inclined to think that if it should look as though that were likely, the first people to desire it would be the Canadians, themselves.

Mr. GREEN. Mr. Berle, let me mention one suggestion that I would like to make there: We owe them an obligation there on that treaty. The British Crown, the people you speak of in 1812 or 1912, whatever it is, the British owe us several million dollars. Why would not the State Department work up an agreement which canceled that debt, and let Canada write that off and reduce the pro rata of this cost? Let them put up the cash, instead of that old obligation against us. That is what you do in common business.

Mr. BERLE. Well, yes, that has its appealing side.

Mr. GREEN. It is common business.

Mr. BERLE. There is this difficulty, and that is that the British debt is a debt owed by Great Britain. The Canadians as an inde-

pendent entity within the British Commonwealth have, so far as I know, scrupulously met every penny of any obligation they ever owed to us, or any of us, and at the date of these presents they do not owe us a sou marquee. In other words, they have not only had no defaulted debts, but they are up to date on the obligations that they owe us here.

The CHAIRMAN. I suggest to Mr. Green that if he can collect all of our war debts, we would make him President.

Mr. GREEN. But they are a part of the British Empire.

Mr. BERLE. I think they do not claim that they are responsible to the British. They claim they are a part of the British Commonwealth, which, as has been brought out, is quite a different thing.

Mr. GREEN. About the same as a man dodging his wife's debts, isn't it?

The CHAIRMAN. Have you finished, Mr. Angell?

Mr. BERLE. No; I would not wish to confuse Canada with the United Kingdom. They have been substantially independent for so long you just could not operate on that basis. Their relations to us are different from other relations to us, from our relations to the British.

Mr. BETTER. Mr. Chairman, initially I desire to correct the figure I gave to the gentleman from Michigan, when I said there were 8 projects located on the Great Lakes. What I meant to say was there were 8 projects in which construction work is actually going on. There are 25 projects on the Great Lakes, where construction work could be inaugurated, and in addition to that there are 18 additional projects which could be gone into by the additional expenditure for repairs and improvements. I wanted to make that correction.

Now, you will pardon me, Mr. Secretary, if I roam from one subject to another, or appear to roam from one subject to another. I have a number of questions I have jotted down here, notes that I made while you were discussing various phases of this project with other members.

In the first place, you referred to the treaty or agreement and said it should rightfully be submitted to both the House and the Senate. I think you are extremely generous in your consideration at this time. I have never heard of it before, excepting probably when you appeared before the Appropriations Committee for an appropriation for consideration of the House.

Mr. BERLE. If you will pardon me if I interject, I really think that is not by any means true, if you will pardon me, quite fair to the Department. There have been many, many agreements, which have been submitted to the two Houses, or with respect to which the authority has been first considered by the two Houses.

Mr. BETTER. Well, is it not a matter of fact that you are really submitting it to both Houses because you do not have enough votes to get it by in the Senate?

Mr. BERLE. I am not by any means prepared to admit that the Senate of the United States is not as solicitous for the welfare of the United States as we are, and I firmly believe that two-thirds of them will be convinced that this is the proper thing to do.

Mr. BETTER. I think you stated that this is vital to the defense of the North American continent. Has Canada included this in its defense program?

Mr. BERLE. You know, I share the Secretary of War's feeling about the word "vital." No piece of work is vital in the sense that the defense of North America depends on it, alone. This is an important and a vastly important piece of work in that connection.

Mr. BEITER. I will not quibble, then, on the words "vital" or "important." But has Canada included it in its defense program, then?

Mr. BERLE. The power aspect of it, in absolute fact, was raised and vitally urged by Canada even before or at least simultaneously with our own urging.

If you will pardon my reminiscing a moment my recollection is very clear about the evening when, shortly after the outbreak of the war—no; before the outbreak of the war, the chairman of the Ontario Hydro, who is charged with providing adequate power, came to Washington quietly and asked some of us to come in and see him, and he said, "Gentlemen, I have got to have not only more power, but an added supply for the demands that I know are coming, and the obvious place to get it is in the St. Lawrence."

Shortly after the outbreak of the war he again discussed it with us and pointed out that it had become an increasing necessity. Finally, we heard from him once more, before we had time to turn around on it, shortly after and very close to the time when the Germans had captured Norway; and he then pointed out something to us; he said that the British had been borrowing war supplies from Norway, which took 3,000,000 horsepower of electricity to manufacture; that now that was lost, and the British were attempting to secure that same supply from Canada; and that by consequence an immediate burden of a considerable part of that 3,000,000 horsepower had suddenly been dropped on them, above their estimates, and he begged us to get this thing forward, if we possibly could, in order that they might have power for defense.

As to the seaway, it was agreed at that time by them and by us that we would remain in consultation and see how things went. At that time it was not known whether the British shipping losses would be very great. They have been becoming continuously greater ever since.

Mr. BEITER. You referred to the chairman of the Hydroelectric Power Commission of Ontario, and I assume you refer to Dr. Hogg?

Mr. BERLE. Mr. Hogg, a very able man.

Mr. BEITER. Did he not say at one time—and I quote from his statements:

It is quite evident that this development cannot be classed as a war measure, for even if undertaken tomorrow it would be 6 or 7 years before it could be of use. Yet the project is persistently misrepresented as a war measure which, far from helping, would actually handicap war work.

Mr. BERLE. The quotation is accurate. It was made in January 1940, at a time when the war was static, and the common belief was that nothing would happen; that the Maginot Line would remain intact. He has discussed that with us in that sense. At that time, as I say, he was talking to us about increasing needs in the future. At that time he was urging the project. It was a few months later, after the fall of Norway, that in the light of that very statement he urged us to get this forward as a matter of defense.

Meanwhile, of course, the time needed has been somewhat revised as new engineering estimates came in, and the vitalness and the pressure and the urgency of the need have overwhelmingly increased.

Mr. BEITER. Yet he admits it would require 6 or 7 years for construction before it could be used, and you, I believe, testified previously, or admitted, that the project could not be completed within 4 years, and I think the Secretary of War said something about 3 years this morning when he testified. Then of what value would it be to the national defense?

Mr. BERLE. I do not admit the figures as to the time, and I am not sure as to what Mr. Hogg would admit as to the time if he were here.

Mr. BEITER. I quoted him a moment ago.

Mr. BERLE. I understand; but I think you will find a good many different ideas have come in. For one thing, we were figuring then on the basis of a peacetime construction and including the seaway and all kinds of things.

But even if you take all of those figures that are true as completely accurate, you obviously have sources of information which are not available to us as to how long the emergency will last. All I can say is, if you can make them available they will be of immense help to the Department of State in making up its plans.

Mr. BEITER. Now, I do not claim to have any—

Mr. BERLE. Don't you think that Mr. Hogg was talking, as pretty much everyone was talking, and we, none of us, have any omniscience as to the future, and nobody foresaw the situation which actually occurred only a few months later. That is the substantial difference, and if everyone was still in the wishful-thinking stage and wishing you would wake up and it would all blow away, of course you can talk like that. No responsible person, either in Canada, Great Britain, the United States, or anywhere on the globe, would take that to be the case. The only men that prophesied a speedy end to the war that I know of were the German high command, and they talk about that, naming a new date every few months or so. But we cannot, and we have to be prepared, then, for a long pull here.

Mr. BEITER. Then let us use your own figure of 4 years, or the Secretary of War's figure of 3 years; of what value would it be to national defense?

Mr. BERLE. Why, this—

Mr. BEITER. In view of what the Office of Production Management stated, that they would reach their peak in 1943?

Mr. BERLE. Why, this: That is the peak they are now planning. But if the tide runs heavily against us, and we are in even greater difficulties, we might very easily find that at the end of another few months, to make the country really safe, you would have to take that estimate that you now have, and double the amount on that. Every estimate made, even by the O. P. M., has already been revised upward once, twice, and some of them three times. And I believe that substantially the same process has gone on in every defense arm. No one thinks that we can yet see the full scope of it.

Were the entire Continent of Europe to be mobilized against us there would not be a single resource in the United States that we could afford to overlook. And if you want to have that when you need it you are going to have to begin now, and not later. You cannot have any interference or handicaps in defense. It is a continuous process, and you have to have your material and your resources ready all the time. If there is a power in between there the

consequence to the country might be such that I think you and I would not care to share the responsibility of it.

Mr. BEITER. Well, in that connection, then, for years we have been trying to get additional diversion there at Niagara Falls to operate the Adams plant, and it was only in the last week you finally entered into an agreement with Canada to have an additional diversion of water there. That plant was standing idle for years; the machinery was installed there and ready to operate, and all you had to do was to turn on the spigot, and yet you sat idly by. If power was as badly needed as you say, why didn't you turn on that power weeks ago or months ago?

Mr. BERLE. The vitalness of the need was not apparent. While I wish you would ask that question of the chairman of the Federal Power Commission, who is better informed on it than I am, let me say as a New Yorker that the Adams station is really a drastic undertaking. It is one of the least effective ways of using water that there is, and we use it now primarily because we do not have anything else. Something else should have been done up there many, many years ago.

As to the urgency of the need, the urgency of the need comes very simply, I am informed, from one thing, the ferroalloy and the chemical and other similar industries situated at Niagara Falls were going along much as usual until the defense orders came in, and they were asked to increase their capacity, which previously they had not been particularly anxious to do, and they naturally said, "We can do that only if we have power. Where are we going to get the power?"

It was at that point that the pressure arose for additional water from Niagara. That was the urgency that occurred, and it was that urgency which we then sought to meet.

Prior to that time, so far as I am aware, there had been no great urgency for the power; and the real design, as I am informed, was not so much to get additional power as to try to buy up for one company the right to use an indefinite amount of Niagara water, an entirely different proposition.

However, I suggest that you will find that the Federal Power Authority has the fullest material on that particular incident, which has many ramifications, some pleasant and some not so pleasant.

Mr. BEITER. I shall discuss that, then, with the power authority.

Mr. BERLE. I think you will find them very ready.

Mr. BEITER. You did make a statement a moment ago that if we continued to divert water at Niagara Falls, it would interfere with the beauty of the falls. Just how do you explain that?

Mr. BERLE. Well, if you take more water out above the Falls, of course, that does two things: It diminishes the flow over the Falls and, if continued for any length of time, it increases the erosion.

Mr. BEITER. Well, the water over the Horseshoe Falls at the curve is about 12 feet in thickness there. Would it make any difference if that were only 8 feet or 10 feet in thickness, rather than 12 feet?

Mr. BERLE. Well, I do not claim to be an expert on the precise points of the beauty of the Falls, not of Niagara, certainly. Yes; I should suppose it would. I do not see how it could, otherwise; and I say that I am not speaking as an expert.

Mr. BEITER. Would it not have been cheaper for the Government to construct weirs in the river and separate that eventually and have

it go to the American falls and to the Canadian falls, and make that available for power?

Mr. BERLE. I should respectfully like, if I may—

Mr. BEITER. I think the engineers have estimated it would cost \$1,500,000.

Mr. BERLE. I would like to refer that to the Army engineers. Like the Secretary of War, my claims to omniscience are not very great.

The CHAIRMAN. I think General Robins has had quite a lot of experience down there.

Mr. BEITER. In connection with your statement that you have made studies of manufacturing plants and the need for machinery, I wonder if you have ever taken into consideration a plant located near Massena. There a plant exists capable of producing 750,000 horsepower, and the only thing that is needed is, as you say, some improved machinery. Have you ever taken into consideration the installation of machinery there in that Canadian plant? It is located on the Canadian side.

Mr. BERLE. I think you will find that that has been fully included and meticulously studied, both by the Canadian people and by ourselves; yes.

Mr. BEITER. Do you expect to utilize the plant at some time in the near future?

Mr. BERLE. We expect to utilize everything that can be utilized in that area. I say "we" without authority, because that, as I say, is on the Canadian side. My impression is that they expect to utilize everything that is capable of utilization, as rapidly as they can get the materials for its use.

Mr. BEITER. Is that included, then, in your estimate of cost?

Mr. BERLE. The estimate of—

Mr. BEITER. The cost of the entire power development?

Mr. BERLE. No; it is not. That is a separate thing.

Mr. BEITER. Well, in addition to that plant, if another wing were constructed at the Beauharnois plant, you would still have another 750,000 horsepower available, which would be 1,500,000 horsepower available.

Mr. BERLE. I guess you will find difficulty in getting water for that.

Mr. BEITER. I think that water is available there.

Mr. BERLE. Judging from representations vigorously coming from the Aluminum Co, wanting to get back on the Canadian side, I should gather they were not quite clear on that subject.

Mr. BEITER. I beg your pardon?

Mr. BERLE. I say, judging from the continuous representations which are made, requesting us to borrow, beg, or buy or steal the power from the Canadian side for the Massena aluminum plant, I should gather they were not so clear on that subject.

Mr. BEITER. I hold in my hand here the treaty series No. 548, and turning to page 3, article 5—I wonder if you have a copy available, for I would like to have you explain paragraph 2.

Mr. BERLE. What is the treaty? I do not happen to have that in my hand, so I do not know the treaty you are referring to.

Mr. BEITER. The document is series treaty No. 548, the treaty of 1909, article 5.

Mr. BERLE. That is the boundary water treaty.

Mr. BEITER. I can read it to you.

Mr. BERLE. Go ahead.

Mr. BEITER (reading):

So long as this treaty shall remain in force, no diversion of the waters of the Niagara River above the Falls from the natural course and stream thereof shall be permitted except for the purposes and to the extent hereinafter provided.

That is article 5.

Mr. BERLE. That is right.

Mr. BEITER. You referred in your earlier testimony, I believe, to other considerations being given by the Department for further diversion.

Mr. BERLE. That is the paragraph of the boundary waters treaty of 1909, which limits the Canadian diversion and the American diversion above Niagara Falls; yes. As you referred to it as a particular treaty series, I did not call it to mind, because I know the document by name rather than by the number of the treaty series.

Under that, if I recall correctly, the American diversion is limited to 20,000 feet, and the Canadian—

Mr. BEITER. Thirty-six thousand.

Mr. BERLE. To 36,000 feet; that is right. And there is an increase in those two amounts that we obtained for the diversion which you have just recently mentioned.

The CHAIRMAN. And those increases are intended as temporary?

Mr. BERLE. Only temporary.

The CHAIRMAN. Yes.

Mr. BERLE. We would never mortgage that permanently, the beauty of Niagara Falls, if we could avoid it. And we do it then only under the consideration of necessity. We shall have to increase that diversion before the summer is out, according to all indications.

Mr. BEITER. I believe this morning you spoke of 2,200,000 horsepower. Can you testify just how much water and how much power will be available during the summer and winter seasons?

Mr. BERLE. I cannot, except to say that this is firm power.

Mr. BEITER. It is firm power?

Mr. BERLE. Yes.

Mr. BEITER. The 2,200,000 horsepower?

Mr. BERLE. Yes, sir.

Mr. BEITER. Who is authority for the statement that if steam-power equipment can be obtained the actual amount of machinery would be less than that for hydroelectric equipment?

Mr. BERLE. I do not know. I have long since wanted to meet a responsible person who wanted to get steam equipment to do this thing. I have heard so many statements made about it that I am beginning to hope that some time the imaginary responsible person who puts out these figures will appear, because I would like to see him. For one thing, if he can do what he says he can do, we have a great deal of use for him about now.

Mr. BEITER. Don't you believe it would be far more advantageous in our defense work if you were to build steam plants which would be working in 18 months, and at places where needed, rather than build a power plant up in the St. Lawrence where no plants are located except the Aluminum Co.?

Mr. BERLE. There are—let me simply split that sentence. It simply assumes there are no plants within the limit of this power. Of course, I cannot think the Congressman makes that statement. He is thinking of one plant which happens to be actually along the seaside. But of course it is a perfectly well-known fact that power is capable of practically immediate transmission to some of the largest industrial areas in the Northeast, and practically all of it in varying degrees, of course, of importance.

Mr. BEITER. Economically transmitted to long distances?

Mr. BERLE. Yes, sir. You see, even a long transmission, like 300 miles, as one of the gentlemen of the New York Power Authority, Mr. Davidson, just called to my attention, loses only 10 percent. But in a far less radius than that, when you take a great range of those up-State New York industrial cities, you do not have to take in any large radius like that to get tremendous use for it.

Mr. BEITER. Are there any defense areas within that 300-mile range you speak of, with the exception of the Buffalo area?

Mr. BERLE. Oh, yes; you cover not only the Buffalo area, but you take the area—

Mr. BEITER. I am a little bit familiar with the northern part of New York State. There are mostly dairy farms up in that section.

Mr. BERLE. You are also pretty well aware of some available industrial areas.

Mr. BEITER. You spoke of aluminum this morning. Have you taken into consideration the many miles of aluminum that would have to be used in transmitting power?

Mr. BERLE. Yes; I think that all of those matters have been not only studied, but studied exhaustively. I did not do that, but if you ask whether they have been taken into consideration, the answer is yes.

Mr. BEITER. Going to shipping, now, what machinery has been set in motion to revise our harbors and channels to take advantage of the proposed shipbuilding facilities?

Mr. BERLE. I respectfully refer that to the Navy and the Maritime Commission, who have that in charge.

Mr. BEITER. I beg pardon?

Mr. BERLE. I say, I shall respectfully refer that to the Navy and the Maritime Commission, who have that in charge. They tell me that they have gone quite a way in those problems, but I personally do not know enough about that to try to talk about it.

Mr. BEITER. Has not the War Department listed the advantages and the disadvantages of such an inland waterway?

Mr. BERLE. I cannot say, I am sure. I think that if the Secretary of War felt it desirable to defer to the experts in his own Department, that the Assistant Secretary of State may be permitted to make the same reference.

Mr. BEITER. I understood you to infer a minute ago that you practically slept with this project; not in those words, of course, but in the last 3 or 4 years I assume this has been called to your attention, and I wondered if you had gone into it.

Mr. BERLE. I was not aware of any sleeping on this project. As I understand it, the sleeping has been rather curtailed.

Mr. BEITER. I used that as a figure of speech, as to the work in your Department; that is just a figure of speech.

Mr. BERLE. Of course. The War Department is here recommending it, and the Secretary of War has been here and made his statement, and the Army engineers are here to explain it and to favor it. They have meticulously carried out their researches and their calculations. So I think that the State Department would not feel that we were competent to revise expert calculations and conclusions of that kind. Now, we are wise, if, instead of taking extraneous and purely outside figures of varying degrees of authority, we rest on the people that really know their business and are going to be responsible for the ultimate outcome. And that is what they actually have come to. How they added and subtracted to get their conclusions is a matter they can explain to you a good deal better than I can. Also, anyone can make up lists of advantages and disadvantages and come to a conclusion, and each one of us might have a different list and feel confident and still come to the same conclusion.

Mr. BEITER. Well, then, in your opinion, your own opinion, do you believe that the advantages will outweigh the disadvantages?

Mr. BERLE. In my opinion, I do; yes.

Mr. BEITER. Why?

Mr. BERLE. I speak there, of course, not on behalf of the State Department, but on behalf of myself, and incidentally as a citizen of New York.

Mr. BEITER. Why?

Mr. BERLE. In the first place, we need the power; in the second place, the Lakes need the transportation; and in the third place, we need the power up there that we have been getting, and we need it on a much broader basis.

The comparison between what happens in northern New York and what happens in the Province of Ontario is not definitely to the credit of northern New York.

Another reason for feeling that we need it, and I speak as a New Yorker, is the terrible injustice that has been done to the workmen who want jobs in the Buffalo district, and if I may say, it comes pretty close to being another economic spectacle of a large order.

Mr. BEITER. Let me tell the gentleman very definitely that the number of men that are looking for jobs in the Buffalo district are few and far between, and industries are going down as far as Tennessee and out as far as Oklahoma to get the men to fill positions that are now vacant and available there.

Mr. BERLE. I think that is due to the national defense. But if you check the figures, you see that the Buffalo industry came up and up and up to a point where the power was exhausted, if you please, and it comes to a full stop. And you take other areas engaged in the same line of industry and watch the same curve, and see them going on up, and still going up. If I were a Buffalonian I would wonder what had been done to me. But, of course, I am speaking more as a layman and as a New Yorker.

Mr. BEITER. If the gentleman had taken the time when he was down there studying conditions in Buffalo and given consideration to other conditions, he would have found that the reason industry has not located in Buffalo, is because of the high tax rate and not because of the lack of power. That is only one of the considerations.

Mr. BERLE. That, of course, has something to do with it, that is one thing; and another, which I do not undertake to comment on here, but I do recall that we had considerable requests for assistance up there in the halcyon days from 1933 on. Of course, now the defense industry is going on, and I imagine your employment problem is pretty well taken care of. But Buffalo has been stunted in growth by those conditions. It is regrettable. Maybe Buffalo likes to limit its growth. That may be another item. I had not thought of that.

The CHAIRMAN. We have a program for tomorrow that cannot very well be changed. We have General Robins, who appeared to go on this afternoon, but it looks like it is going to be impossible to get to him. I would like to know if General Schley and General Robins are present now. Yes; they are.

Mr. BEITER. I do not want to interfere with your program, Mr. Chairman. I shall be very glad to yield and discontinue my questions.

The CHAIRMAN. I don't know what we are going to do about it. I would like to know from the War Department, if General Schley and General Robins, if we cannot get to them this evening, when can we set time for them? I do not think we could change the program set for tomorrow. It is the Navy Department and the Governor of New York and others that are billed to be here, and we cannot very well change it.

Mr. RANKIN. The Army engineers are in town, and they could come around any time.

The CHAIRMAN. That is what I wanted to find out.

General SCHLEY. Any time you say.

The CHAIRMAN. General, I do not believe we can get to you tonight.

General SCHLEY. Very well, sir.

The CHAIRMAN. We will meet at 10 o'clock in the morning.

Mr. BEITER. Mr. Secretary, because of the dams and the locks in the St. Lawrence River and the interconnecting waterways to the Great Lakes system and the power plants located on the seacoast, would they not be vulnerable to attack from the air and by sabotage?

Mr. BERLE. I suppose just as vulnerable as the New York Central Railroad or the rest of our communications; yes.

The CHAIRMAN. Mr. Berle, the English found out they were vulnerable, didn't they?

Mr. BERLE. Yes. As a practical matter, they are a part of your communications.

The CHAIRMAN. Most anything is vulnerable in time of war.

Mr. BERLE. Yes; if you get that far in. I should say far less vulnerable than the Empire State Building, for instance.

Mr. BEITER. The War Department, in making a report on the Sault Ste. Marie, calls attention to the fact that it might be vulnerable, and this is inland another four or five hundred miles, this power plant located on the St. Lawrence.

Mr. GAVAGAN. If they once get in, anything is vulnerable.

Mr. BEITER. How many locks does the waterway contain?

Mr. BERLE. I cannot answer that, Mr. Congressman. I just do not know. I have all the material here, but that is hardly applicable to a State Department argument, and the engineers will be able to furnish that.

Mr. BEITER. Probably the other questions I have are more for the engineers; so I have no further questions now.

Mr. BERLE. Thank you. I appreciate that, because it would be absurd for a State Department representative to try to duplicate the work of the engineers.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Just to what extent would the proposed power plant on the St. Lawrence River contribute to our defense requirements for power?

Mr. RANKIN. What is that question?

Mr. BENDER. To what extent would the proposed power plant in the St. Lawrence River contribute to our defense requirements for electric power?

Mr. BERLE. 2,200,000 horsepower, of which 1,100,000, of course, comes to the United States and 1,100,000 to Canada. Since in practice they draw on us for supplies and we operate in terms of a joint defense, you can consider that as pretty nearly a single item. I understand that provision is already planned for substantially full use of all that power as soon as it comes in.

Mr. BENDER. I emphasized the defense requirements.

Mr. BERLE. Yes.

Mr. BENDER. Now, as I understand, nothing could be contributed before 1948 at the completion of this project?

Mr. BERLE. No; at the latest 1945, and with luck, 1944.

Mr. BENDER. We would then, on the basis of the question asked by the gentleman from New York, Mr. Beiter, have passed our defense peak as indicated by the O. P. M.?

Mr. BERLE. Well, I think that there is a considerable misconception of what is called the defense peak. Based on the schedule of production that they worked out and that they expected to go into existence, you would construct the figure of 1943 as things then stood. As the Secretary of War rather plainly intimated, that was the best estimate then, and here is no reason to suppose that we may not need to find a new peak. Even at that peak, we shall be in trouble until we get into the power.

Mr. BENDER. I understand the gentleman's point. I was listening very attentively to what you said previously. But it seems to me the present emphasis is placed on speed, and on the desirability for quick delivery. And would not the construction of this canal and the undertaking of this job at this time handicap the present defense program, because it would tie up about 60,000 men and machinery and materials that might be used immediately for defense purposes?

Mr. BERLE. I am informed that it would not. The bulk of the materials that are needed are not materials in which there is any shortage, principally cement. The bulk of the labor is not the labor of which there is a shortage. A large part of it is unskilled. The skilled construction labor, much of it will be freed in the coming months and years, as the defense plans which have been under construction cease to be construction jobs and go into operation, freeing those men.

Indeed, at the moment there is a question of what to do with a considerable number of construction men who have been constructing camps in northern New York, and I am informed there is that group, for instance, which could be made immediately available on this project. What happens is that as the construction jobs get through, they are available for this. And the kinds of materials used in this are, as Secretary Stimson observed, materials of which there is no shortage, such as cement.

Mr. BENDER. In my first question I asked about the capacity of the St. Lawrence, and you indicated the power capacity would be something over 2,000,000 horsepower.

Mr. BERLE. 2,200,000 horsepower.

Mr. BENDER. And our share of that would be one-half?

Mr. BERLE. Yes. That is not a fair statement, altogether, because we are actually drawing additional power now, borrowing it or hiring it from Canada as we need it, of their 1,100,000 horsepower, and there is a very fair possibility we will immediately borrow a very considerable part of that. In fact, until it comes in, many of our own machines will run on borrowed power from Canada, at least as long as Canada can give us the power.

Mr. BENDER. You indicated previously that the power generated in the St. Lawrence plants would be limited to distribution to northern New York State; is that correct?

Mr. BERLE. No. The observation was made that the useful transmission radius was about 300 miles.

Mr. BENDER. Is it not a fact that the locks in the Panama Canal are the basis of our concern for its impracticability?

Mr. BERLE. Well, I suppose it is true that the locks of any canal are its vulnerable part; yes.

Mr. BENDER. The Panama Canal is considered vulnerable on the same basis as the St. Lawrence would be considered vulnerable?

Mr. BERLE. No; the defense of it is an entirely different proposition, because, of course, that relates to defense from attack by sea and, possibly, by seaborne aircraft or by aircraft which may have obtained a base on the mainland. I do not claim to be an expert on those matters, but militarily it is an entirely different problem. I should be of the impression that that was a vastly less dangerous situation than the Panama Canal. Nevertheless, we still need the Panama Canal.

Mr. BENDER. Well, when we are considering the present rate of development in the aviation industry, these locks and this project of necessity call for a great expenditure of money to protect these locks and this project, as we are now protecting the Panama Canal?

Mr. BERLE. Well, no more so, I suppose, than the Capitol over there, or this office building. In a sense, that is a part of the plan for defense everywhere. As I stated, we have to do exactly the same thing for all our communications, including the railroad system up there. We should have to do it for the plants up there, in any event. We have to do it in those lengths of waterway already. So you have not added anything to the discussion when you add this 47 miles. On this 47 miles you have to defend, for instance, the Massena Aluminum plant, just to take the one that has been mentioned, and there is no difference in the defense. You have to do that, anyhow.

Mr. BENDER. The President declared an unlimited emergency, and in practically all the proposals we have for this project, it has been advanced as a defense project, and this power element has been discussed considerably.

Now, is it not a fact that we now produce all the power we need, if we would conserve the power that we are now wasting for nondefense purposes?

Mr. BERLE. The answer to that is no. I suppose that if we were able to perform miracles so that all the power that went, let us say, in the lighting of the city of Washington, can be laid down some-

where in various parts of the West, in that section then you might say there is enough.

In that connection, may I suggest that you ask that line of questions of Mr. Leland Olds, who has just made a tour of that country, with the defense estimates and the statement of needs, I think that his conclusions, which are authoritative, would effectively end the statement by anyone who really is interested in the accuracy of what he says, that we had all we needed.

The big push on power is going to come in now right along, as these defense plants go into operation. That is when the big draft hits you, and that is coming in power now to a point where we are, without saying so, having to cut down necessary production in northern New York because there is not adequate power to make it possible to expand the plans. We will be needing all we can get, and more besides. That is what Mr. Stimson meant when he said there was a shortage of capacity.

Mr. BENDER. I have only two more questions, Mr. Chairman. In your opening statement you suggested or indicated that all the defense machinery necessary, that is, on the Great Lakes, all the defense machinery that was needed was now being provided. Am I correct in repeating that? Am I correct in saying that you indicated you did not need any additional defense machinery?

Mr. BERLE. By machinery—

Mr. BENDER. Or manpower?

Mr. BERLE. By "machinery," Congressman, I meant governmental machinery that brings them into existence; that the conferences have been held, that the plans have been authorized, and the Defense Commission is acting and the staff people are at work, and so on. I did not mean to say that the job was finished; no. You would have to get better testimony than mine on that. What I meant to say was that the contingencies have been considered and using the word "machinery" I meant that the governmental machinery was available to bring it into existence.

Mr. BENDER. I am sure, Mr. Secretary, you are aware of the fact that most of our Coast Guard protection on the Great Lakes has now been diverted for use for transport purposes and other purposes, other than the Great Lakes?

Mr. BERLE. I have heard that; yes.

Mr. BENDER. In closing, I just want to say that I come from Cleveland, a community more in general line with Buffalo, and I am interested in your statement regarding industry reallocating elsewhere, and so forth. Of course, you are aware of the fact that we in a city like ours and in a State like ours pay, along with other industries and industrial States, the lion's share of Federal taxation. For every dollar we give in Federal taxes, we get only 57 cents return in benefits. Plans like T. V. A. and other similar projects might be helpful to others in other parts of the country, but certainly they are not very helpful to us in our section of the country. That is responsible for our inability to grow in proportion to our previous growth, and the fact that many industries are relocating elsewhere; that plus the fact that the labor problems and other industrial problems that have been created as a result of new conditions and new regulations and rules have been placed on industry, make it desirable for industries to move elsewhere.

Mr. BERLE. Mr. Congressman, I would like to say, with whatever earnestness I possess, and believe me it springs from a very deep concern and a very grave conviction, that while what you say is true, if we try to bear out a little here or have a special interest there, in an industry or a section, each for himself, what we propose quite rationally will be impossible to do, and therefore prevent this country from developing at the time when it needs it. The reference I have is that we would be headed for the same result as another sister republic. I can only say that that kind of reasoning is never permitted to enter into the consideration of a subject like this.

In less strenuous times I agree with you, that that is a problem which has to be considered. And my own city of New York is in no different position from yours. And as Treasurer of New York I have had to consider those questions. So you have all my sympathy. But we are not now in a position, I think, where we can afford to accept that kind of consideration, if the effect is that our great resources fail to be distributed.

Mr. BENDER. You can appreciate that very well, that we are all part of a Christian nation and we are interested in having the other fellow enjoy the benefits that we enjoy. But we believe that since we work in order to establish something, we should enjoy, in a measure, the fruits of our own labors. And you can appreciate more the reasoning for the opposition to this project on the part of a great many people from the great industrial centers like ours, when they feel that for this project that we will have to pay, not our proportionate share but more than our proportionate share, and will bring us in competition with the kind of thing that makes for a breakdown of our whole industrial system and our whole social and economic fabric in a community like ours.

Mr. RANKIN. Mr. Chairman, may I ask a question, if that question is to be debated. I want to say something along that line.

Mr. CULKIN. Will all the members of the committee be permitted to do that, Mr. Chairman?

Mr. BENDER. Mr. Chairman, I resent that. The Judge was given great latitude.

Mr. CULKIN. This gentleman is a witness here now.

Mr. BENDER. I understand, but I am questioning him.

Mr. CULKIN. You are supposed to wait for that. He is testifying in this hearing.

Mr. BENDER. I understand.

Mr. CULKIN. You are not supposed to make up your mind until you have heard the testimony.

Mr. BENDER. I listened very attentively to all phases.

Mr. RANKIN. I would like to know whether you are through. I would like to ask the witness some questions.

Mr. BERLE. I would like for you to have the answer.

Mr. RANKIN. I would like to know if we are going to have a joint debate on that.

Mr. BERLE. May I answer the question?

Of course, all of these considerations are not only fair ones, but they are considerations which naturally arise in the minds of all of us when we are representing communities, as they did in my mind when I appeared before these hearings representing the city of New York; but the remedy, it seems to me, does not lie in stinting production or in closing off avenues by which you can increase the wealth

of the country. Whether it lies in the appropriate changes in our tax system and in our credit system so that the losses will not be assessed upon the most productive; and even within that frame, some of us who have benefited greatly, perhaps can also give. In any event I do not see that we can afford to say no, you must not use the resources you are given at the time when you need them, because we do not agree with the social structure. On that reasoning it may very well be that someone else may take these decisions of these matters out of our hands and perhaps we will not like that so well.

This is not saying that your question is unfair. It is to say you cannot fluff off these matters; and this is one you cannot; and, believe me, I am not trying to be facetious, because I think I understand the problem.

I think that the fact is that Cleveland, as a seaport, would probably gain more than the losses, by the small fragment of the two-hundred-million-odd dollars which it might have to pay.

The CHAIRMAN. Are you through, Mr. Bender?

Mr. BENDER. Yes.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Mr. Chairman, for a man from the agricultural States that feed and clothe these other States, it is rather amusing to hear them talk about paying the lion's share when we know that they get the lion's share off of us. And when we come here and beneficently attempt to get them out of the night by assisting in the development of a great natural resource, these lectures to which we have just listened become rather uninteresting; very much like a delayed post mortem.

Now, the gentleman from Ohio [Mr. Bender] awhile ago said, Mr. Secretary, we had all of the power we needed if we would conserve it. As a matter of fact, if we raised the rate to what we were paying before the Tennessee Valley Authority was created; the people could not use the power we have now, could they? It would curtail the use of it automatically.

Mr. BERLE. Well, I can only say that whenever they have lowered the rates, consumption has promptly increased. Again, I speak not for the State Department. We have no great knowledge of that. But that has been experienced.

Mr. RANKIN. I have a few questions here.

The gentleman spoke about the dangers. I think he met himself coming back and came very near getting bombed in the process, because as he went out he said that the war would be over before these locks could be built, and yet before he got through with his questions he had the enemy bombing those locks and destroying them after they had been completed.

Now, as a matter of fact, he got off on the Panama Canal. Of course, the Panama Canal is infinitely more vulnerable.

The CHAIRMAN. Mr. Rankin, I am making a sea-level canal of that.

Mr. RANKIN. That will help.

The Panama Canal, Mr. Secretary, is infinitely more vulnerable than this would be, is it not, because of the fact it is exposed to territory from which airplanes could fly?

Mr. BERLE. Yes; I assume so.

Mr. RANKIN. And, besides, it is 2,500 miles from Washington and probably a thousand miles from the continental United States.

Mr. BERLE. That is right.

Mr. RANKIN. It is 85 feet above sea level, and, of course, if a bomber could be flown there large enough that they could destroy one of those locks, they could put it out of commission; but in this case they would have to fly inland about 500 miles, would they not?

Mr. BERLE. Just about that; yes.

Mr. RANKIN. They would have to not only come through all of our defenses after crossing the ocean—

The CHAIRMAN. Greenland is the nearest alien territory, and that is about 1,400 miles away.

Mr. RANKIN. They would have to fly inland about 500 miles after they reached the American Continent.

I pointed out awhile ago that the war has been going on in Europe for almost 2 years, and yet neither the Suez Canal nor the Kiel Canal have been put out of business, have they?

Mr. BERLE. No; not for any length of time.

Mr. RANKIN. In other words, they have both been bombed. Somebody told me this morning that the Kiel Canal had been bombed over 100 different times and the Suez Canal had been bombed a great many times, and neither of them have been put out of business, have they?

Mr. BERLE. That is right.

Mr. RANKIN. The gentleman from California, Mr. Carter, after arguing a good deal about this contract, finally admitted its legality, so that eliminates all questions of whether or not we ought to go to the Senate and run the risk of one-third of the Senate blocking it or taking the democratic way and letting both Houses of Congress pass on it by a majority.

But he said something about the sinister motives—

Mr. CARTER. No; I beg your pardon. I never used the word "sinister."

Mr. RANKIN. Well, it was used on that side of the table several times.

Mr. CARTER. I never used the word "sinister."

Mr. BERLE. I did not understand him to use the word.

Mr. CARTER. I have not used the word "sinister." I have not thought "sinister" in connection with this.

Mr. RANKIN. I am going to ask if there is any sinister motive in submitting this proposition to both Houses of Congress instead of merely submitting it to the Senate.

Mr. BERLE. I did not understand the gentleman from California [Mr. Carter] to use the word "sinister," or any such implication.

I must say I was a little puzzled at why there should be something particularly outrageous in submitting this thing to the House as well as to the Senate; but I assumed that that merely came under the head of good-natured bantering, rather than serious argument.

Mr. RANKIN. Of course, I will say that there has been quite a righteous improvement in the Senate since 1934, and it might be that this would go through without any trouble. Certainly there has been a great improvement over there, but it is a great improvement to submit it to the House of Representatives, that really represents all the American people.

Now then, let me ask you about the diversion of water in the Great Lakes. I believe you said that there was being diverted 5,000,000 cubic feet.

Mr. BERLE. Five thousand cubic feet per second.

Mr. RANKIN. Five thousand cubic feet per second.

Mr. BERLE. Yes, sir.

Mr. RANKIN. Now, that water also goes down the St. Lawrence, does it not?

Mr. BERLE. That is right.

Mr. RANKIN. Then you spoke about it not being used for power, or rather said that it would be used for power in Canada, but would be used to increase the power at this dam, would it not, on the St. Lawrence?

Mr. BERLE. Yes, sir.

Mr. RANKIN. So that we would get that much benefit from this diversion.

Mr. BERLE. Canada gets the benefit of it. In the sense now that it goes into a joint pool, why, of course, we get that much additional resource there.

Mr. RANKIN. And now the gentleman on the other side—

The CHAIRMAN. Did you understand his question? That is the water that is being diverted into Lake Superior by Canada that you are speaking of.

Mr. RANKIN. Yes.

The CHAIRMAN. Canada gets all of that power, does it not?

Mr. BERLE. Yes; under the arrangement, Canada has the right to divert for power purposes so much power as she puts in; and we have the equivalent right, should we put any in.

My statement that we do get benefit out of it is that we are presently using between us all of the power that is developed, and we are glad to have that additional power there, because a lot of it we probably will be needing, if the Canadians do not use it.

Mr. RANKIN. Now, they spoke to you about Newfoundland awhile ago.

Mr. BERLE. Yes, sir.

Mr. RANKIN. And Newfoundland being an independent dominion. As a matter of fact, in 1925 when the premiers of the various British Dominions met in London, they adopted an agreement that is the basis for the British Commonwealth of Nations; did they not?

Mr. BERLE. In 1926 it was adopted.

Mr. RANKIN. Was it 1926?

Mr. BERLE. Yes.

Mr. RANKIN. I remember it very distinctly. I inserted it in the Congressional Record at that time, because I thought it was a very historical document.

Now, under that agreement none of those dominions are subject to compulsion of any kind by the British Empire.

Mr. BERLE. That is right.

Mr. RANKIN. In other words, they are just as independent as the United States.

(Some members of the committee said "No.")

Mr. RANKIN. Yes; they are. The only tie is a social tie; the King is the social head of the British Association of Nations, but he has no power over them.

Mr. BERLE. That is substantially accurate; yes.

Mr. RANKIN. They cannot even tax Canada.

Mr. BERLE. No.

Mr. RANKIN. And it is stated—if I remember correctly—it is stated in that document that the decision of the courts of the various dominions are not subject to review by the British.

Mr. BERLE. There is a classic dispute which is still going on in Canada as to whether an appeal lies to the Privy Council from Canada. I believe that that has not yet been cleared up.

Mr. RANKIN. Nobody has ever dared to try it out, have they?

Mr. BERLE. There have been a certain number of appeals to the Privy Council relating to certain very limited jurisdictions.

Mr. RANKIN. I want to ask you about Newfoundland.

Mr. BERLE (continuing). But what they have done in that regard has been to provide that at any time when Canada chooses to terminate the right of appeal, it is wholly in her competency to do so.

Mr. RANKIN. It is within her competency to do so; yes.

Mr. BERLE. So if they want to get, as the Supreme Court, to the Privy Council's judicial committee, which is equivalent to their local supreme court, they can; but if they want to, they can by simple action end it.

Mr. RANKIN. In other words, the British Empire, as such, ceased to exist in 1926 so far as these dominions were concerned, and became an association of independent nations.

Mr. BERLE. That is the fact; yes.

Mr. RANKIN. Now, I want to ask about Newfoundland. That is what I am getting around to.

Was Newfoundland one of those independent nations?

Mr. BERLE. Yes; at that time.

Mr. RANKIN. So Newfoundland stands on the same footing as the Dominion of Canada, does it not?

Mr. BERLE. No; Newfoundland is not on exactly the same basis. Newfoundland about that time was in difficulty with its finances and requested a particular arrangement, and thereupon got it in the form of a commission, which is appointed from London.

Mr. RANKIN. I see.

Now, I want to talk with you about what Mr. Hogg, chairman of the Hydroelectric Power Commission of Ontario, said a few years ago about this not being necessary as a defense program. As matter of fact, at that time, the world had not realized the efficacy of the airplane as a war weapon, had it?

Mr. BERLE. No; they did not even—

Mr. RANKIN (interposing). And the vast necessity; we had not realized the vast necessity for the great volume of aluminum that is necessary to build an airplane.

Mr. BERLE. They did not even realize that they were at war Mr. Congressman. They were talking about a phony war, and all that kind of thing. In point of fact, if you take Mr. Hogg's remarks in whole, the whole context, you do not get the impression that you get at all from that quotation. What he was arguing for was whether it was needed for defense or not he was going to need it anyway for civilian use and that in spite of all of the arguments you can take defense altogether out of it, and what he was saying was, you can stress this defense need, but I want it for my civilian consumption, because I am already running up to the danger point, irrespective of defense. That is what he was trying to say, and when you take that isolated quotation out of the context, you get a false impression of the real argument he was making.

Mr. RANKIN. Since that time, the tank and the airplane and the Panzer formations have supplanted such military equipment, I will say, as the Maginot Line and it looked as though they might take the place of or surpass other military defense weapons.

So the picture has entirely changed since Mr. Hogg's statement, even if you consider that.

Mr. BERLE. Not only that—

The CHAIRMAN. And you did not include parachutists?

Mr. RANKIN. No.

Mr. BERLE. Some gentlemen from the New York Power Authority have pointed out to me something which I had not recalled, that Mr. Hogg only recently wrote a letter to the New York Times and in that letter he pointed out the present need for the project as a defense need and specifically said that the quotation which has heretofore been widely used was inapplicable. So he has either changed his mind, in view of the great need, or he has come to a different conclusion. But he is on record as asking that that quotation be not used as a statement of his views on the St. Lawrence. That is a more recent opinion.

Mr. RANKIN. Now, some of the members of the committee spoke about this being in Canada, and that it might fall into the hands of a foreign power. Well now, as a matter of fact, if any foreign power of any kind attempted to take Canada, it is our duty to go to its defense, because it is necessary to defend the United States, is it not?

Mr. BERLE. Absolutely.

Mr. RANKIN. So to me it is preposterous to think about or talk about any foreign country, any foreign power, taking Canada, because it would mean war with the United States and war to the hilt.

Mr. BERLE. And at once.

Mr. RANKIN. Another thing. They talk about this being too late for defense.

Now, if we should get into this war, is it improbable that it would last 10 or 15 years, under the circumstances, with the conditions as they exist in Europe, with a vast war machine, the vast air power, and with what is happening to naval vessels on the high seas, if we were to get into this war, is it at all improbable that it would last 15 or 20 years?

Mr. BERLE. Well, you will certainly have to reckon on the possibility. The probabilities are difficult to calculate, but as Secretary Stimson said, as you heard him, he put it as the probability of several years.

Mr. RANKIN. Then again, if this war should close, one reason why we have gotten into this condition now is we did not do this many years ago. So if we are going to prepare for the future, if this is necessary for future defense of the country, then is there any reason why we should not go forward with it at this time?

Mr. BERLE. There certainly is not.

Mr. RANKIN. I want to ask you a question or two in respect to transmission, for the benefit of my friend over here on my left, Mr. Barden.

They brought up this question of transmission of power. I believe that you said that it could be transmitted, how many miles, at a loss of 10 percent?

Mr. BERLE. Between 300 and 350 miles. That is not an expert opinion, but it is something in that order, according to my information.

Mr. RANKIN. I was at Boulder Dam sometime ago and I asked the engineer what the loss was on the power transmitted from Boulder Dam to Los Angeles, Calif., 268 miles, and he told me that it averaged 6 percent.

Mr. BERLE. That is about in line.

Mr. RANKIN. The best engineering information I get is that you can transmit power on an ordinary 110-volt line, we will say, or one larger than that, at a loss of not more than 3 percent per hundred miles.

Mr. BERLE. That is my own understanding, Mr. Rankin.

Mr. RANKIN. Now, I probably ought not to go into this, but my friend here on the left, Mr. Beiter, from Buffalo, has been talking about this power situation at Niagara and right across the river.

I want to call attention to the fact that in the year 1940 the people of the State of New York paid \$201,000,000 more for their electricity than they would have paid if they had gotten it at Ontario rates. They are going to come back and say that there were some taxes in that. I will answer that. The record shows that—the last figures we have—is that the power companies only paid \$37,000,000 taxes in New York, which deducted from that amount would leave \$164,000,000 overcharge.

Mr. BEITER. Will the gentleman yield?

Mr. RANKIN. I will be glad to.

Mr. BEITER. The gentleman knows, because I have often talked with him about the power phase of this, and I said I would be for that phase if it were divorced from the seaway phase. But the seaway will have a tendency to throw about 25,000 people out of work in my congressional district.

I am for the power phase of it if you can divorce the seaway, and I told him that—have told him that time and again.

Mr. RANKIN. The gentleman from Ohio, Mr. Bender, raised the same question.

Now, according to the reports, the people of Ohio were overcharged \$67,000,000 last year according to the Ontario rates, and \$57,000,000 according to the T. V. A. rates.

If this dam had been built in 1934—and I am one Member of the House who was in favor of it at that time, because I thought that those people needed the benefit of it—if this dam had been built in 1934, the savings on electric bills in the State of New York alone would have more than paid every dollar that the entire development would have cost.

I believe that is about all I care to say to the gentleman from New York at this time.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Berle, assuming that you should start the construction of the seaway now, anticipating its completion in 3 or 4 years, could we simultaneously start the construction of ships on the Great Lakes and anticipating our ability to get them out?

Mr. BERLE. I presume you could.

Mr. ELLIS. Now, you have given considerable study to the power situation not only of the St. Lawrence area but of the entire country, have you not?

Mr. BERLE. My own direct connection with power, of course, has to do primarily with these Canadian problems.

Mr. ELLIS. Let me ask you this—

Mr. BERLE. I do, for the reason, as of general interest, I try to keep up a little with those problems, but I do not claim to be an expert on that, because my own concern lies with these Canadian problems which we have to work with all of the time.

Mr. ELLIS. You are generally familiar with the fact, are you not, that 95 percent of the Nation's production of bauxite, from which aluminum is made, is in Arkansas?

Mr. BERLE. That is right.

Mr. ELLIS. And that there are about 2,000,000,000 kilowatt-hours of hydro production possible annually in Arkansas and about 4,000,000,000 kilowatt-hours undeveloped power in that region of the Southwest in the four valleys of the St. Francis, White, Arkansas, and Red Rivers.

Now, what consideration have you given or has your Department given, or has the Government given, that you know of, toward the development of that power out in that region?

Mr. BERLE. Well, my Department considers Arkansas as being a part of the Union and not a foreign country. Therefore we do not have direct jurisdiction.

Mr. ELLIS. May I say we are glad you consider us a part of the Union?

Mr. BERLE. We emphatically do. We have had too much and too happy relations with you to consider it otherwise.

The CHAIRMAN. Mr. Ellis, you were trying to get out of the Union in 1861.

Mr. ELLIS. So, we never got back in—economically, I believe.

Mr. GREEN. The same goes for Florida.

Mr. RANKIN. Maybe you need a treaty.

Mr. BERLE. Let us try it by agreement.

I do know that there has been a study conducted, and one was conducted very recently, relating to precisely that area. Mr. Olds, representing the Government, with a staff in the Power Commission, was working directly on that, and that, so far as I am aware, as late as only a few days ago, so that the Government not only has been studying it and considering it, but I imagine probably has some pretty definite ideas on the subject. I do not undertake to report for them, because it is not my report. I would only be reporting second-hand, and you will have it from first-hand sources.

Mr. ELLIS. We, of course, are loyal to our country and we are in favor of developing this power for aluminum plants up on the St. Lawrence. We think it is vital to defense. But we think also that we are certainly within the picture and that we ought to think something about the development of aluminum where the aluminum is out in our region.

Mr. BERLE. If you are asking my personal opinion, I agree with you entirely.

Mr. ELLIS. May I ask you one more question?

Mr. BERLE. Yes.

Mr. ELLIS. We have been led to believe that the railroads and the Railroad Brotherhoods are opposed to this legislation. As long as you have been studying it, you no doubt know something about that. Would you care to tell us what you know, if anything?

Mr. BERLE. Well, the railroads, or more accurately, a representative of them, and the Railroad Brotherhoods, of course, will presumably speak for themselves in due time.

Let me speak therefore merely of the railroads themselves. I have had personal contact more recently with a good many heads of railroads, many of whom I am privileged to have as personal friends. Long ago, when the St. Lawrence was first presented—that was in the early twenties—a very large number of the railroad heads expressed themselves as being in favor of it. More recently a considerable number of them have expressed themselves to me personally as having no opposition to it. They indicated, however, that the principal opposition comes, not unnaturally, from certain eastern roads; northeastern roads; one or two, particularly, who consider that they might be affected by the competition. I take it that really what is called the railroad opposition in the main reflects merely the feeling of those particular roads.

Of course we are coming into a new transportation phase, too. It was not so long ago that in a somewhat similar or analogous case, opposition was made to building pipe lines which could transport oil and gasoline to this eastern territory. That was opposed, fearing lest it might create a new form of transportation. Now that the tankers have to be used for other things, we face a possibility of rationing up here, as a result of that particular pleading of special interests, however legitimate it might be.

I submit that you cannot go on doing that, and I do not think most of the railroads of the United States want to go on doing that, frankly.

They of course will speak for themselves. I cannot undertake to speak for them, but I think you would find that there were only a very small number of railroads who really had any deep interest in this and then for reasons which are quite legitimate to them but, of course, are not conceived in the common interest and by the nature of things cannot be.

I do not object to their maintaining their position because of their particular interests, because that is human; but, of course, that is not the main problem, and while the organization of the railroads is such that the bulk of them stand mute, and the real interest, I think you will find, is relatively small.

Mr. ELLIS. That is all, Mr. Chairman.

The CHAIRMAN. Gentlemen, I want to announce that we expected to have the engineers of the War Department follow the Secretary of War. It was found impossible to carry it out in that manner.

Tomorrow the Navy is billed to come on—Secretary Knox, Admiral Rock, and Admiral Williams, and I doubt if that part of the program can be changed at this time. Their time has been set and they cannot change it very well. However, we will meet at 10 o'clock in the morning and Secretary Knox is not supposed to be here until 10:30. We therefore will take up the testimony of the Governor of New York the first thing in the morning at 10 o'clock.

Without objection, we will adjourn now until 10 o'clock tomorrow morning.

(Thereupon, the committee proceeded to the consideration of other business, after which, at 5:10 p. m., it adjourned until 10 a. m. the following morning, Wednesday, June 13, 1941.)

GREAT LAKES-ST. LAWRENCE BASIN

WEDNESDAY, JUNE 18, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 10 a. m., Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. Gentlemen, of the committee, we have Mr. Secretary Knox with us this morning. The Secretary has an urgent and important engagement at 11 o'clock and I will ask that you limit your questions so he may be able to get away.

Secretary Knox, will you please come around.

STATEMENT OF HON. FRANK KNOX, SECRETARY OF THE NAVY

Secretary Knox. I approach this whole discussion from the background of a man who lives in the Middle West and to whom this problem is not a new one, and one who, as a newspaper editor, has always supported it.

My recent experience as Secretary of the Navy emphasizes in my mind what a great boon it would have been to national defense now if when this project was first proposed it had been agreed to and put into effect. If that had been done it would not have been only along the 12,000 miles of coastline that we now have scattered our shipyards for building combatant ships, but it would have been along additional thousands of miles of inland waters, completely safe from any dangers from without, where we could be building cruisers, destroyers, submarines right now.

There is an advantage in construction in the interior, not only one of security, one of nearness to raw materials and in a region where there is an abundance of skilled labor, but it would have been of tremendous advantage to me as the Secretary of the Navy, in letting these contracts for these combatant ships which we are now building in such large numbers, had this resource been available as it might have been, had this project been adopted then.

That is one general statement I charged myself with making.

The second is even more general: It is driven home to me with the close application I must give to the subject of sea power, that we are going to live in a disturbed world for a long time, no matter what the outcome of the war may be, and in that world which is out of balance and struggling for a new and secure footing the control of the seas is going to be of immense importance.

Along with the development of modern sea power has come a new power—that of the air. To have a region in a time of turmoil and disturbance and of possible threatened war, where we could proceed

with reasonable security in maintaining that predominance in sea power, which such a state of the world might require, would be an immensely invaluable national asset. So in your consideration of this whole question I hope you gentlemen will bear in mind the tremendously increased importance of sea power in the world for the next 25 or 50 years at least.

We are thoroughly committed with almost universal approval, in the construction of a fleet which shall be twice as great as any fleet that sailed the seas. We propose to establish and maintain complete mastery of the seas around the entire Western Hemisphere, a fleet capable of carrying on a successful defense if need be, in both oceans at once.

Now, if we should ever be confronted with that crisis it would be of a tremendous strategic advantage if a large percentage of the ships required for that defense could be builded in a region reasonably secure from attack from without.

I said at the outset that I am a resident of the Middle West, not only a resident there but I happen to be the publisher of one of the largest papers there, with a very, what I think, competent staff and consequently I am pretty close and intimately in touch with both the industrial and agricultural development and interests of that whole region. I cannot in my judgment—in my opinion overexaggerate, overemphasize the importance to that entire region of having access to salt water in vessels of sufficient size to carry their cargoes unbroken from the point of loading to the point of unloading.

All of you no doubt have studied Europe and visited Europe and are aware of how that intensified industrial region of Middle Europe has developed its river communications. They are of first importance, for instance, to Germany.

We have, because of our tremendous natural resources, without artificial aid, never developed our inland waterways as we shall some day as our development proceeds. The most natural development there is in the whole picture of commerce is this development of a deep waterway to the ocean from the Great Lakes.

This year, coming down the Great Lakes as a channel of communication, there will arrive in the lower Lake ports not less than 75,000,000 tons of ore.

The advantage of having water communication for bulk cargoes of that character is beautifully illustrated by what happens at the lower end of the Lakes. There you have the greatest steel manufacturing region in the world and it is simply because you are bringing the ore by water-borne freight to the region where the coal, which is the other essential, is found. If the ore happened to be in Pennsylvania and the coal in Minnesota and northern Michigan, we would have reversed the process. But the fact is that cheap water-borne transportation connects these two vital necessities for the greatest industry we have. Now, to take that region and give it ease of communication, confer on it the advantage of an open channel to the ocean and you would be giving it an advantage that hardly could be measured in terms of dollars and cents. This applies equally to the farmer as it does to the industrialists.

One of the reasons, one of the underlying reasons for farm lack of prosperity in recent years is the increased cost of transportation of farm products to the sea coast, especially those crops designed for

export. You will be shocked, I am sure, if you are not already familiar with the subject, to find how great the increase in cost of that transportation has been in the last 20 years.

To connect up the Great Lakes region with the sea, inevitably will have a profound influence on the cost of transportation of farm products, especially bulk products like wheat, to the coast and from there on anywhere in the seven seas.

We are going to be living in a world thoroughly disjointed, pretty well destroyed by the activities of war for years after this war is over, and the great bread basket of the middle west will have to feed a great many more people than it has ever fed before, and the opportunity to ship our bulk crops from the Middle West anywhere in the seven seas or anywhere in the world, will be a tremendous commercial asset and national asset.

Now, getting down to the immediate problem of building ships: There are two departments in the shipbuilding industry at the moment that are under tremendous pressure, pressed by a need for additional defense on the high seas. We have contracted for the construction of something like—somewhere between 375 and 400 combatant ships of size. The contracts for all these were prepared in anticipation of the passage by Congress of legislation designed to give us that fleet. They were let within the next 24 hours after the President's signature was attached to the bill and are now under construction.

Sometimes some of my fellow newspapermen, lacking the opportunity that I have to know more of the details of ship construction, make the mistake of assuming that only those ships which have been laid down on ways are under construction. Nothing could be farther from the truth. Every ship that has been authorized by an appropriation by Congress, substantially, is under construction right now. There is a vast accumulation of various sorts of material that must precede the laying down of the keel of a vessel itself, and this entire program is now under way for combatant ships on the Atlantic and Pacific and Gulf coasts, and in every single yard that I know anything about construction is way ahead of the time schedule.

Now the other phase of shipbuilding, which is under pressure, is the construction of merchant vessels. For this type of vessel there are a number of very well organized, efficient yards in the Great Lakes. The Maritime Commission, which has direct charge of this type of construction, has found a way, an ingenious way to build a pretty good size ship in the Great Lakes. They build her save her upper works and take her down the Illinois and Mississippi water route to sea, finishing her at some point enroute, so that every single ounce of productive capacity to be found in that region is now about to be employed under contract for the construction of merchant vessels.

If I could be sure, say 2 years hence, that a deep waterway, which would accommodate a vessel 500 or 600 feet in length with a draft of 20 to 25 feet, would be available, the Navy could utilize the Great Lakes yards as well as the coast yards, which would provide a means of promoting ship construction and distributing this work. The work is now confined as you know, to a narrow strip along the coasts. If we could establish this means of communication to salt water we would insure a future means of construction which would be a very marked military advantage to us.

I don't know how long this war will last. It is pure speculation. But this thing I think I can be fairly confident of: That the need for protection on the high seas will be here for a long time to come, and anything we do which will enable us to build more rapidly and particularly build more securely, and which will enable us to spread the work around the country in a more equitable fashion, I believe takes on the character of good, sound statesmanship.

I think, Mr. Chairman, that covers the general thoughts I had on the subject. I will be very glad to answer any questions, if I can, that may be asked.

The CHAIRMAN. Mr. Secretary, we want to thank you sincerely for your appearance and the information you have given us.

Now, if I understand your position thoroughly, regardless of the result of the war, the present war in Europe, you think our program of preparedness will have to continue for a good many years to come in any event?

Secretary KNOX. I do, sir.

The CHAIRMAN. Gentlemen, any questions of the Secretary?

Mr. SMITH. Mr. Chairman, I would like to ask one or two questions.

Mr. Secretary, I think you have made a very logical and convincing statement and I am very much impressed with it. I have had presented to me the problem of how widely wood could be utilized in the construction of merchant ships, realizing that we are very much in need now of all the bottoms that can possibly be constructed, and as I understand it, the present program of both the Bureau of Ships and of the Navy Department and the Maritime Commission is limited to steel construction almost entirely.

A great many people think that that is an unwise policy, and I happen to be one of them, and that is why I want to direct one or two questions in regard to that matter.

Secretary KNOX. You mean you think we ought to employ wood?

Mr. SMITH. I think so.

Secretary KNOX. I agree with you but I would limit the size. I think that it is in harmony with the best and accepted engineering thought of the moment that up to 165 feet, which is the size of one of our types of smaller vessels, wood is all right, but when you get beyond that it doesn't seem to be wise for many reasons.

Mr. SMITH. But we have a great need for vessels of that size?

Secretary KNOX. One-hundred-and sixty-five-footers?

Mr. SMITH. Yes; which could just as well be constructed of wood, could they not?

Secretary KNOX. Not as well; no. They are not so useful a type.

Mr. SMITH. Isn't it a fact that they are less costly?

Secretary KNOX. Well, I am going to refer you on those technical questions to my good friend Admiral Williams, who is here to pinch hit for me.

Mr. SMITH. They could be constructed more rapidly?

Secretary KNOX. Well, I doubt that.

Mr. SMITH. And if they are lost you don't sustain as great a financial loss, do you?

Secretary KNOX. If you are correct in your initial assumption.

Mr. SMITH. Isn't it more expensive to use a steel ship?

Secretary KNOX. I may be off my base in saying this—I am an amateur and a newspaperman trying to administer the Navy Department, but I do think the construction of wooden ships of any size

would not be justified now when steel can be had in great quantities and at very low cost.

Mr. SMITH. I thought according to the latest report of Gano Dunn, consultant for the Office of Production Management there was a shortage of steel.

Secretary KNOX. Well, we haven't suffered on it yet. Of course, as long as we produce 90,000,000 tons of steel and devote the first—give the first priority of that steel to defense purposes we won't have any trouble.

Mr. SMITH. I want to thank you, Mr. Secretary.

Mr. GAVAGAN. Mr. Secretary, I think you have made a magnificent contribution to this committee, but as a military man I would like to ask you this question: In the event of a military decision in Europe the United States will need every shipbuilding facility it possibly can find, isn't that true?

Secretary KNOX. Yes, sir.

Mr. GAVAGAN. And this waterway will open up the Great Lakes region for shipbuilding industries and give us ways, not only for merchant ships but for battleships?

Secretary KNOX. Not for battleships, but up to the light cruiser type—anything under 10,000 tons.

Mr. GAVAGAN. In other words these 10,000-ton cruisers—battle-cruisers could be built?

Secretary KNOX. Again not battle cruisers; anything up to 10,000 tons, which would be a light cruiser, 6-inch or 8-inch cruisers; but it would take a tremendous pressure off of your coast yards by taking that type off the ways there.

The CHAIRMAN. The type of ships that would not be constructed up there would be the battleships and airplane carriers and large battle cruisers?

Secretary KNOX. That is true, anything in excess of 10,000 tons.

The CHAIRMAN. Mr. Carter.

Mr. CARTER. Mr. Secretary, this committee has had before it in the past a proposal for enlarging the Erie Canal from the Great Lakes through New York and giving an outlet that way?

Secretary KNOX. Yes.

Mr. CARTER. Now, one of the arguments urged for the enlargement of the Erie Canal was that it was an all-American route?

Secretary KNOX. Yes.

Mr. CARTER. It was a route that we would have absolute control of over its entire length?

Secretary KNOX. Right.

Mr. CARTER. Have you given any consideration to a proposal for enlarging the Erie Canal as compared with the proposition that we are considering here at the present time?

Secretary KNOX. I have, sir, and the great objection, in my judgment, and this is an editorial opinion rather than an expert opinion, is that you have got to have a canal big enough to accommodate ships so you wouldn't break bulk when you go to sea, and that means you have got to dig a canal probably 30 feet deep, which would be pretty nearly impossible.

Mr. CARTER. We have considered canals of varying depths and I think 30 feet was as far as we went.

Secretary KNOX. You have got to accommodate ships that can go right to sea when they get through the canal and that means you have got to deepen the channels all the way through and build locks and it would be a tremendously costly job. In addition to that I don't know whether there would be adequate water supply for such a canal.

Mr. CARTER. Mr. Secretary, some reference was made here yesterday or brought out in the hearings, of the fact that the United States under certain conditions might find itself somewhat embarrassed in navigating those stretches of the St. Lawrence waterway that is entirely in foreign territory, and that we might have shipbuilding plants in the Great Lakes and find it difficult under certain conditions to get them out or bring those in if we so desired.

Secretary KNOX. Well, that of course must presuppose unfriendly relations between Canada and the United States, does it not?

Mr. CARTER. Well, I think it was based on that, because reference was made to the Revolutionary War and the War of 1812 and other incidents of the past where unfriendly relations did exist with Great Britain. I am sure the author of the question had in mind the possibility of a reoccurrence of those conditions.

Secretary KNOX. Of course, that is humanly possible, but I would like to make two observations: If the time ever arrives when two peoples so identical in their ideals and their habits of life and ways of life and government can't live side by side as we have with the Canadians for the last 100 years, then the hope of a peaceful world is pretty slim and we probably better face the facts.

Mr. CARTER. Do you call the present world a "peaceful world," Mr. Secretary?

Secretary KNOX. I would say it would be a much worse world if the people of Canada and the United States couldn't get along in peace and amity, and I am sure they can. Anything else I think is a very remote danger.

Mr. CARTER. Your endorsement of this proposal is based upon the assumption that peaceful relations are going to continue continuously with Great Britain and with Canada.

Secretary KNOX. I should say that was the basic assumption; yes, sir.

Mr. CARTER. That is all, Mr. Chairman.

The CHAIRMAN. Gentlemen, any other questions?

Mr. HALL. I would like to ask a question, Mr. Secretary. Throughout your statement you have spoken of the "waterway project." We also have connected with this, of course, a power project.

Secretary KNOX. Yes.

Mr. HALL. Now, in your support of it are you supporting it both as a project for power development and water transportation or do you favor one and not the other?

Secretary KNOX. I don't differentiate. I think it has a two-way benefit—one is a seaway and the other is a producer of a huge amount of power.

I am not so familiar with the power problem. That is probably why I stressed the other. I do know this, however, right out of my experience in the last year, that we are having a growing shortage of electric energy produced by water power.

Mr. HALL. From the standpoint of national defense, Mr. Secretary, which do you think is the most important?

Secretary KNOX. I presume because I am Secretary of the Navy, I would say the waterway would be the more important, but that may be a prejudiced opinion.

Mr. OSMERS. Mr. Chairman.

The CHAIRMAN. Mr. Osmers.

Mr. OSMERS. I would like to ask the Secretary a question. I don't remember the exact words that you used, Mr. Secretary, but it was something along these lines—that the Middle West in the future would have to feed more people than it ever has before. If that statement can be substantiated I think it would be a very important argument for the project, but my own view of it is exactly the contrary—that the Middle West will have to feed fewer people in the future than it ever has before. I wonder if you would explain that statement?

Secretary KNOX. Well, of course, I will admit right off it was a speculation; it was a hope and nothing which I can support with any figures. But I was thinking also in rather temporary terms because I think I did say in my initial statement, original statement, that we were going to emerge from this war into a very chaotic world, in which the sources of supply would be terribly upset and there would be a need for a number of years, of exporting our exportable surplus of foodstuff.

I have this idea, Congressman—I may be wrong: Farming like everything else is going to yield to research and study and it is going to be a question of where you can produce the cheapest, and I am convinced that under the right kind of intensive cultivation and the most skillful management, including lowness of transportation costs, we have a very great chance to find a market for a large exportable surplus of foodstuffs.

Mr. OSMERS. The point that I have in mind is this, Mr. Secretary: When I asked that question that during the last generation or since the start of the World War in 1914, there has been a growth of economic nationalism and that trend increased before the present European war started and there seems to be no factor in sight that will change that course.

Secretary KNOX. You are getting into a philosophy of the thing now and I am going to expose myself to probable successful attack by saying that I think it was that excessive type of national nationalism that brought the war on——

Mr. OSMERS. It had something to do with it, no question about that.

Secretary KNOX. And unless the war is going to result in a totalitarian victory, under which all our ideals are going into the waste basket and our ways of life are radically changed, but should we emerge from the war victorious, those who believe in free government, then I am bound to say that I think all those nations which participate in that victory and those nations which will have their liberties restored to them because of that victory, ought to be drawn together in a very close economic block so as to make the standards of living in free countries so much higher and better than it is in slave countries that those regions of the world that are still living in slavery will want to join with the regions that are living in freedom.

Now, that is just sheer philosophy.

Mr. OSMERS. I will say it is a well-expressed hope.

Secretary KNOX. That is all it is, a hope.

Mr. OSMERS. But it just hasn't worked that way so far because of this principle—because of the question of international exchange about paying for these things. We have found to our surprise that if we don't buy as customers their goods they don't buy our goods.

Now, there is one other point I wanted to bring up for your opinion, Mr. Secretary: This project if constructed, will take, I don't know exactly the number of man-hours and tons of material, but it will run into the millions of man-hours. The time for completion of the project is estimated anywhere from 3 to 5 years in the future. Right now we are rapidly approaching a condition that might be called "full employment." I wonder if in your opinion it would be advisable or would you class this project as so vital that we should divert from the more immediate defense needs these millions of man-hours and these tons and tons of equipment and material and machinery that will be used in the construction of this project.

Secretary KNOX. I would like to correct an error which I find very common in dealing with this labor problem. We are introducing a great many more hundreds of thousands of men into defense manufacture than we had before in the types of skill and crafts which are required to produce defense items. We are going to have a constantly increased employment, but in order to carry out the program that we are now engaged in we are going to constantly have to reduce the amount of raw material which is expended for nonmilitary and nondefense uses.

Now, what happens if we should shut down all the automobile plants in order to put all that skill and all that labor, as much as we could use, into the manufacture of defense articles? You immediately produce an unemployment factor of something like 100,000 men, which would take perhaps a couple of years to absorb into new types of work in which the factories would be engaged. Well, now, applying that thinking to some industry which is of the luxury character, which isn't essential, which we can get along without, then you have a source of unemployment; you have a source of employment in defense industries and you have a source of unemployment growing out of those industries which are shut down because of our needs for the raw material that enter into the production of those nonessential articles.

So I think one will balance the other and we have not yet reached anything like the point of saturation in labor. We still have unemployed people in large numbers—probably two or three million.

Now, how many of those are really employable and able to turn in a day's work, I don't know, but there is a considerable pool still and I think that pool is likely to be added to as we get into the realm of a shortage of raw materials, which we are rapidly approaching. We are now in that realm in steel and aluminum.

Mr. OSMERS. I want to agree with the major contentions that you have made, Mr. Secretary, but I would like to point out that there are certainly not enough men unemployed anywhere near the site of this project to complete it.

Secretary KNOX. That is true.

Mr. OSMERS. It would require an economic dislocation to move the thousands of men, wherever they might be found, to complete this project.

Secretary KNOX. That is true.

Mr. OSMERS. And it would be an upsetting of the economic factor.

Secretary KNOX. Well, I don't know how important it would be because that argument could be applied to almost any big development in time of peace.

Mr. OSMERS. Yes; of course, it gets down, you might say, to the priority of this particular project.

Secretary KNOX. That is right.

Mr. PITTINGER. Pardon me, for the benefit of my colleague from New Jersey, we can give him all the W. P. A. workers up in northern Minnesota that he needs and still have plenty of unemployed left in northern Minnesota, so he doesn't need to worry about that feature of it.

Secretary KNOX. I don't think that is a major concern.

Mr. OSMERS. I hope the unemployed W. P. A. workers in northern Minnesota are competent to build a waterway.

Mr. PITTINGER. They are all good workmen.

The CHAIRMAN. Mr. Bell.

Mr. BELL. Mr. Secretary, I understood you to say a few moments ago that substantially all the shipbuilding facilities on the Great Lakes are either now or soon will be engaged to capacity.

Secretary KNOX. That is right.

Mr. BELL. In the building of these ships of comparatively small type—ships of not more than ten or fifteen thousand tons.

Secretary KNOX. They wouldn't be as large as that. They will have to be at the present time under 10,000 tons.

Mr. BELL. You couldn't go to 10,000 tons at the present time?

Secretary KNOX. I think that would be a little large; but what they are doing, gentlemen, is build a ship part way up, leave off all of her upper works, just build her hull on the Great Lakes and then take her down the river to some point below the bottleneck, which I think is Cairo, or around Cairo, where they will establish a yard and put on the upper works, or perhaps do it in New Orleans or some place along the Mississippi.

Mr. BELL. I take it there will be a demand for all the ships of that type and size you can build?

Secretary KNOX. Yes, indeed.

Mr. BELL. That leads me to wonder, Mr. Secretary, why it wouldn't be feasible and perhaps more economical instead of deepening this waterway to build additional shipways, say down on the Gulf of Mexico or somewhere else, and I am wondering if those new shipways to accommodate the building of more vessels, couldn't be built more quickly than this waterway can be deepened, which I understand will require somewhere between 3, 6, or 7 years.

Secretary KNOX. Well, as a citizen of Chicago, I will answer "Yes," and as Secretary of the Navy, "No."

Mr. BELL. That is all.

The CHAIRMAN. Mr. Culkin.

Mr. CULKIN. The distinguished gentleman from California, Mr. Secretary, queried you about Canada. Now, isn't it our present policy, present national policy to maintain all of the Americas,

North and South, free from any foreign influence, particularly an influence enforced by arms?

Secretary KNOX. That is correct.

Mr. CULKIN. Isn't that true?

Secretary KNOX. That is correct—that is the Monroe Doctrine.

Mr. CULKIN. Can you anticipate or see in the future any danger of Canada becoming involved with some nation that is hostile to America?

Secretary KNOX. I cannot.

Mr. CULKIN. We are alike in language and institutions and we have had a peace lasting for 125 years?

Secretary KNOX. That is right.

Mr. CULKIN. And it is our fixed national policy—I may say our popular national policy—to keep Canada free from any hostile influence that may threaten our institutions or our well-being.

Secretary KNOX. It is just as essential to our defense as it would be to defend New England.

Mr. CULKIN. Any suggestion that Canada would be hostile to us at anytime in the future is rather fanciful, is it not?

Secretary KNOX. Yes; fantastic.

Mr. CULKIN. Now, just one more question. I know you want to get away. You spoke about the security of construction within the Great Lakes area. Now, will you amplify that just a little.

Secretary KNOX. Security?

Mr. CULKIN. Yes; security of construction in view of the present methods of warfare.

Secretary KNOX. Well, it would put us at least 1,000 miles away approximately, from the seacoast.

Mr. CULKIN. From which the only danger from the air could come unless the enemy had established himself somewhere on the land in Canada.

Secretary KNOX. Well, we propose, obviously, to protect the coast of Canada against that sort of invasion as much as we would our own coast. Under modern warfare an enemy based in lower Canada, down along the border there, would be almost as dangerous to the United States as if he had a base right within our own borders, so we are under the absolute necessity for our own self protection, of assuring that Canada shall not be invaded.

Mr. CULKIN. And we already have safeguards in Newfoundland by bases there?

Secretary KNOX. Yes; and we are enlarging them.

Mr. CULKIN. And even assuming that Canada should become hostile to the United States we would have to enforce our control over Canada by force of arms in order to protect our own security.

Secretary KNOX. I don't want to discuss that, Mr. Culklin. I think that extreme is fantastic.

Mr. CULKIN. You have viewed this question at long range for many years and you have not been a recent convert to this seaway. You have espoused it during your editorial career in Chicago?

Secretary KNOX. That is correct.

Mr. CULKIN. Then what will be the effect of this seaway on the Middle West from an economic standpoint?

Secretary KNOX. I think it would be very marked and very great. I think transportation, Mr. Congressman, is one of the problems we

haven't solved which will have a great deal to do with our economic prosperity.

Mr. CULKIN. That is something that Congress does not seem generally to recognize. I read a statement recently written by the legislative representative of the Grange, that the farmer was getting 36 percent of the consumer dollar and 39 percent went to the transportation agencies.

Secretary KNOX. I guess that is true, or pretty close to it, and that has gone up from about 16 percent, I think it was.

Mr. CULKIN. When that is true in any civilization, then civilization isn't functioning properly, isn't that correct?

Secretary KNOX. That is correct. Our distribution problem is the most serious problem we have to make our economic system work.

Mr. CULKIN. And that is the cure for the present economic disease the farmers in the Middle West and beyond are suffering from.

Secretary KNOX. I wouldn't care to say it would cure it; it would contribute to its cure.

Mr. CULKIN. I think that is all.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. This seaway will be ice jammed for about 5 months of the year and it will not have any great economic value during that period, will it? Isn't it questionable as to any aid it might give the Middle West in the matter of transportation during that period?

Secretary KNOX. Let me answer that suggestion by recalling to you that the most valuable line of water communication the Germans have is the Danube River and it is frozen up 3 or 4 months every year. That is a draw-back, no one will argue that it isn't, but if you can have it when the stream is open it is a tremendous asset.

Mr. BENDER. Mr. Secretary, much has been said about this as a defense project and the need for it as a defense project. Under present conditions with the emphasis being placed on speed, do you think it is desirable to divert say 60,000 skilled mechanics, as would be necessary, at this time from essential defense industries to this project?

Secretary KNOX. I don't think you would do that, Congressman. I don't think you would need to do that. I think you have abundant labor in the country to build this without diverting a single man from your defense industries.

This isn't a highly skilled type of labor, you know, and a great deal of it will be done by machinery.

Mr. GAVAGAN. And not by precision machinery or precision instruments at all?

Secretary KNOX. That is correct.

Mr. ANGELL. But that does not apply to generating equipment.

Secretary KNOX. That is true, but that is a minor part of the whole program.

Mr. BENDER. One more question. American agriculture has had great competition from foreign agriculture and what is the relative advantage or disadvantage in bringing foreign produce and foreign agricultural products in here, thus making it easier for this foreign produce to come in here and compete with our middle western agricultural products?

Secretary KNOX. You don't want to precipitate a debate on the protective tariff, do you? I can't answer your question.

The CHAIRMAN. Mr. Green.

Mr. GREEN. Mr. Secretary, at Jacksonville, Fla., during the World War considerable boat construction went on. We have practically an unlimited source of timber—pine, hardwood, cypress, and it is not far distant to the iron industry of Alabama, but so far I don't believe any ship construction for the Government, appreciably, is going on at Jacksonville and I am wondering if it wouldn't be well to utilize surplus labor and materials there.

We have completed practically, the southeast air station at Jacksonville and the military posts, so there is a large surplus of skilled and unskilled labor there now available and much of it is local labor.

Secretary KNOX. Well, I can only explain to you, Congressman, why we haven't encouraged building of shipyards there. We were in a hurry and when you have to start from scratch and don't even have a shipbuilding company organized down there, they must organize them and raise the money and then build their plant. That takes too long. We just availed ourselves of existing organizations and yards because we had to have speed. We had nothing against Jacksonville. We would be just as pleased to have our ships built in Jacksonville as in Charleston, but the difference was that Charleston had a yard and Jacksonville didn't.

Mr. GREEN. But it would come in, though, under the program for production, more easily and more rapidly than the result of this legislation would bring it to the Great Lakes.

Secretary KNOX. Well, we have a good many yards already in existence on the Great Lakes now. There are 14 fairly good yards out there.

Mr. GREEN. Now, one further statement which I don't request the Secretary necessarily to answer; it is more of an observation. I was deeply impressed by the Secretary's pronounced statements for economical transportation. That brings to my mind the report of the Army engineers some time ago, favoring a sea level canal across the State of Florida for commerce and for national defense.

During those hearings it was developed that this channel would handle twice the commerce that the Panama Canal handles. That came from well-informed witnesses whose integrity and ability could not be impeached. Also it was brought out by defense men, I think one of the best in the country and others who are good, that this Florida ship canal is an essential link in the defense of the Panama Canal and the Caribbean Sea area, and we appreciate the Secretary's frank statement in regard to economic transportation, and I want to say that the Florida Canal fits directly into this picture, and in the event the Florida straits are mined, which they will be and the Panama Canal in peril, which it may be, it would serve a similar purpose of providing communication between the Gulf of Mexico to the Atlantic Ocean just the same as the proposed project before us will serve as a communication from the Great Lakes to the St. Lawrence and the Atlantic. In addition to that it will be an all American construction and American controlled.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Mr. Secretary, has the Navy Department or any other department, to your knowledge, formulated plans for the defense of the power plants and the new seaway, or estimated the cost of such defense?

Secretary KNOX. I would say that would come later. I have known of no such survey.

Mr. BEITER. So that it is not in the initial cost of the project?

Secretary KNOX. No; I should say not. It may be, but I do not think it is.

Mr. BEITER. Under modern conditions, Mr. Secretary, of aerial warfare, would not the entire waterway be subject to bombing, with the long-range bombing planes? We are nearer to the Nazis than, say, the Panama Canal, and we have spent many millions of dollars to protect the Panama Canal. And with the long-range bombers they can fly from their base and return to the base without refueling, and would not this be more vulnerable to attack?

Secretary KNOX. Well, let us get this pretty thoroughly in mind, that there is only one feature of a lock or a canal which is particularly imperiled by bombing from the air, and that is the gates of the locks. They can drop all the bombs into the Panama Canal they want to, and if they do not hit the locks or the gates to the locks, it does not make any difference. It is a pretty small target and not a very easy target to hit. So I would say the danger of aerial bombardment that would put the canal and the locks out of commission is very remote.

Mr. BEITER. Yes; but on the other hand, we are spending many millions of dollars to protect the Panama Canal.

Secretary KNOX. Well, many millions of dollars to protect somebody from seizing it, but not very many millions of dollars to keep somebody from dropping bombs from the air. You have two locks provided for each passage, and they are building another canal, which will give you two more, and in order to prevent the passage through the canal they would have to hit four gates, and they are a pretty small target from a mile up in the air.

Mr. BEITER. Well, has not the War Department recognized the vulnerability of the St. Lawrence area by asking Congress for an appropriation to build a new lock in the St. Marys River and Canal?

Secretary KNOX. It may be so, but I do not think that is due to military defense.

The CHAIRMAN. I want to suggest to Mr. Beiter that if he will give me a budget of a billion dollars, I will make a sea-level canal out of the Panama Canal.

Secretary KNOX. That is right.

You know, the Suez Canal has been bombed, and is being bombed almost every day. But it is constantly being cleared, the bombs are just swept out and exploded, and the canal goes back into use again.

Mr. CULKIN. May I say to the gentleman from New York that I introduced that resolution with reference to the sea lock, and I did it at the request of Mr. Ralph Budd, who is the transportation man in the Office for Production Management.

The CHAIRMAN. And president of one of the big railroads.

Mr. CULKIN. And president of one of the big railroads.

Mr. BEITER. My attention is directed to the statement of the district engineer which is set forth in the War Department's report, and I quote from it: "It is imperative in the interests of national defense that an additional lock be provided as a precaution against possible interruption of the movement of iron ore and other commodities in Great Lakes commerce essential to national defense that would result from destruction or injury to the existing locks by accident,

sabotage or hostile military action." So he admits that the St. Marys lock would be vulnerable, and that is many, many miles inland as compared with the St. Lawrence waterway.

Has the Navy Department not given that consideration? And are there locks?

Secretary KNOX. There are three locks; or there used to be three. I think there are four, now.

Mr. BEITER. If three or four locks were destroyed, or any one of them, it will bottleneck all of your shipping, if they were destroyed either by sabotage or long-range bombers?

Secretary KNOX. Yes.

Mr. BEITER. You would have all the boats you contemplate building in the Great Lakes bottlenecked, because there is no other exit?

Secretary KNOX. That would not bottleneck, though, the ships built on the Great Lakes, because I don't know whether there is any yard on Lake Superior, and that would only tie up Lake Superior, and that is a rather remote danger to any one of those locks out there. That is a long way from any possible enemy action. I would grant you that there is some risk, obviously some risk, that something might happen to one of the locks or something to tie it up temporarily.

Mr. BEITER. Does the Suez have locks like the St. Lawrence?

Secretary KNOX. The Suez is a sea-level canal.

Mr. BEITER. Sea-level?

Secretary KNOX. Yes.

Mr. BEITER. Now, in the answer you made before, you probably misunderstood me. I was referring, of course, to the locks in the St. Lawrence seaway.

Secretary KNOX. Yes. So was I.

Mr. BEITER. Rather than out at Soo. With the large boats you intend to have built in the Great Lakes, and if one of those locks were destroyed, either by sabotage or by bombing, all the boats, the large boats you contend would be built there in the Great Lakes would be bottlenecked, because they have no other exit?

Secretary KNOX. That is true. If you bomb the gates, you could not get them out. But I also said, with the locks in mind, that the target is very small and the danger is very remote.

Mr. BEITER. Well, admitting that the bombers' targets would be small, but if it was sabotaged?

Secretary KNOX. Well, we feel pretty secure down at Panama, and we have got locks there.

The CHAIRMAN. Mr. Secretary, the closest and nearest alien territory from which airplanes might come would be southern Greenland, would it not, to this point?

Secretary KNOX. Somewheres off the coast.

The CHAIRMAN. About 1,400 miles away?

Secretary KNOX. Probably. I don't know how many miles it is.

The CHAIRMAN. Yes; about 1,400.

Mr. GAVAGAN. Well, Mr. Secretary, is it not good military strategy, after all, to recognize that any possible military objective contains within itself, inherently within itself, possibilities of vulnerability?

Secretary KNOX. Oh, you cannot fight a safe war.

Mr. GAVAGAN. That is for any object?

Secretary KNOX. That goes for anything.

Mr. GAVAGAN. Any military objective?

Secretary KNOX. Yes.

Mr. BEITER. But, on the other hand, you have to look ahead, Mr. Secretary, and protect the objective from all dangers, do you not?

Secretary KNOX. Oh, yes; take measures against that.

The CHAIRMAN. Mr. Peterson.

Mr. PETERSON. I would like to ask a question or two of the Secretary.

I was very much impressed with your statement in reply to the question of my friend, Congressman Green, of Florida, that the contracts for shipbuilding had not been awarded for work to be done at Jacksonville on account of the fact that the facilities were not immediately available or that there was not even any organization there for the purpose of accepting the contracts.

I would like to call the Secretary's attention to the fact that down in my great State of Georgia we have been clamoring for some time for contracts for shipbuilding, both at Savannah and at Brunswick, and I believe we are the only State touching upon any of the oceans or the Great Lakes that have not had an opportunity to build any ships in this defense program. However, we have organizations that have been in existence for some time down in Savannah, that have furnished to the Navy Department every possible credential that they have asked for, financial and otherwise, and have been begging and pleading for some of these contracts, and so far it appears that our pleas have been in vain. I just wonder about that, Mr. Secretary.

Secretary KNOX. Well, I am relying on my memory now. But my recollection is those yards in Savannah are very small, are they not? What is the maximum size ship they can build?

Mr. PETERSON. Yes; but we have—

Secretary KNOX. What is the maximum size ships they have ever built there?

Mr. PETERSON. Well, during the World War they built quite a number of ships. I cannot tell you; they are comparatively small, but we have not gotten any contracts for the small ships.

Secretary KNOX. I think—

Mr. PETERSON. I believe a few days ago, maybe 3 days, maybe three very small mine sweepers, or something was given.

Secretary KNOX. Yes; 220-foot long, three mine sweepers to the Savannah Foundry Co.

Mr. PETERSON. Yes; you did recently let that contract. But we have another concern down at Savannah that has likewise been begging for contracts. This contract you have let there is for three very small vessels, compared to some of the other ships you are letting contracts for. We have been pleading for contracts and we have given you every assurance that could be requested, and still we have failed to get any.

Secretary KNOX. I think that is about a million-dollar contract.

Mr. PETERSON. How is that?

Secretary KNOX. I think that is about a million-dollar contract that little concern has.

Mr. PETERSON. Yes; about a million-dollar contract.

Secretary KNOX. About as big as they can handle.

Mr. PETERSON. Yes; but you have other facilities there, and they have assured you of an ample supply of labor, both skilled labor and common labor, and they have come to Washington and have gone and placed at your disposal all of the information that you have requested and given you everything to meet your requirements, and still it appears that these contracts for ships were given out to the Great Lakes, and these various towns in Georgia are not getting any.

Mr. PITTEMBERG. Not on the Great Lakes. Let us keep the record clear.

Mr. PETERSON. And not in Georgia.

Secretary KNOX. I want to assure the Congressman that we have not placed the contracts on the basis of anything else than where we could get these ships built first and most efficiently.

We have had a business policy which I think the bulk of you will agree with, that we ought to use the facilities in existence before we undertake to develop new facilities which take a long time.

Mr. PETERSON. Yes; but, Mr. Secretary, you did let some contracts on that basis?

Secretary KNOX. Unfortunately, in one or two instances, and my opinion was right in the first place, that we never should have done it.

Mr. PETERSON. Just one question further I would like to ask: Mr. Secretary, do you consider this project which we now have before us as necessary or essential as a part of our present national-defense program?

Secretary KNOX. I think it is desirable; it is not vital.

Mr. PETERSON. It is not vital?

Secretary KNOX. It is not vital. We will build our ships on the coast, but we are going in the future to use those regions where we could also build ships with greater security.

Mr. PETERSON. Under those circumstances, from a practical standpoint, this Government and its people are being called upon to spend billions and billions and billions of dollars for defense purposes, and we are going out into the highways and byways all over the country pleading with these people to buy our Government bonds to help finance this program and to extend the credit to the Government to the very fullest possible extent and to skimp and save in order that their funds might go into this emergency defense program. Yet we have the Secretary of the Navy and the Secretary of War and other leaders who are charged with this program coming in here and asking the people to spend that money for a project which you admit is not necessary or essential to the program.

Secretary KNOX. I did not admit that; I did not admit that.

Mr. PETERSON. Don't you think—

Secretary KNOX. I did not say it was not necessary. You have got to use your judgment.

Mr. PETERSON. We should display a little more of the same degree of economy we are asking our people to display in promoting this great defense program.

Secretary KNOX. You Members of Congress who have the appropriating authority have got to determine later as to the necessity of this thing. The stress I put was not on immediate results for the construction of combatant ships; it is not that. It is the long-range needs of the country in the kind of a world in which we are sure we are going to have to live in the next generation.

Mr. PETERSON. Yes; but that is what I am getting at. Would you not be, from a long-range development so far as the Navy is concerned would you not be promoting national defense far more by going to your seaboard towns such as Savannah and Brunswick and places which have everything you need available, and helping those people to provide these shipbuilding facilities, rather than going way inland for a few thousand or so miles and spending money on a project which you admit is neither vital nor necessary for the emergency defense program?

Secretary KNOX. I do not believe I can add anything to enlighten you on this subject.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Secretary, I certainly could not agree with my friend from Georgia here about the inadvisability of going inland to do anything. You being a middle westerner and living west of the mountains, are aware of the fact, are aware of the existence of the States of Arkansas and Missouri and some of the other Midwestern States; you know that they are out there?

Secretary KNOX. Yes, sir.

Mr. ELLIS. Now, of course, if this project is essential to national defense, or if it will help the whole country economically, then we in our section are for it.

Secretary KNOX. You are what?

Mr. ELLIS. We are for it.

Secretary KNOX. For it?

Mr. ELLIS. But do you think it would be possible to do any of this shipbuilding up and down the Mississippi River?

Secretary KNOX. Yes; I am going to do so.

Mr. ELLIS. I hope you do, and more along the eastern border of Arkansas.

Secretary KNOX. I cannot answer as to that.

The CHAIRMAN. On the Arkansas River.

Mr. GREEN. Mr. Secretary, I talked with a Maritime Commission member, and I think he was the head of it, and rehearsed to him the fact we had plenty of facilities in the Southeast and plenty of labor and wanted to build boats in Jacksonville, and we had built plenty during the World War, and he said, "You have had plenty, without any more."

Now, I hope the Secretary of the Navy will take advantage of the fact that he can build some ships at Jacksonville and help us to do it.

Secretary KNOX. Now, I will tell you the answer to you and others like you: If you believe in your own regions for shipbuilding purposes—

Mr. GREEN. I do.

Secretary KNOX. Go ahead and organize your companies and build facilities and there will be shipbuilding done next year and the year after and the year after that, and when we are ready for shipbuilding, we will be glad to give you some business.

Mr. GREEN. O. K.

Mr. GAVAGAN. When you are handing out business, Mr. Secretary, don't forget my district. After all, my district is practically surrounded by water. Each morning when I look out, I look upon the "Rhine of America." We have waterways and everything, and no shipbuilding.

Secretary KNOX. Anything further?

The CHAIRMAN. I hope our committee will not go back into the "pork barrel" days.

Mr. PETERSON. I would like to ask the Secretary one further question, in this matter of not letting contracts for shipbuilding on account of the fact that the facilities are not immediately available, and the further information that the Secretary has at last finally agreed to build a million dollars worth of ships in Georgia.

Secretary KNOX. A million dollars is a lot of money, even now.

Mr. PETERSON. It certainly is, but what about this: Information has just been brought to my attention that there is a concern on the west coast—

Secretary KNOX. Where?

Mr. PETERSON. On the west coast, that has never built a ship and has no yard, and has received contracts in the amount of approximately \$700,000,000.

Secretary KNOX. Who is that?

Mr. PETERSON. For the building of ships.

Secretary KNOX. Who is that?

Mr. PETERSON. My information is that the concern is known as the Kiser Co.

Secretary KNOX. The Kiser Co.? I don't know; I never heard of that.

Mr. CARTER. They are not building for the Navy. They happen to have their shipyards in my district. They have one contract that I know of directly with the British. It is true that they created a yard and are building the ships; the ships are under construction. I think they have another contract with the Maritime Commission.

Mr. GREEN. Does the Government put up the money?

Mr. CARTER. For the contract?

Mr. GREEN. For the shipyards?

Mr. CARTER. I do not know that they did.

Mr. PETERSON. I would like to know, did they have any shipyards before they got the contract?

Mr. CARTER. Before they got the contract from the British, they had no shipyard; but they went ahead and developed a shipyard at Richmond, Calif., and then after that—

Mr. PETERSON. Who defrayed the cost of that shipyard?

Mr. CARTER. I am unable to answer the gentleman from Georgia as to that; but I am certain that that yard was not financed by any loans from the Government of the United States.

Secretary KNOX. I think that you are correct. I think that was financed by the British.

Mr. CARTER. Yes; that was financed entirely by the British. Then I believe the gentleman is correct in saying they have another contract, and I am sure it is not with the Navy Department, but with the Maritime Commission.

Mr. PETERSON. Of course.

Mr. ANGELL. Mr. Chairman, this same company also has a yard in my district. They have contracts with the Government, and they have a very efficient organization, perhaps the best in the United States.

Secretary KNOX. You are talking about Todd?

Mr. ANGELL. The same outfit built Boulder Dam and half a dozen other projects.

Mr. PETERSON. I would like to inquire whether they had the facilities for building the ships before they got the contracts.

Mr. ANGELL. Probably not, but they had the money and the "go-getting" to do it, the same as they did 9 or 10 years ago.

Mr. PETERSON. Wait a minute. Here we have \$700,000,000 worth of contracts that they let along the west coast to people who have no facilities, and yet the Government is turning thumbs down for the companies down along the eastern coast and in the State of Georgia and along the South Atlantic, where they already have facilities and have the organization and have given every assurance. And the Secretary of the Navy is coming in here and boasting of the fact that they have let us have at least that million dollars' worth of contracts, but they give \$700,000,000 worth to a concern that has no facilities but was able to pull down the contract and come in.

Mr. GREEN. Mr. Peterson, one further observation and I shall have finished: Nine years ago, Mr. Secretary, with all of that vast territory of coast line from Norfolk to the Rio Grande—it is better now, but this is 9 years ago—2 percent of the naval expenditures in the United States went to that vast stretch, and 98 percent went from Norfolk to Maine.

Now, then, in these vast projects that are brought in here to expend the Federal funds, in Canada and other places, I believe before more of that is expended, that at least a "widow's mite" should be spent in the southeastern portion of this country.

Secretary KNOX. You want me to answer that statement?

Mr. GREEN. That was before you were Secretary. You are making a good Secretary, and we are pleased with your career.

Secretary KNOX. I would say that there is a lot of merit in what you say. The first concern of you Members, and every Member of Congress, is not where the money is spent, but how efficiently it is spent and how quickly we can get results when the world is on fire.

Mr. GREEN. It is on fire now.

Mr. CARTER. I understood the gentleman from Georgia to refer to a \$700,000,000 contract?

Mr. PETERSON. That is my information.

Mr. CARTER. Your information is grossly in error. There is no \$700,000,000 contract to any firm on the Pacific coast, or any other coast, at the present time.

Mr. PETERSON. How much are the contracts with this concern? What is the correct name of this concern? I wanted to get that straight.

Mr. BOYKIN. It is Todd. They have a \$700,000,000 organization under one name or another. They have those different companies, one named one thing and one named another.

Mr. CARTER. We are talking about ships.

Mr. BOYKIN. We are talking about this contract on the west coast, and I have a copy.

Secretary KNOX. Mr. Chairman, may I be excused? If you want me back, I will be very glad to come.

The CHAIRMAN. We will excuse you, Mr. Secretary.

Secretary KNOX. Thank you, Mr. Chairman, and thank you all, gentlemen.

The CHAIRMAN. We will not have the time to take anyone else and to get through with him before the time we have to adjourn. I suggest that we now adjourn until 2 o'clock.

(Whereupon, at 11:30 a. m., a recess was taken until 2 p. m.)

AFTER RECESS

(The committee reconvened at the expiration of recess, at 2 p. m.)

The CHAIRMAN. The first witness this afternoon is Governor Lehman, of New York, and I will request my right-hand bower here, Mr. Gavagan, to preside and introduce the Governor from his State.

STATEMENT OF HON. HERBERT H. LEHMAN, GOVERNOR OF THE STATE OF NEW YORK

Mr. GAVAGAN. Mr. Chairman and members of the committee, I feel quite honored on this occasion to preside over the present hearing this afternoon. As you all know, the State of New York has had many great and illustrious governors, and I know of none who has been greater or more illustrious than our present Governor. It is now my great pleasure to introduce to you Governor Lehman, of New York.

Governor LEHMAN. Thank you very much, Mr. Chairman. I have a prepared statement which, with your permission, I would like to read.

Mr. GAVAGAN. All right.

Governor LEHMAN. Chairman Mansfield and gentlemen of the committee, it is a pleasure to appear before you today, in my capacity as Governor of the State of New York, to give hearty support to the public improvement comprehended in the Great Lakes-St. Lawrence project bill (H. R. 4927).

For a generation the State of New York has sought to overcome the difficulties and obstacles which have thus far prevented the public development and use of one of the greatest natural resources of the State, the unharnessed International Rapids of the St. Lawrence River. We take pride in the fact that, as a result of the consistent policy of the State, this rich resource has been conserved and its private exploitation prevented, so that today it is available for development to serve urgent public needs in both the United States and Canada in a time of grave emergency.

In the course of these hearings, official studies and reports will undoubtedly be prepared and presented to the committee on behalf of the State of New York, which, to my mind, establish beyond dispute the need for development of the St. Lawrence River as a valuable aid in our defense program. I leave to those, who have conducted the important studies and who are prepared to discuss them in detail, the presentation of their findings.

I wish, however, at this point to direct the attention of the committee to one supreme consideration in connection with the element of the timing of our national-defense effort. It is becoming increasingly evident that the Federal Government and the States must cooperate to anticipate production needs a few years hence and to act now for the intelligent planning and use of our incomparable natural resources, if we are to avert a serious handicap to the whole program. We have been frankly advised and have been put upon

notice by the highest authorities of our Government, charged with responsibility for the national defense, that we are today faced with existing or threatened shortages in such essential materials and facilities as power, aluminum, railroad equipment, steel, and shipping. To every one of these needs the St. Lawrence project will contribute, either directly or indirectly, in a very substantial way.

The question, therefore, of sectional, local, or group advantages sinks into insignificance and is entitled to no consideration whatever at a time when we must utilize every means to contribute to the economic strength and security of our country and to protect our very way of life.

Careful study of the impartial and exhaustive reports of the Department of Commerce and other public agencies which have considered this project convince me that there is no foundation for the claims that the improvement of the St. Lawrence River will have a harmful effect upon our ports or existing transportation facilities. But even if these false and exaggerated fears were in any degree justified, we could not afford to trifle with our country's security by obstruction, on such narrow grounds, of a project which promises to contribute so much to the safety and well-being of the entire Nation.

The bill now before the committee contemplates a cooperative enterprise, in which four sovereignties will undertake to contribute to the success of the project: The Government of the United States, the Dominion of Canada, the Province of Ontario, and the State of New York.

Under the terms of the bill, as I interpret them, it is the intention of Congress that the Power Authority of the State of New York, as the accredited public agency of the State, shall be accorded the function of utilizing the United States' share of the flow of the St. Lawrence River for hydroelectric purposes and to exercise ownership, operation, and control over the power project on the New York side of the International Rapids section upon payment of the costs of construction of the works useful for such production.

In this respect, the bill is consistent with the public power policy of the State of New York and with the principles of the Federal-State accord, recognized and maintained by every official agency of the Federal and State Governments which has dealt with the St. Lawrence project from 1933 down to the present time.

It may be helpful to the committee to consider briefly the historical background of the Federal-State accord, upon which the State of New York has relied in forwarding its public power program and in accordance with which it expects to undertake the responsibilities defined in the terms of the bill now under consideration.

The conservation of our power resources under ownership and control of the State has had the support of a long line of the chief executives of New York. Theodore Roosevelt and Charles Evans Hughes warned against the squandering of these resources during their terms of office as governor in the early days of hydroelectric development. Gov. Alfred E. Smith recommended to the legislature that the latent power of the Niagara and the St. Lawrence Rivers be combined under a State authority which should also construct transmission lines and retain control over the distribution of energy at cost to municipalities and load centers throughout the State. It was not until 1931, however, when Gov. Franklin D. Roosevelt secured the passage of the

Power Authority Act that the public power policy of the State of New York was clearly defined and became firmly embedded in the statute law of our State.

Passed by a unanimous vote of both branches of the legislature, this act created the first power authority to be set up by any State. The resources of the International Rapids section of the St. Lawrence River are declared by this act to be the inalienable property of the people. The trustees of the power authority were directed by this act to cooperate with our Federal Government to the end that the power project might be constructed jointly in connection with the plans of the United States and Canada for the improvement of the river for navigation.

When such plans were furnished by the two Federal Governments in 1932, the State of New York entered into an accord similar to the arrangement contemplated by the bill now before this committee. The Dominion Government of Canada and the Provincial Government of Ontario had previously reached an agreement providing that the Province should utilize the Canadian share of the flow of the river through the hydroelectric power commission of that Province. On February 7, 1933, the United States engineers and the power authority of the State of New York jointly recommended a similar accord, fixing the costs to be assumed by the State in consideration of which the power authority should utilize the United States' share of the flow of water in this section of the river and exercise ownership, operation, and control of the power works to be erected in the State of New York. This report received my approval on February 8, 1938, and upon the recommendation of President Roosevelt was embodied in a joint resolution, House Joint Resolution 157, passed by the United States House of Representatives on April 26, 1933. When the 1932 draft treaty failed to command a two-thirds majority of the Senate in 1934 the resolution did not come to a vote on its merits in the Senate, although it was approved by an overwhelming majority of the Committee on Foreign Relations, including the now senior Senator of the State of New York.

During the past 7 years, the State of New York has cooperated wholeheartedly with President Roosevelt and Secretary of State Hull in their tireless efforts and farsighted plans for the negotiation of a new agreement with Canada which would permit the utilization of the resources of the St. Lawrence River.

In messages to the legislature in 1934 I expressed the hope, that in spite of delays, the great public improvement envisaged by the bill before this committee would ultimately be realized. Repeating a recommendation first made in 1933 and since enacted into law, I said, on March 26, 1934, in a special message:

This bill * * * is needed in connection with the public development of power on the St. Lawrence River. The development of this power has been temporarily held up, but it is bound to come, because the production of cheap power is of such outstanding and vital interest to the people of the State.

For several years before the outbreak of war in Europe the power authority in its annual reports to the legislature again and again recommended the immediate development of the St. Lawrence on the express ground that its production was required to prevent shortages and to serve future needs for national defense. Had these warnings by our power authority been heeded, in accordance with the

recommendations of President Roosevelt and Secretary Hull, the St. Lawrence River would now be providing 2,200,000 horsepower of the cheapest electricity in the world to industries and domestic consumers in the most populous areas of the United States and Canada. Moreover, the shipbuilding facilities of the Great Lakes would today be employed to their full capacity for the construction of needed merchant and naval craft with adequate channels provided for their passage through the St. Lawrence to the sea.

The exceptional character of the St. Lawrence as a resource readily available for development both for navigation and power has, I am sure, been brought to the attention of this committee in numerous official reports. In many surveys of the United States engineers the soundness and engineering practicability of the joint development has been clearly established. In numerous reports since 1934, which will no doubt be produced at these hearings, the Federal Power Commission has repeatedly emphasized, in its recommendation to the President and the Congress, the value and importance of the power development under the laws of the State of New York. The Commission reported in 1934 that the Power Authority Act of 1931—

was the fruition of 25 years of effort to provide for development of St. Lawrence power by the State in the public interest.

Licenses had been sought by private corporations for the right to exploit the power resources in the international rapids section, but such applications were rejected by both State and Federal agencies. * * *

Authoritative forecasts of the electrical industry itself, tending to support the conclusions derived from analysis of the trends in the production and consumption of electricity, present incontrovertible evidence that the market for St. Lawrence power will be ready before the project itself can be completed. Operating in accordance with the purpose laid down for it by the New York Legislature, its influence in the direction of lower domestic and rural rates will be a force tending to promote this expansion in the market for electricity.

Your honorable committee has also heretofore taken cognizance of the peculiar advantages and public benefits which would derive from proceeding immediately with the St. Lawrence development. On November 22, 1937, the power authority of the State of New York submitted to me a report which analyzed the costs of steam power in comparison with the hydroelectric power available from the great public projects contemplated by the Federal Government or under construction on the St. Lawrence, the Colorado, and the Columbia Rivers. This report was transmitted by the President to the chairman, Mansfield, for your consideration and by action of the committee was published as House Document No. 52, Seventy-fifth Congress, second session. From this report I quote:

The St. Lawrence River power development on the United States side of the boundary will be owned and operated by the Power Authority as trustee for the people of New York State. It has been included (in this report), however, because it is an important part of the general Government power program which contemplates State and municipal development where public agencies have been created for the purpose.

In 1938 Secretary of State Hull succeeded in reopening negotiations with Canada looking toward the immediate development of the International Rapids section. It was the privilege of the State of New York to cooperate fully with Secretary Hull and to submit plans under which the State might participate on an equal footing with the Province of Ontario in the completion of the power development, to be

under taken in connection with the navigation plans of the two Federal Governments.

In my message to the legislature on January 14, 1941, I reviewed the successful outcome of these discussions, culminating in the fall of 1941 with the start of preliminary engineering work at the New York site of the proposed development on the St. Lawrence. On that occasion I said:

I believe the development and utilization of St. Lawrence power is an urgent necessity. Because of this belief I conferred last summer with the trustees of the power authority and thereafter presented to the President proposals looking toward the immediate undertaking of the St. Lawrence development. I pointed out that, in my opinion, there was authority for initiating the project under the Boundary Waters Treaty of 1909 and recommended that preliminary engineering work be started at once.

On October 16, the President, by Executive order, appointed the St. Lawrence Advisory Committee, directing it to proceed with the preliminary work and allocated \$1,000,000 for the task.

In the selection of this committee, the interests of the State of New York were again recognized by the appointment of a representative of the trustees of the power authority * * *.

Thus, the four governments directly concerned with the project in the International Rapids section are today working in harmony to make the development serve public needs on both sides of the border * * *. I consider New York's continued active collaboration in the work of great importance. * * *

I hope that favorable congressional action will be forthcoming as soon as final agreement with Canada is reached so that the low cost of power of the St. Lawrence can contribute at as early a date as possible in furthering the social well-being and economic betterment of all the people of the State of New York.

The agreement between the United States and Canada covered by the present bill was signed on March 19, 1941. On the same day, the Dominion Government and the Government of the Province of Ontario entered into a collateral agreement renewing in all important respects the Dominion-Provincial Accord of July 11, 1932. The present bill likewise applies the same method of allocation of costs as between our Federal Government and the State of New York as contained in the joint recommendation of the power authority and the United States engineers dated February 7, 1932, and fixes the costs to be assumed by the State of New York at \$93,375,000.

I consider the maintenance of the Federal-State accord and the allocation of costs arrived at by the engineers and fixed in this bill, subject to the approval of Congress and the legislature, an arrangement which is advantageous and equitable alike to the Federal Government and to the State of New York. By this division of costs, the Federal expenditure for navigation will be reduced to less than \$200,000,000. Similarly, the establishment of these costs enables the State to plan in advance for the efficient conduct of the self-liquidating power project for which it is to assume the responsibilities of ownership and operation. I have already signified to the President that promptly after the authorization by the Congress of the development we shall be prepared to proceed with arrangements for the State's active participation in this joint enterprise, subject to approval at the next sessions of the Congress and the legislature.

I do not need to emphasize before this committee the value of the accords embodied in the agreements and recommendations of the past 10 years, in which the Government of the United States, the Dominion of Canada, the State of New York, and the Province of Ontario have joined. The character of the St. Lawrence as one of the

great international rivers of the world necessarily requires the free cooperation of the four sovereignties involved to insure its successful development in the public interest.

Since 1934, profound changes have occurred in the conditions affecting the improvement of this international stream. Today, the United States and Canada are linked by insoluble bonds in the common defense of democracy on this continent. The power and transportation facilities which this project will afford will serve the common needs of the people of both countries. Moreover, the military, naval, and air bases now shared by the two countries at the mouth of the St. Lawrence River serve to protect our populous centers of industry on the east coast as well as the interior sections of both the United States and Canada.

Once completed, this great project will promote the social and economic welfare of the democratic people of the North American continent for all time to come. In spite of the critical problems this Nation must face in a world at war, we know that democracy in the end will triumph and that the ruthless destruction wrought by dictatorship will pass. Amidst all the uncertainties of the future we at least know this, that the enormous costs we have been obliged to assume to make this country impregnable against attack must one day be paid out of the productive wealth of the entire Nation. To the extent that we act now to provide for the efficient utilization of our natural resources, we shall succeed in lightening that burden and protect, as we must, the standards of living of the American people.

I know that we may look to this committee which has perfected the legislation under which vast constructive improvements in all parts of our country have been achieved, for the action necessary to permit us to go forward with the use of our resources, to serve the needs of our people in the present emergency and in the years to come. In that great effort, I am happy to assure you of the wholehearted cooperation of the State of New York.

Mr. GAVAGAN. Governor, on behalf of the committee I would like to express my appreciation and our appreciation for the comprehensive and statesmanlike statement.

Now, Governor, there has been quite some opposition to the project based upon the argument that its ultimate development will ruin the commerce of the eastern seaboard. So, undoubtedly you, as the Governor of New York, have given that subject full consideration. Would you at this time care to explain your opinion thereon in more detail?

Governor LEHMAN. Well, a very comprehensive study of the effect that this development would have on the commerce of the ports on the eastern coast has, of course, been prepared by the Department of Commerce. I am sure that the members of the committee have seen that report and will familiarize themselves with it.

That report goes into very great detail. It gives many figures and meets the situation in a technical way.

I do, however, want to make this general observation. I start with the premise that the development of this project, both for navigation and hydroelectric power, will be of great benefit, not only to the mid-Atlantic States, the State of New York and the other States, but to the country as a whole. It will open new markets to the Midwest;

it will open up new markets to New England, I believe, and to a considerable portion of the southern coast. It will provide cheap power for the most populous area in the United States.

Now, the ports that believe they will be the most affected are the port of New York and the port of Buffalo, and I am going to address myself to those particular ports.

The port of Buffalo, I think, is fearful that it is going to lose some of its transshipment grain trade. It may be possible that in a minor degree the port of Buffalo will lose some of that transshipment trade. But I think the advantages that will go to Buffalo will far overbalance that possible loss.

Buffalo will, immediately on the completion of this project, become what is in effect a salt-water port, and if they object to being made a salt-water port I think it will be the first instance of any large city objecting to that very great benefit.

Buffalo—and when I talk about Buffalo, I of course mean the entire frontier section—is a great manufacturing area. It has to bring in its raw materials. Those raw materials to the south have to be brought in by rail or over the barge canal, which is a very slow and cumbersome process. Under this plan, raw materials can be brought to the frontier section from any part of the world, readily and speedily.

Buffalo takes those raw materials and converts them into manufactured articles. It is a great manufacturer of bulk goods, machinery, flour, chemicals, abrasives and articles of that sort. For that it has a limited market, because it has no means of cheap transportation. With this seaway, I believe Buffalo could take the raw materials which will be brought into it in part through this method, convert them into manufactured articles, and distribute them in a far wider market than they possibly can now. Buffalo today cannot compete so far as steel and iron and similar goods are concerned, with the enterprises now on the Pacific coast. I believe that under this they may be able to do it. Certainly they can compete and certainly they can broaden their markets by far lower costs in other parts of the country, many other parts of the country.

Now, so far as the port of New York is concerned, this report of the Department of Commerce shows in a very exhaustive examination and discussion that in all probability the port of New York will lose 1,800,000 tons of foreign shipping in a normal year, although there are great fluctuations. The fluctuation of the foreign-borne trade of New York has been as much as from fifteen to thirty million tons in different years. Now, that is about 8 percent of the foreign-borne traffic of New York City. It is less than 6 percent of the total water-borne traffic of New York City.

Now, I believe New York, too, will have advantages which will fully compensate for that loss of a relatively small part of their foreign-borne commerce. It, too, will have a far wider distribution. It will secure very materially lower costs of power and it will gain in the general prosperity that has been created throughout the country by this development. And I am convinced that the prosperity of the country as a whole—I am not thinking only of New York State—will be enhanced by this undertaking. New York City is the greatest financing and the greatest trading center of the world. The prosperity of New York City does not depend so much upon the prosperity of the

small territory contiguous to New York City as it depends upon the prosperity of the entire country. And if the country's prosperity can be increased, then the prosperity of New York City will be greatly advanced.

I believe, for the reasons I have given you and for many more reasons discussed in a much more comprehensive way in the report of the Department of Commerce, that this development, both navigation and power, will be a real advantage both to Buffalo and to New York, and I am certain will be of equal advantage to the ports like Boston and Philadelphia and Baltimore and possibly some of the ports even farther south.

Mr. GAVAGAN. Thank you.

Does any member of the committee wish to ask any questions?
Mr. Chairman?

The CHAIRMAN. Governor, you referred to the fact that the findings of the Department of Commerce show that a small percentage of tonnage, for instance, handled at the Port of New York, may be diverted from it. Is it not a fact that Buffalo would reap a part of that benefit, if such is the case?

Governor LEHMAN. I think that is very possibly so.

The CHAIRMAN. That is all.

Mr. BEITER. Would you elaborate on that, Mr. Chairman? How do you mean?

Mr. CARTER. Just a minute, Mr. Beiter; I want to ask some questions.

Mr. BEITER. All right.

Mr. CARTER. Governor, you spoke of \$93,375,000 as the pro rata power cost to be borne by the State of New York, I believe. Do you mean that this is borne directly by the State of New York, or is this the New York Power Commission.

Governor LEHMAN. I cannot answer that question in detail, of course, until I know what agreement will be entered into between the Federal Government and the State of New York covering the ownership and operation of the power.

I can say this to you, that it will not be a direct obligation of the State of New York. Under our constitution, the credit of the State of New York could not be placed behind this project, save on a vote of the people and an amendment to the constitution.

Mr. CARTER. The bill, Governor, I might say, on page 3 refers to the Power Authority of the State of New York. Is that Power Authority in existence at the present time?

Governor LEHMAN. Yes, sir; it has been in existence since 1931, continuously.

Mr. CARTER. Is it operating any power projects at the present time?

Governor LEHMAN. No; it is not. It was set up specifically for the purpose of aiding in the development of the St. Lawrence project. Also, mention is made in the act of the development of the power on the Niagara.

Mr. CARTER. Well, then, so far as you know, it has no money in its treasury at the present time?

Governor LEHMAN. It has no money whatsoever. The way this would be financed—

Mr. CARTER. And has it the power or authority to levy taxes; if you know, Governor?

Governor LEHMAN. Well, it has no power to levy taxes, but it has power to levy tolls; it has the power, not only the power, but the direction, to levy tolls and charges sufficient to care for the fixed charges and other expenses.

Mr. CARTER. That is, tolls and charges for electric energy delivered?

Governor LEHMAN. That is right.

Mr. CARTER. Well, where do they propose to get the \$93,375,000 with which to finance this power project?

Governor LEHMAN. Well, they could get it in one of two ways; either through a yearly appropriation by the legislature, which the legislature of course would have the right to make, but which would have to be made on an annual basis, obviously, or they would have power to sell their own bonds, either to the public or deliver them to the Federal Government in payment for the expenditures made by the Federal Government.

Congressman, it is not very different from what we have been doing with a great many different projects.

Mr. CARTER. Those are revenue bonds, I suppose, Governor?

Governor LEHMAN. That is quite true.

Mr. CARTER. And it would be based just on the revenues to be obtained from the power which would be furnished here out of this project that was built by the Federal Government?

Governor LEHMAN. That is quite true.

Mr. CARTER. Then we would have this situation, would we not, Governor: We would have the Federal Government building this power plant and turning over the energy to a New York Power Authority, and the New York Power Authority is selling that energy or issuing bonds against the revenue that energy produces and taking that from those funds.

Well, now, as a businessman, if money could be made that way, would it not be good business for the Government to sell that power?

Governor LEHMAN. Which government are you referring to?

Mr. CARTER. The Federal Government.

Governor LEHMAN. Well—

Mr. CARTER. Rather than turn it over to the New York Power Authority?

Governor LEHMAN. Well, of course we have always maintained, and I believe very soundly, that the power on the St. Lawrence River which touches the State of New York belongs to the State of New York. That title or claim to ownership has never been questioned, so far as I know.

Mr. CARTER. You have never waived it?

Governor LEHMAN. We certainly have never waived it.

Mr. CARTER. And you do not propose to waive it now?

Governor LEHMAN. We do not.

Mr. GAVAGAN. New York is still a sovereign State.

Mr. CARTER. Well, I just want to know what the explanation is.

Governor LEHMAN. Surely.

Mr. CARTER. Eventually, Governor, I shall have to vote on this question, one way or the other, and I would like to know, Mr. Gavagan, what I am voting for, if I may find out.

Mr. GAVAGAN. You seem to have some doubt as to New York's sovereignty.

Mr. CARTER. Oh, no; I am not doubting that. But they might waive or dispose of certain of their rights, if they desire to do so.

Mr. GAVAGAN. Only for the general good. We never surrender, Governor, only for the general good.

Governor LEHMAN. We have not only never waived it, but we have asserted that sovereignty many times.

Mr. CARTER. Governor, you are waiving a right here in this; you are waiving your undoubted right to build this power plant, and you are willing to waive that and place that burden on the Federal Government. I am wondering, just as a matter of information, how you are going to work it out; whether the profits, if any, from this project, from the power end of the project, would go into the treasury of New York Power Authority, or whether it is going into the Treasury of the United States.

Governor LEHMAN. I quite understand—

Mr. CARTER. And according to your answer, the profits, if any, are to go into the New York Power Authority.

Governor LEHMAN. Oh, I quite understand now what has confused you, and if I might explain it, I would be glad to do it.

Mr. CARTER. Yes.

Governor LEHMAN. There will be no profits on this, on the sale of this power. That is clearly understood.

Mr. CARTER. Well, you do not mean to imply there will be a loss, do you, Governor?

Mr. CULKIN. I suggest that the Governor be permitted to finish his statement.

Governor LEHMAN. I should certainly hope that there would be no loss. We would be required to operate this project so as to derive sufficient revenue to pay the debt service and the operating charges of the operation. But undoubtedly a provision will be made a part of the agreement entered into between the Federal Government and the State of New York, which cannot become effective except by the affirmative approval of the Congress of the United States, that this power has to be sold at the lowest possible price and without any profit whatsoever, to either the Power Authority or the State of New York.

Mr. CARTER. Would the rates be fixed by your board there; I don't know whether you call it the railroad commission, or what?

Governor LEHMAN. No; it would be fixed by the Power Authority.

Mr. CARTER. The Power Authority?

Governor LEHMAN. Yes.

Mr. CARTER. Which would mean that it would be fixed by the New York Power Authority, that is selling the power?

Governor LEHMAN. Well, it would be fixed by the Power Authority subject, of course, to the provisions contained in the agreement entered into between the Federal Government and the State of New York.

If I may refer for a moment to the bill, this is section 2:

SEC. 2. The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said Power Authority of the power facilities constructed pursuant to this authorization and the right to use the United States' share of the waters at the project for hydroelectric power purposes upon such terms and conditions as may be agreed upon, including provision for payment of \$93,375,000, which represents the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers—

And then it goes on, at the end of the section:

The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

Now, Congressman, it is not possible for me to tell you just what the effect of such agreement would be. It would be a matter of negotiation between the President and the Power Authority of New York. But whatever that agreement is, it will be subject to ratification by the Congress and by the Legislature of the State of New York.

Mr. CARTER. That is all, Mr. Chairman.

Mr. SMITH. I understood you to say that in 1934, at the time the treaty was reported favorably by the Foreign Affairs Committee of the Senate, the senior Senator from the State of New York joined in that favorable report; is that right?

Governor LEHMAN. That is my understanding.

Mr. SMITH. Has Senator Wagner changed his views since, or is he still in favor of it?

Governor LEHMAN. I cannot speak for Senator Wagner; I don't know.

Mr. SMITH. I have been informed that he was not in favor of it. That is why I ask.

Governor LEHMAN. Of course, I could not speak for the Senator.

Mr. CULKIN. I understand, or the last report is, that Senator Wagner has some substantial reservations on the navigation; that is the report I get.

Mr. SMITH. If I may, I would like to ask what is the attitude of the junior Senator?

Mr. CULKIN. I could not speak for him. Mr. Beiter is here.

Mr. BEITER. In a public statement issued last week, the junior Senator opposed the St. Lawrence seaway, and the senior Senator in 1934 led the fight in opposition to the seaway and the power development. I believe at that time he stated if the power and the seaway could be separated, if the power project could be separated from the seaway project, that he would favor the power project. I think that is the contention of both Senators today, and the majority of the Members of Congress, if the seaway could be separated from the power project, the members would be for the power project. But they are opposed to the seaway.

The CHAIRMAN. You are not speaking for all the Members?

Mr. BEITER. No.

Mr. GAVAGAN. It is an academic discussion, because the Senators will be able to disperse their views, whatever their opinions may be. I do not think it is binding upon us.

Are there any further questions?

Mr. SMITH. I would like to ask one additional question, and that is this: Do you consider, Governor, that the railroads of New York have valid grounds for their opposition to this project?

Governor LEHMAN. I do not. I do not think that it will hurt the railroads, if my vision of the development of this country, both because of this defense movement in which we are involved and because of the natural growth of the country, is correct. I believe that there will be a great increase in the need for transportation. I believe that today there is a great shortage of transportation facilities in this country,

which will become worse. I believe that this shortage can only be met by a development providing new facilities. I think it is going to be very difficult for the railroad companies to obtain through their own resources the equipment that will be necessary to increase their transportation facilities, unless they come into direct competition with many of our defense industries now engaged in the production of war matériel.

Mr. SMITH. Is it not possible the railroads might benefit from the opening up of these new markets?

Governor LEHMAN. I quite agree with you on that.

Mr. SMITH. Thank you.

Mr. GAVAGAN. Judge Culkin?

Mr. CULKIN. Governor, may I congratulate you, as a member of the minority here, on your able and patriotic and clear discussion of this St. Lawrence issue.

The gentleman from California recently discussed with you this question, and he seemed to have a dual solicitude for the fate of the State of New York and the United States Government. I was asking, or I was going to ask you, Governor, if you have any knowledge of any project, any power or navigation project, now completed or under construction in the United States, where the State or locality had agreed to pay the entire cost of the power installation? Do you know of any such project?

Governor LEHMAN. I do not.

Mr. CULKIN. New York pays about 25 percent of the taxes, nationally?

Governor LEHMAN. I think that is approximately correct.

Mr. CULKIN. And it might perhaps be better for the State to ask for the Government to do this, in view of the rather heavy penalty or payment to the national revenues. Such a proposition was once ratified by the Congress, whereby the State of New York agreed to pay at that time some \$89,000,000 toward the construction of the power structure, the expenses of the power structure. That amount now, I understand, is \$93,000,000?

Governor LEHMAN. A little over \$93,000,000.

Mr. CULKIN. And that includes the construction of the power structures; does it not?

Governor LEHMAN. It includes all the structures that are used in the development of the power, the powerhouse.

Mr. CULKIN. Yes.

Governor LEHMAN. It does not include the transmission lines.

Mr. CULKIN. But you understand that New York, in the old agreement, and now, is prepared, subject to proper requisition by the legislature, to pay \$93,000,000 of the expense of the power structures?

Governor LEHMAN. I do, in the manner that I described to the gentleman from California.

Mr. CULKIN. Yes; now, New York State is still solvent, and sovereign, I assume, as suggested by our distinguished acting chairman.

Governor LEHMAN. I think so.

Mr. CULKIN. What are you selling bonds at up there now, what is the rate of interest?

Governor LEHMAN. I think that our last sale was at a rate under $1\frac{1}{2}$ percent per annum.

Mr. CULKIN. And you got the money for that in the local market?

Governor LEHMAN. Yes; all our sales are.

Mr. CULKIN. So it seems that New York credit is a tangible and moving asset. When it goes out to raise money, it has no difficulty in getting sufficient money. It is in a high stage of solvency?

Governor LEHMAN. I think it is. I think we have maintained our financial position very well over many years.

Mr. CULKIN. And as to any obligation, it not only can but will perform all obligations incident to this matter?

Governor LEHMAN. Well, I want to make this point clear, so that there will be no misunderstanding on the part of you gentlemen: The State of New York would not put its own credit back of this undertaking. It cannot do that, under its constitution.

Mr. CULKIN. Yes.

Governor LEHMAN. What we would do would be to put up, subject to the approval of the legislature, either annual appropriations sufficient to care for these needs or the issuance of revenue bonds created by the Power Authority under the authority of the legislature. In exactly the same way as we have done in any number of other undertakings.

Mr. CULKIN. Well, now, the New York Harbor Authority; what is that?

Governor LEHMAN. The port authority.

Mr. CULKIN. The port authority. That is an instance of the procedure that is suggested to follow. That outfit built the tunnels under the rivers there?

Governor LEHMAN. That is right; and bridges.

Mr. CULKIN. And it built bridges and made some harbor improvements of various sorts, and solved various transportation problems through this outfit, this agency?

Governor LEHMAN. That is right.

Mr. CULKIN. And that outfit has the power to issue bonds for that purpose?

Governor LEHMAN. That is right.

Mr. CULKIN. And does continually issue bonds for that purpose?

Governor LEHMAN. That is right; yes; at a very low rate of interest.

Mr. CULKIN. What is the rate of interest now?

Governor LEHMAN. Well, I think somewhere, I think slightly over 2 percent, between 2 and 2½ percent; but I am not quite certain about the exact figure.

Mr. CULKIN. As I understand now, the amount has now gone to \$93,000,000?

Governor LEHMAN. \$93,375,000.

Mr. CULKIN. And that is an increase of about \$4,000,000 or so, over the former cost; and that increase is due to the engineers' estimates on the increased cost of building now, due to that increased cost of building the power plant?

Governor LEHMAN. Yes; that is my understanding.

Mr. CULKIN. I think that is all.

Mr. GAVAGAN. Mr. Schulte.

Mr. SCHULTE. Mr. Chairman, I wish to join with my good friend from New York in complimenting the Governor on his contribution here this afternoon in the fight that he is putting up for the great State of New York in trying to get them cheap power and electricity. I can appreciate that kind of fight and how in the Midwest my people

would enjoy that, coming from out of the city of Chicago where, of course, we are dominated by the so-called Power Trust.

Now, getting back to Buffalo: I am just wondering now if my good friend from Buffalo—Mr. Beiter—is not going to gain this advantage, whatever may be lost to the port of New York, would be to the advantage of the port of Buffalo; is that right?

Governor LEHMAN. No; I do not think so. I think that they both will gain; but I do not think that the one will necessarily gain at the loss of the other.

Mr. SCHULTE. Well, I am just now thinking of the Middle West, around Chicago, Gary, and that great steel center there.

So, the only gain that we could make by the development of this seaway would be by taking a chance on the building of ships, seagoing vessels, in the Middle West; is that right?

Governor LEHMAN. I do not think so. I think that there will be great advantage to the Middle West. I think it would immediately—you want my answer to that specific question?

Mr. SCHULTE. Yes; I do.

Governor LEHMAN. I think the Middle West would gain by the opening up of vast new markets. I think it would certainly gain in the form of trade very greatly, because today it cannot possibly export some of its goods profitably through using a port on the Atlantic coast and bringing the goods there by train. That is an expensive proposition.

Mr. SCHULTE. I appreciate that, Governor, and that is a thought that a great many of our folks have back in the Middle West. We are very much concerned about this, because we are under the impression that it is going to be immeasurably beneficial to us. There is no question about that. But the point that I am making here is really that the benefactors of this are going to be the folks through New York State and in the State of Ohio and in there, by virtue of the fact that they are going to have this utility such as power that they are going to get at cost and still have an opportunity to build ships at the ports.

Governor LEHMAN. Well, my answer to that is that I believe that the development will be of very great and immediate advantage to a large area. I say an immediate advantage, because though I think it will be of advantage to the entire Nation, it will be of immediate advantage, I believe, to the Middle West. I think it will be an advantage to the Middle Atlantic States, the New England States, and New York and the entire area, that is, within a reasonable distance of this development.

Mr. SCHULTE. I am mighty happy to hear you make that statement, coming from the great State you do.

You feel that the Middle West in particular is going to be benefited, and I want you to express your thought there, in view of the fact that several of the small chambers of commerce bordering on the Lakes are very much for this, but peculiar as it may seem, the Indiana State Chamber of Commerce went on record opposing the building of this project.

Mr. CULKIN. Will the gentleman yield?

Mr. SCHULTE. Yes.

Mr. CULKIN. How many members of the board of directors of the chamber of commerce were present when they voted?

Mr. SCHULTE. I am not a member of that body, I will say to my good friend. I have kept my skirts clean that far.

Mr. CULKIN. Do you suppose that there were more than three or four in all, representatives of the railroads?

Mr. SCHULTE. I have reported, and I will say again to my good friend, I do not have to be absolved of that; that is all.

The CHAIRMAN. Your skirts are clear.

Mr. SCHULTE. They have opposed every development that has been of beneficial interest to the people back in my State. I am through, Mr. Chairman.

Mr. GAVAGAN. Mr. Pittenger.

Mr. PITTENGER. I compliment the Governor for his contribution. I have no further questions.

Mr. GAVAGAN. Does the gentleman from Florida have any questions?

Mr. GREEN. No questions.

Mr. GAVAGAN. Mr. Bell.

Mr. BELL. Mr. Chairman, Governor, I would like to ask you to give me a little information further as to how you think the development of the St. Lawrence will affect commerce out in the Middle West.

Have you in mind Chicago in that area out there when you speak of the Middle West, or are you including the area down to the Gulf of Mexico?

Governor LEHMAN. Well, of course, that is also a question that has been the subject of a survey by the Department of Commerce and which has gone into it exhaustively, I am told.

I can only make this observation. It seems to me that the entire Middle West territory starting with Lake Superior, Lake Michigan, Lake Huron, Lake Erie, will benefit by this project because it is not only going to open new markets to them, but it is also going to mean that they will secure their raw materials much more readily, and cheaply.

It seems to me obvious that that part of the country is very much circumscribed now in their transportation facilities, and this will certainly open up a new transportation channel, both for incoming and outgoing freight.

Mr. BELL. What would you say as to this situation, Governor, the section located, we will say, from Kansas City and Missouri on south where the distance would be as great to Chicago, we will say, which might be the nearest ocean-going port after the St. Lawrence waterway is developed, where the distance from Chicago would be as great as it will be to the Gulf of Mexico, which now has contact with the open ocean. Would you say that there would be any benefit to that section of the Midwest?

Governor LEHMAN. I would hesitate to express myself further, on the technical details of rates. I do not feel qualified to do so.

Mr. ANGELL. Mr. Chairman: Governor Lehman, am I correct in my understanding that your position is that the State of New York claims title to this power?

Governor LEHMAN. That is correct.

Mr. ANGELL. Are there any other large hydroelectric projects in the United States developed by the Federal Government where the States in which they lie claim the ownership of the power?

Governor LEHMAN. I cannot answer that question. I do not know the history of it.

Mr. ANGELL. Do you know of any projects where the State has asserted ownership?

Governor LEHMAN. I do not know. I cannot say whether they have or have not. I really have no knowledge of that.

Mr. ANGELL. Is it your understanding in connection with navigable waterways where they are developed by the Federal Government for transportation purposes and that the power developed as incidental to the improvement of navigation becomes the property of the State in which it is located?

Governor LEHMAN. Well, the State of New York has always asserted that position, and that goes back away before my time.

Mr. CULKIN. Will the gentleman yield?

Mr. ANGELL. Yes.

Mr. CULKIN. May I call the gentleman's attention to the provision on page 3 of the pending bill where it recites that an agreement shall be made upon the recommendation of the Corps of Engineers and the Power Authority of the State of New York with reference to the payment which is, I think, generally agreed upon as being now about \$93,000,000, and then it goes on, in line 9, page 3:

In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable distribution of the power to domestic and rural consumers within economic transmission distances, and provisions for the prior use of such water for the purposes of navigation and the delivery, without charge to the War Department, of so much power as said Department shall need for the operation of navigation facilities. The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

Now, the gentleman will note that the Congress reserves or requires in this bill provision for the protecting of the interests of the United States and assuring widespread equitable distribution of power. That is more or less parallel, I mean, to the general facts to the Bonneville arrangement.

Mr. ANGELL. If I may say to my colleague from New York, that does not reach the question I have in mind, and that is the question of ownership; who owns the title to the power developed in the project, which is on the navigable waterway developed by the Federal Government for navigation purposes.

That power is incidental to the development of the waterway for navigation, and my understanding is that it has always been claimed by the Federal Government. There is no claim in my State upon the Bonneville project that the State owns the power, so far as I know. The Federal Government did not consult the State as to what should be done with the power. The Federal Government claims, so far as I understand, complete control and ownership over the power development on navigable waterways, which is incidental to the improvement of navigation.

Governor LEHMAN. Of course, we have never asserted any rights with regard to navigation. New York has always recognized, in view of the fact that the St. Lawrence River is the boundary between two countries, that the control of navigation on the St. Lawrence is a Federal function; but we always have claimed title to the power that would come from the flow of the river.

Now, so far as I know the question of those rights has never been adjudicated by any high court. What position the Supreme Court would take in connection with our assertion of rights, I do not know. I would hope that they would sustain it. Certainly President Roosevelt, when he was governor, asserted that right on many occasions, as did all of his predecessors so far as I know.

Mr. ANGELL. Governor, let me ask you.

The CHAIRMAN. Will the gentleman from Oregon yield to me?

Mr. ANGELL. Certainly.

The CHAIRMAN. I will state that in the construction of the works at Bonneville, for instance, our committee had charge of that, the State of Oregon, neither the State of Oregon nor Washington paid any portion of the costs of that work. In this case, if New York gets the power she pays that portion of the cost.

Mr. ANGELL. That is quite true, but that is clearly aside from the point, if I may say so.

Mr. SMITH. The State reimburses merely the outlay.

Mr. ANGELL. The question here is who owns the power, whether it is the State of New York or the Federal Government. That is an important inquiry for this committee and it is important for us to know in determining what we shall do on the bill. If we develop and sell to the State of New York, that is one thing. If the Federal Government owns it, it does not necessarily have to consult the State of New York as to what to do with it. It does not need to enter into any agreement with New York. The Federal Government is amply able, I hope, to finance its own projects without considering New York or any other State.

Mr. CULKIN. Do you not think that the State of New York is interested to the extent of \$93,000,000? I just read the gentleman the section that shows that the Federal Power Authority, I think that is the body, or the engineers, reserve the right to protect the interests of the United States, and assuring a widespread equitable division.

Mr. ANGELL. But they have no right to reserve that if the State of New York owns the power.

Mr. CULKIN. That is a complete reservation in this bill.

Governor LEHMAN. Well, so far as making reservations or conditions are concerned, I have no doubt the United States Government has the right to do that if it enters into a contract with the State of New York. Whether the State of New York would be satisfied with those conditions, I do not know, of course, until I see them.

Mr. ANGELL. Unquestionably the Federal Government can enter into such an arrangement with the State of New York whether the State owns the power or the Federal Government owns the power, but the point we are pursuing, and I am particularly interested in now, is who owns that power, whether the State of New York or whether the Federal Government owns it.

Governor LEHMAN. May I answer that?

Mr. ANGELL. Certainly.

Governor LEHMAN. The State of New York has always asserted its right to the power on the St. Lawrence.

The ownership of the power, so far as I know—I am not a lawyer—has never been determined by the higher courts of the United States, and I have, of course, no more knowledge than you have as to what

such determination would be, but certainly it would seem perfectly practical for the Federal Government to enter into a contract with the State of New York on terms satisfactory to the Federal Government and to the State of New York.

Mr. ANGELL. A question somewhat similar is being raised in legislation appearing before the Congress now wherein the question is raised as to whether the Federal Government has the ownership to oil rights under lands which are in beds of navigable streams and along the oceanway within the 3-mile limit. The Supreme Court, however, has passed on that directly in a number of cases, holding that it belongs to the State in which these waterways are situated and not the Federal Government; but that is not an incident of navigation.

The CHAIRMAN. May I ask a question there?

Mr. ANGELL. Yes, Mr. Chairman.

The CHAIRMAN. The power that is developed in Niagara, under treaty with Canada wherein the United States gets 20,000 and Canada 36,000 cubic feet, to whom does that power belong; does that belong to the State of New York or the Federal Government?

Governor LEHMAN. Well, that is a complicated situation, Mr. Chairman, because away back in 1894 the Legislature of the State of New York passed certain legislation which it is claimed alienated the right to that power from the State of New York and gave it to private owners. The additional flow which was given, I think something like 20 years ago, and which, if my memory serves me right, amounts to about 4,500 cubic feet for the State of New York, was made the basis of a rental charge. Permits were issued by the Federal Government under the treaty with Canada and on that the State of New York gets an annual income amounting to between four and five hundred—

The CHAIRMAN (interposing). That is developed by private industry.

Governor LEHMAN. That is developed by private industry under a license from the Federal Power Commission. Undoubtedly there will be further diversions amounting, I think, to about 8,000 cubic feet per second distributed 5,000 to the United States and 3,000 to Canada, and on that, too, I should suspect that the State would be recognized as an interested party and entitled to reasonable compensation for the use of the power.

I have already had correspondence with Senator Wagner on that subject and my letter has been included in the Congressional Record. That letter sets forth the attitude of the State of New York very fully on the subject.

May I return for one minute, Congressman, to your question?

Mr. ANGELL. Yes.

Governor LEHMAN. As I say, this question of the ownership of the power resources on a navigable stream, of course, so far as I know has never been determined. I do not know what the Supreme Court would hold, but it is certain that the Congress has the power to determine just what disposition is to be made of the power that comes from the development of navigation works on navigable rivers.

Mr. ANGELL. That would not necessarily follow, Governor, if the State owned the power. If the Federal Government owns it, that is quite true, but if the Federal Government does not own it, then it can do nothing with it until it makes an agreement with the State.

Governor LEHMAN. That is quite true; yes.

Mr. ANGELL. Of course it is a pertinent inquiry for this committee to make and for Congress to know who owns this power if we are to develop power, which is a considerable portion of the expense of this project. If it belongs to the State, of course, we ought to know that. We might make a somewhat different agreement than we would if the State did not own it and it belonged to the Federal Government.

Governor LEHMAN. May I say that we have always felt and believed that this power did belong to the State of New York and we have acted accordingly.

Mr. ANGELL. As Chief Executive of the State, have you asked the Attorney General to give you an opinion on this question?

Governor LEHMAN. Yes. He believes that it does belong to the State of New York, but after all, the final court is the Supreme Court of the United States in matters of this sort.

Mr. ANGELL. Has the Attorney General of the United States passed on it so far as you know?

Governor LEHMAN. I do not know.

Mr. GAVAGAN. Governor, is it not a fact that even during the term of Governor Hughes, Mr. Chief Justice Hughes, when he was Governor of the State of New York, he in turn followed a long line of traditions and precedents of our State and asserted the right of the State to the power in Niagara?

Governor LEHMAN. That is quite right. I believe it goes back even further than that. I believe it goes back to Theodore Roosevelt.

The CHAIRMAN. Maybe you will get something valuable yet.

Mr. ANGELL. One other question: What the acting chairman has just raised, of course, that might be another question as to power generated by Niagara Falls, because that is not power which is generated incident to the improvement of a navigable stream. That is a natural condition of the waterway and is merely taking the power out as it exists, but this is an improvement in the waterway which is a navigable stream, over which the Federal Government has supreme control and the development of power is merely incidental to it, and it may raise an entirely different question than that raised by the taking of the power from Niagara Falls.

Mr. GAVAGAN. Well, in the T. V. A. cases, the Supreme Court simply said that the Federal Government had the constitutional power as an incidental power to the regulation of commerce on navigable rivers to dispense with any electric power produced, but it did not determine the ownership of the power.

Mr. ANGELL. Did not recognize the ownership in the States.

Mr. GAVAGAN. Nor assert that it was in the Federal Government except that it said as an incident the Government could dispose of incidental power developed by the Government on navigable streams and the Government does dispense with it or appropriate the power developed.

Mr. ANGELL. That raises an additional question as to who is to operate this project the development of which you are now asking Congress, whether it is to be a T. V. A. authority, or an independent agency or whether it is to be done through the Department of the Interior.

Now, in this case, as I understand it, it is contemplated that New York will control this power, and it will not be controlled through the

Department of the Interior; and it will not be controlled through any other authority or agency of the Federal Government, but it will be controlled through New York.

Mr. CULKIN. But subject to the provisions of the agreement which will have to be entered into between the Federal Government and the State of New York, with the approval of Congress.

Mr. ANGELL. That agreement will have to be entered into anyway, regardless of the ownership, by reason of the fact that the Federal Government is going to build it, and if it is going to build it, then, of course, it must be consulted upon what terms it is going to dispose of the project if it is built.

Mr. CULKIN. That is quite right.

Mr. ANGELL. But there is a deeper question than that underlying this, and that is the ownership of the fee, control of which gives, of course, control of the hydro power generated, and who is going to operate it afterward.

If the State owns it, then it can put in a toll on this power double what the Federal Government is putting on in the Columbia River or the T. V. A., if they want to. If the Federal Government owns it they may control the rates.

Governor LEHMAN. Mr. Chairman, may I add one word—make one correction or addition to my answer to Chairman Mansfield, when he asked me about the position of the State of New York in connection with the water-power of the Niagara River? I reviewed the history of that water-power development away back in 1894 and stated that the situation was complicated, because the legislature of that time gave certain powers to private concerns.

And, I told you that that has caused a complication.

The position of the State on that is that we claim even the Legislature of the State of New York could not alienate property, natural resources, belonging, by constitutional mandate, to the people of the State of New York and we are, therefore, suing in the courts of New York for the reversing of that procedure, and claiming that the State, regardless of action by the legislature of 1894, still takes title and control of those waters.

Mr. GAVAGAN. Mr. Pittenger.

Mr. PITTENGER. Governor, where the difficulty lies, I think—I think it is immaterial whether New York State and this Government and other governments have entered into an agreement, where you waive those rights, it seems to me, under the very terms of this bill.

Mr. GAVAGAN. No; we do not do that. We waive them insofar as it is necessary for the purposes of this bill, and furthermore we pay for them.

Mr. PITTENGER. Yes; that is right.

Mr. ANGELL. If I may say, they waive it to this extent, to the extent of permitting the Federal Government to pay for it in the first instance, and then pay the Government back, not through the taxing power of the State of New York, but through an authority which has no power to pledge the credit of the State, and if the revenues from the project are not sufficient to pay off the bonds, the owners will just have to dump them in the ashcan.

Governor LEHMAN. Well, the State is paying the construction costs. You are perfectly right in saying that it is a self-liquidating project.

Mr. ANGELL. Not the State as a sovereignty, but a separate entity, so-called, separate corporation or authority.

Governor LEHMAN. An agency of the State, created by the legislature to act for the State.

Mr. ANGELL. But with no power to pledge the State's credit.

Governor LEHMAN. No; but the State has the right, or the power authority has the right to pledge the properties itself.

Mr. ANGELL. Yes; the revenues; pledge the revenues.

Governor LEHMAN. The revenues or the property.

Mr. BEITER. Mr. Chairman.

Mr. GAVAGAN. Mr. Beiter.

Mr. BEITER. Governor, did not the Power Authority consider the seaway inimical—

Governor LEHMAN. I did not understand you.

Mr. BEITER. Did not the New York Power Authority—I am speaking of the seaway now all through my discussion here, and not the power phase of it—did not the New York Power Authority determine the seaway inimical to the best interests of New York?

Governor LEHMAN. Not that I know of, Congressman.

Mr. BEITER. It did not?

Governor LEHMAN. What year are you referring to?

Mr. BEITER. The last year; within the last few months.

Governor LEHMAN. I am quite sure that it did not.

Mr. BEITER. Have you heard of the action of the New York Mayor's Advisory Committee against it?

Mr. CULKIN. I think, Mr. Beiter—

Mr. BEITER. Just a minute.

Mr. CULKIN. I think that you made a mistake. I think that you meant the New York Port Authority and not the New York Power Authority.

Mr. BEITER. The port authority. Did I say "power authority"? I stand corrected. It is the port authority.

Governor LEHMAN. Well, yes; they passed a resolution which became ineffective, because they had no right to take a position contrary to the State policy which is part of the law of the State of New York.

Mr. BEITER. Do you not consider that the authority is in a position to make such a determination?

Governor LEHMAN. I think that the individual members of the authority not only are in a position but have my permission to do it at any time they want, of course, and also I believe that the authority has the right and is justified in laying before this committee all its data and offering the services of its experts to the committee in connection with the consideration of the question.

Mr. BEITER. You have heard that the New York Mayor's Advisory Committee advised against the seaway, and do you believe that this group of outstanding men are in a position to make such a decision in this regard?

Governor LEHMAN. Congressman, I have heard that they have taken the position. I have never seen a report. And, I doubt whether it was ever made public or adopted in any authoritative way; but aside from that, even if they did take a position antagonistic to this, I do not know to what extent they had the information or whether they went into the question extensively.

Mr. BEITER. Governor, is it not true that all of the commercial, industrial, and labor interests in the State of New York, outside of a few probably in the immediate vicinity of the St. Lawrence River, are opposed to this project, and did not the State business interests, the port and terminal facilities on the Great Lakes and the Erie Canal, and the Hudson River, and in the city of New York, in that area, oppose this project as ruinous to their property and their interests?

Governor LEHMAN. Well, I know that a number of trade organizations and individuals in the State of New York are opposed to this project; but it is my very sincere belief that the overwhelming majority of the people of the State are wholeheartedly in favor of it.

Mr. BEITER. Now, as a candidate for Governor of the State, both the Republicans and Democrats alike, going back as far as Al Smith, were not they opposed to the St. Lawrence seaway?

Governor LEHMAN. I cannot answer that question categorically, but I certainly do not recall that Governor Smith ever took a position antagonistic to or in opposition to the seaway.

Mr. BEITER. To the seaway. He never did oppose the power phase or the power end of it, but as to the seaway itself. Every candidate for Governor of the State of New York, when they were candidates for Governor, you understand, were opposed to the St. Lawrence seaway; however, it changed when they became candidates for President. Then they were for the seaway, and I can refer you, of course, to both sides. I refer to a statement made in the New York Times under date of March 27 when Senator Vandenberg and Tom Dewey were then Presidential candidates and were seeking votes in Wisconsin in the primary election, they stated their views on it. In 1934 Senator Vandenberg said in the Senate he voted for the St. Lawrence Seaway Treaty and "I continue to favor the St. Lawrence seaway," and so forth. However, only a few days ago Senator Vandenberg, not a candidate for President, stated in one of the papers he was opposed to the St. Lawrence seaway.

Mr. SCHULTE. How did Willkie stand?

Mr. BEITER. Mr. Dewey said: "I favor the St. Lawrence seaway and always have."

Now, you do not have to answer this next question, Governor, but you are a candidate for President?

Governor LEHMAN. I am Governor of the State and expect to be for another year and a half, and I am looking after the interests of the State.

Mr. BEITER. What I am trying to find out, or to bring out, is that the candidates for Governor, have opposed the seaway, as candidates for Governor, because the people of the State of New York do not want the seaway. The candidates cannot be for the seaway and be elected Governor; but when it comes to being a candidate for President, then they are for the seaway.

Governor LEHMAN. May I answer that question?

Mr. BEITER. Yes.

Governor LEHMAN. I know something about running for governor. I should be very much inclined to doubt your statement with regard to the position of Governor Smith when he ran on a number of occasions. He was heart and soul for the power project.

Mr. BEITER. Yes; I agree with you.

Governor LEHMAN. And I believe for the seaway development. I would be very, very much surprised if he had ever taken a position in opposition to the seaway.

I know that President Roosevelt, when he ran for governor twice, never was in opposition to it.

Mr. BEITER. He was for the development of the power project but not the seaway.

Governor LEHMAN. He was in favor of the whole plan; the whole undertaking; the developing of that entire section and the opening up of great areas of the country.

Mr. BEITER. As a power-development project, Governor, but never for the seaway. Neither Republicans nor Democrats have been for this seaway, or they could not have been elected.

Governor LEHMAN. Wait a minute. I was elected Governor, and I have never taken a position in opposition to the seaway, not for one second have I done that. I have always been in favor of the project.

Mr. CULKIN. Governor, you so stated.

Governor LEHMAN. I have not stated it publicly once or twice, but I have stated it any number of times.

Mr. GAVAGAN. I remember in a campaign speech in 1936, Governor, where you committed yourself absolutely, in a public speech, in Madison Square Garden, as Your Excellency will recall, where you committed yourself for it, absolutely in favor of the St. Lawrence water development. I assumed at that time, being on the platform that evening, that you went the whole way.

Mr. CULKIN. Governor, President Roosevelt had a referendum on it last year and he got the greatest number of votes in Buffalo last year that he ever got. Buffalo had a referendum on it, and he got the biggest majority that he ever got.

Mr. BEITER. I have heard the gentleman from New York, Mr. Culkin, praise the Governor here, and he is deserving; he has been a good Governor, one of the best; but I was wondering whether the gentleman from New York applauded the Governor and referred to the splendid credit of the State of New York under the administration of the Governor during the last gubernatorial campaign. I did.

Mr. BENDER. While you are on that subject, is it not a fact that both candidates for the Presidency in the campaign came out against war and now they say that it was just campaign oratory?

Mr. BEITER. Mr. Chairman—

Mr. ELLIS. Mr. Roosevelt did not say that.

Mr. GAVAGAN. Have you anything further, Mr. Beiter?

Mr. BEITER. Yes.

Mr. PITTINGER. I want to protest against putting a lot of wrong statistics in the record.

Mr. BEITER. I am not putting any "wrong statistics" in the record. Governor, what assurance do you have that the New York Power Authority will handle this power? Do you have any assurance that the New York Power Authority will handle it?

Governor LEHMAN. No; but I cannot have any assurance—well, I have this, yes; that it is in the bill.

SEC. 2. The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said Power Authority of the power facilities constructed pursuant to this authorization and the right to use the United States' share of the waters at the project for

hydroelectric power purposes upon such terms and conditions as may be agreed upon.

So that, assuming that we can have a meeting of the minds with regard to the terms and conditions, it is clearly defined and set forth in this bill that the Power Authority of the State of New York would be the agency that would handle it.

Mr. BEITER. We have to assume that there will be a meeting of the minds.

Governor LEHMAN. Of course, I could not have any guaranty, naturally, on a thing of that sort ever, but I assume that there will be a meeting of the minds and then that will have to be approved by the Congress of the United States and the legislature.

Mr. BEITER. Governor, in the event the bill is approved by Congress and we start work on this project and it is completed in 4 years' time, what assurance do we have that the Dominion of Canada will complete its part of the project within that time? If they do not complete it, in order to benefit, the Federal Government will have to complete the Dominion of Canada's part of the project and in so doing, as has been pointed out by the gentleman from New York, we pay 25 percent of the Federal taxes, and an additional amount would have to be paid by the State of New York.

Governor LEHMAN. Well, of course, the point covered by your question is part of the agreement between the United States and the Dominion of Canada.

Mr. BEITER. That is true.

Governor LEHMAN. I think we have to assume that the Dominion of Canada is going to carry out its understanding and undertaking.

Mr. BEITER. But, if they are not able to carry it out? At the present time they are pressed for finances. Their per capita debt is higher now than it ever has been and they are taxed to the limit. They are not particularly anxious for the project. There is no assurance given in the agreement that they will carry out or can carry it out even if they entered into the agreement; but in the event they are not able to carry it out, in order to derive benefit from the project, we will necessarily have to complete it, and in completing it, New York State will be forced to bear additional taxes.

Governor LEHMAN. Well, I think that you have to give reliance on the good faith of the contracting parties to an agreement, especially when the other party is the Dominion of Canada. I do not think that you can get any greater guaranty than their good faith.

The CHAIRMAN. May I be permitted to ask a question?

Mr. BEITER. Yes, sir; surely.

The CHAIRMAN. If Canada does not come into it, enter into an agreement, it will not affect the power that might be developed on this power dam in the International Rapids. It might affect navigation below that power dam, but not the power feature of it. The power would be there anyhow.

Mr. BEITER. The power would be there, providing the works were completed. If the work is not completed it will not be.

The CHAIRMAN. The power would be completed when the dam was completed, but that portion below the dam does not have any effect upon the power.

Mr. BEITER. Governor, you refer to the benefits to the city of Buffalo and then ask to refer to the report of the Department of

Commerce. I have made a thorough study of the report of the Department of Commerce and the only benefit I can see that Buffalo derives would be by the importation of lard and bananas. Now, lard and bananas may contain a lot of vitamins, but I don't believe Buffalo jobs will be created by them.

Governor LEHMAN. Mr. Chairman——

Mr. GAVAGAN. Yes; Mr. Governor.

Governor LEHMAN. Congressman Beiter has asked me a question about the report of the United States Department of Commerce, with regard to the effect of this seaway on the port of Buffalo. I could read that part of the report which applies to that question, but it is quite long, and if agreeable to you, I would suggest that I just put it in the record.

Mr. PITTENGER. We all have those reports here, Governor. We can read them and find out about lard and bananas. Each member has a copy of the report before him, Governor, of the Department of Commerce.

Mr. GAVAGAN. Yes, each member has a copy of the report before him, Governor.

Governor LEHMAN. I see. Instead of bananas and what was the other commodity?

Mr. BEITER. Bananas and lard.

Governor LEHMAN. I see chemical abrasives, aluminum, metal alloys, and other products of which Buffalo would also have the advantage of cheap deep water transportation. Also flour. That is on page 9 of the report.

Mr. BEITER. Governor, the gentleman from Minnesota (Mr. Pittenger) a moment ago said that I was not stating the facts, or words to that effect, when we were referring to the former candidates for Governor of the State, and some doubt was expressed as to the stand or the position of Al Smith.

Mr. PITTENGER. I said——

Mr. BEITER. Just a moment. I hold in my hand a report on the St. Lawrence water project, which is the report of the National Transportation Committee dated February 13, 1933, in which Al Smith said, and I quote:

I am opposed at this time to the construction of the St. Lawrence waterway because it would be a waste of public funds.

Mr. PITTENGER. What is the date of that?

Mr. BEITER. February 13, 1933. It is the report of the National Transportation Committee.

Mr. PITTENGER. That is 8 years ago.

Governor LEHMAN. 8 years ago.

Mr. BEITER. 8 years ago. I am talking about candidates for Governor and their position on the seaway.

Mr. PITTENGER. I make an objection to all of these statements and statistics on the ground that they are absolutely immaterial.

Mr. SCHULTE. They did not mention the seaway.

Mr. PITTENGER. It is wasting the time of the committee.

Mr. BEITER. I just want to point out that these men were opposed to it, and I am trying to point out that the people of the State of New York are opposed to it; the businessmen, little businessmen and big businessmen, all businessmen, and labor, are opposed to it.

The CHAIRMAN. They can pass on that. If Congress passes it, then it goes back to New York and they can determine whether or not they want to approve of that.

Mr. PITTENGER. What is that?

The CHAIRMAN. The power project.

Governor LEHMAN. May I, just to correct the record, say one further word there, although I think it is quite irrelevant.

Mr. GAVAGAN. Yes, Governor.

Governor LEHMAN. Congressman Beiter said when men were candidates for the governorship of the State of New York they opposed—

Mr. BEITER. The seaway.

Governor LEHMAN. The seaway; but the quotation that the Congressman read was dated 1933, and my recollection is that Governor Smith ceased, or rather the last time he ran for Governor was in 1926, so that it seems to me—

Mr. BEITER (interposing). He had not changed his stand or views, or position, from the time he was Governor to the time that the report was made, so far as I know.

Mr. CULKIN. Will the gentleman yield? I merely want to call attention to the fact that the Empire State Building was built at that time, and that it took a \$4,000,000 mortgage to do that.

Mr. BEITER. I do not know anything about Governor Smith's finances.

Mr. CULKIN. I thought that that was a minor contribution to the information of the committee.

Mr. BENDER. Mr. Chairman.

Mr. GAVAGAN. Mr. Bender.

Mr. BENDER. Governor, is it not a fact that Canada is not anxious at this time to participate in this project?

Governor LEHMAN. I cannot answer that question. I have no knowledge on it at all.

Mr. BENDER. Governor, you are acquainted with the Merchants' Association of New York City; you know of that organization, the New York Merchants' Association?

Governor LEHMAN. Surely.

Mr. BENDER. Are they a substantial body?

Governor LEHMAN. Very.

Mr. BENDER. You know that they are very definitely opposed to this project, do you not?

Governor LEHMAN. Well, I did not know it, but it is quite possible that they are. I have no doubt of it, if you say it is a fact.

Mr. BENDER. Are you acquainted with the Central Mercantile Association of New York?

Governor LEHMAN. Less well than with the Merchants.

Mr. BENDER. They have indicated opposition to this project.

How about the Lake Carriers' Association?

Governor LEHMAN. I have no knowledge of that.

Mr. BENDER. Or the Harbor Carriers of the Port of New York.

Governor LEHMAN. I cannot answer that.

Mr. BENDER. Or the Maritime Association of the Port of New York. These organizations, the New York State Waterways' Association; the New York Produce Exchange—you are familiar

with that organization. It represents the merchants who deal in produce and where they receive the produce.

Governor LEHMAN. Yes; I know the Exchange.

Mr. BENDER. And the New York Board of Trade, the American Marine Institute, the Shipping Conference of Greater New York—these organizations have all indicated, Governor, their opposition to this project.

Are you acquainted with the Warehousemen's Association of the Port of New York?

Governor LEHMAN. I know them by name; I do not know them personally.

Mr. BENDER. Or the West Side Association of Commerce of New York? That is New York City. The Rochester, N. Y., Chamber of Commerce; the Buffalo Chamber of Commerce; the Elmira, N. Y., Association of Commerce; the Gloversville, N. Y., Chamber of Commerce—I could recite many other organizations from the State of New York who have indicated opposition to this project.

Do you believe that all of these organizations simply passed resolutions without making a study of this project?

Governor LEHMAN. I believe that in most cases they are perfectly sincere. I do not agree with their findings, but I am not questioning their sincerity at all. I think on the other hand, if we wanted to, we could give you a list of a great many organizations that are in favor of it.

Mr. BENDER. Judge Culkin made the point of New York paying about 25 percent of the Federal tax load. Is it not a fact that a great many of these organizations represent some of the heaviest taxpayers of the State of New York?

Governor LEHMAN. Why, I think that is so.

Mr. BENDER. And they are interested not only in their own welfare but in the welfare of the people who do business with them.

Governor LEHMAN. I think that many of those organizations represent very substantial taxpayers. There is no doubt about that.

Mr. BENDER. From your experience with some of these organizations that I have mentioned, like the Merchants' Association of New York, you would say that they are not just led blindly, but make a pretty good study of what they determine to back or oppose.

Governor LEHMAN. I would say this—what I say is not applicable only to the Merchants' Association, but trade organizations generally. They are composed of high-minded, patriotic, sincere men; but in almost every instance the affairs of the organization, particularly as it relates to consideration of specific measures, is left entirely in the hands of one or two men, usually the executive vice president or the executive secretary, or an executive director, who brings in a report and in 9 cases out of 10 it is adopted by the organization.

Mr. BENDER. Do you think that these substantial citizens would lend themselves and their names to an individual taking such a position here?

Governor LEHMAN. I do not think that they would lend themselves to anything, because as I said to you, I consider them sincere men, the members, but I know that I have had sufficient experience with organizations of this sort to appreciate that the expressed opinion of the organization, usually is the opinion of one or two people who run the organization.

Mr. BENDER. The reason I mention this—

Governor LEHMAN (continuing). And, usually paid executives.

Mr. BENDER. The reason I mentioned these names is I have had correspondence with these individuals, and with these organizations, and they have so indicated. They have indicated their opposition to this project and the fact that they are heavy taxpayers has some weight with me, especially since they come from the State whose disproportionate share of the tax burden, Federal taxes, is common knowledge.

We have had such a terrible waste of money, Federal money, that we from the larger States are called upon to carry, and you can appreciate why our constituents are concerned about projects such as this.

Mr. GAVAGAN. Any further questions, Mr. Bender?

Mr. BENDER. That is all.

Mr. GAVAGAN. Mr. Hall.

Mr. HALL. Governor, several months ago you wrote to me and I think you wrote to every Member of Congress from New York, in which you showed great concern about the trend which was causing industry and business to leave New York State and to go to other parts of the country.

Now, I would like to have your comment as to whether or not the development of the waterway part of this project will either allay or accelerate that trend.

Governor LEHMAN. My idea is that it certainly will be helpful to the State of New York.

I think that as a result of this cheap power that there will be built up many industries, new industries, some perhaps that manufacture electro process materials; that new developments will be had at or near the source of the development of the power—in other words, near Massena.

Mr. HALL. How much cheaper do you think the power will be after this project is finished than it is right now up there? As I understand, it is quite cheap around this section right now.

Governor LEHMAN. As I said in my memoranda, those are technical matters upon which I much prefer your examining our experts.

I can say to you that the difference between the cost of the power that can be developed through this project and the cost of additional power that would have to be brought in through the generation of power by steam, is very great up at Massena; very great. I think it will be very great, very considerable, throughout the State; throughout the area. In other words, the area that can be served by this power.

The further away you get from the source of the power and the greater use you have to make of your transmission lines, the smaller the savings would be; but I believe that even in New York City or in Pennsylvania, the savings will be very, very material, and around Massena and that whole territory, the savings will be enormous. I would say that.

Mr. HALL. I am speaking about the seaway alone, Governor, and you come back to the power end of it.

Now, would you be for the seaway if we did not have the power project attached to it? I ask that because I asked you with relation to the seaway alone and then you came back to the subject, with the argument favoring the power end.

I am wondering whether or not you would be for the seaway if the power project was not attached to it?

Governor LEHMAN. I think you have got to consider the whole picture as one. I think that you cannot just divorce the two undertakings. I think they are both advantageous; but I think the fact that there are two entities of the one project, increases the attractiveness of the proposal very greatly.

Mr. HALL. May I pursue that a little bit further?

Governor LEHMAN. Yes.

Mr. HALL. I think it is only within the last year, sir, and I believe it was at your instruction, that the Attorney General represented the State before the Interstate Commerce Commission when there was a proposal to reduce the Southern Railroad rates. In other words, as I understood it, our State felt that it would be inimical to our interests, our industries, and businesses, if those rates were reduced. Now, it seems plain to me that rates will be tremendously reduced, even below railroad rates, if this waterway is developed; I always want to keep that in mind, if this seaway project is completed.

Now, if cheap railroad rates were inimical to the interests of New York State, why are not cheap waterway rates? I mean, I am confused on that, and I would like to have your comments on it. I mean, I just cannot get the thing straight in my mind.

Governor LEHMAN. With reference to those rates which you are talking about, my belief was that certain parts of the country would be getting a very definite advantage over New York State. On this present proposition—and this is the reason I cannot divide it in for my consideration of the undertaking—as Governor of the State, I think that the State is going to gain generally, even if it loses in certain ways from factors that are connected with the seaway proposition, but I do not acknowledge by any means that it would. I doubt if it would, but if it did, I think that the gain from the production of power would offset any possible loss from the seaway.

Mr. HALL. You say that you do not admit that they will; but if cheap railroad rates will affect industry and business in New York State, Governor, how can it be that cheap transportation rates on water will not affect industry and business in New York State? If you can explain that, I would like to have the answer.

Mr. CULKIN. Will the gentleman yield there?

Mr. HALL. Certainly.

Mr. CULKIN. Does the gentleman believe that high railroad rates are essential to prosperity?

Mr. HALL. I am referring to the position that the State took before the Interstate Commerce Commission.

Mr. CULKIN. I must have misunderstood you.

Mr. HALL. No; I am referring to the case before the Interstate Commerce Commission in which New York State fought an attempt to lower railroad rates in the South.

Mr. CULKIN. I misunderstood you.

Mr. HALL. I think that you had better read that record.

Governor LEHMAN. Mr. Hall, I think you have one thing confused in your mind. I did not object; I did not appear—

Mr. HALL. Our attorney general appeared.

Governor LEHMAN. I appeared.

Mr. HALL. I beg your pardon.

Governor LEHMAN. I appeared, but I did not appear in opposition to cheap rates. I have always favored cheap rates. I appeared in opposition to what I considered discrimination against New York State and the entire body of eastern States in favor of certain other States of the Union. It was on that account that I appeared, but you are mistaken when you say I appeared in opposition to cheap rates. I never have.

Mr. HALL. Was not the result of it to be, Governor, whether or not the railroad rates in the South would be lower or higher; was not that the question that was involved? Correct me if I am wrong.

Governor LEHMAN. It was. I felt that it was proposed to amend the tariff of the railroad rates in a way that would give an advantage to certain Southern States as compared to New York State and incidentally other States, Massachusetts—

Mr. HALL. But the result of it would have been the lowering of railroad rates in the South. I might be wrong about it, but there was some objection to the railroad rates in the South and the complaint that they were cheaper in the North and helped business in the North. I do not want to start that argument.

Governor LEHMAN. No, it went further than that, as I recall it. It was 2 years ago, 2 or 3 years ago, and it was a complicated case, but as I recall it, what they proposed to do was to give goods coming from the South to the North the entire through rate of the North and goods going from the North to the South the rates of the South, which are higher, or which were higher at that time than the rates in the North.

I never objected at all to the entire revamping of the freight schedules as between the South and the North, but I did not want New York State—that was the State I was particularly interested in—to be discriminated against in relation to other States.

Mr. HALL. I recall a special assistant Attorney General making a talk down here—I think he came down here to make it—in which he said that a certain company which had a business place in Rochester and also one in the South could ship the material down South, manufacture it and bring it back and sell it in Rochester, cheaper than the factory could in Rochester. And that was one reason he put up, as one from New York, contesting this rate situation. You may be right as to the total result, but if that statement of his is so, cheap rates must have something to do with it, and it seemed to me that cheap water rates would have the same effect; cheaper water rates. I would not say cheap water rates.

Governor LEHMAN. I do not think it was a question of cheap rates. I think it was a question of discriminatory rates.

Mr. OSMERS. I would like to ask the Governor if you consider the St. Lawrence project vital to our national defense?

Governor LEHMAN. I think it would be of tremendous value in our Nation.

Mr. OSMERS. But, you do not consider it vital?

Governor LEHMAN. I think it is a tremendously important factor. I think it will open up new territory and also will open up new power reservoirs that I think will be of very great importance.

Mr. OSMERS. Do you feel that these facilities, either the seaway or the power facilities, will be ready sufficiently early to be of any value in this emergency?

Governor LEHMAN. Well, that is a question that only an expert may be able to answer, and I am not sure that even he could answer it but assuming that this war lasts, I think that it is tremendously important that we use every possible means that is available to us in our defense. I think you might say, What is the object of building a two-ocean navy when these new ships will not be ready until 1946, 1947, or 1948? What is the use of putting in additional locks in the Panama Canal when they will not be completed for a number of years; but we are assuming now that we are going to require a defense in what Secretary Knox described this morning as a very disordered world. I think that this project is going to be of very great use and I certainly think that regardless of providing access to that area in the West, and Middle West, and the shipyards of the Great Lakes, I believe that the development of additional power for defense industries is of very, very great importance. I think I would be willing to say vital.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Governor, this morning you were present when the gentleman from California asked the Secretary of the Navy whether or not he considered the Erie Canal as an alternate project instead of the St. Lawrence seaway, and I am wondering if you have urged the improvement of the Erie Canal from Buffalo to Three Rivers. Have you ever considered that as an alternate project for the St. Lawrence seaway?

Governor LEHMAN. Let me make this very clear to you: You will recall that at the time the Federal Government made available \$27,000,000 for the deepening of the canal by 2 feet from Waterford to Oswego, and the raising of the bridges by 2 feet, I urged that the same action be taken in the stretch going from Three Rivers to Buffalo.

The Federal Government felt they could not do that because it would involve a very great expense, but I strongly urged that because I felt that all areas served by the canal should be treated alike.

Now, the gentleman from California this morning asked the Secretary whether he thought it was practicable to use the barge canal instead of the seaway because it was an all-American canal, and you have asked me whether I have ever taken any steps to effectuate that. My answer to you is "No," because in my opinion and in the opinion of any engineer who has ever studied the problem, it would not be practical.

I am glad to have the opportunity of explaining to you, sir, that in the first place in order to turn the barge canal, our present barge canal over to the Federal Government, which of course would be necessary because the State of New York never could finance an undertaking of that sort out of its own resources, it would be necessary to secure the consent of the people to a constitutional amendment.

That would take 3 years under our constitution, so that for 3 years you would be blocked—you couldn't do a thing. It would be out of the question. At the end of 3 years, maybe, the people would agree to such a transfer. I doubt very much whether they would.

In the second place the thing from a practical standpoint is also quite out of the question. It would cost many hundreds of millions of dollars more than this work which is to be undertaken on the St.

Lawrence River, the seaway and the power development together. Why, our barge canal, our little barge canal cost over \$100,000,000, years ago when materials were cheap and labor was much lower than it is now.

This recent little change of 2 feet in depth and the raising of bridges 2 feet on a very small part of the canal, cost \$27,000,000. But aside from this you couldn't use the existing barge canal at all because its elevations wouldn't be correct. You would have to build an entirely new canal 30 or 40 feet deep, of great width, with tremendous locks. Why, the cost would be prohibitive. And even then I don't think from what engineers have told me you would have a mechanically practicable undertaking because you would have to keep the level of the water up in your canal.

Even today in our barge canal in order to keep a 14-foot level we have had to build great impounding dams near the Black River and down toward Rome and Utica, which, in the summertime, when the usual flow of water is low supply the additional water that is necessary to keep the level up for the operation of the canal.

To try to construct a canal large enough to take 600-foot boats weighing 10,000 or 12,000 tons, would be such an expensive proposition, even if practicable at all, that it would be entirely out of the question and you wouldn't even have the compensating feature of your earnings from your power development, which you have here. It would have to stand entirely on its own feet. I don't know whether I have answered your question or not.

The CHAIRMAN. The attitude of ex-Governor Smith, with reference to the St. Lawrence improvement, has brought up a question here. I have in my files a newspaper account of a speech of his in which he referred to the Erie Canal running across to Buffalo, as a "ditch." I would like to know if the gentleman from Buffalo endorses that attitude of Governor Smith.

Mr. BEITER. The main thing that Governor Smith has done recently I do not endorse.

Mr. GREEN. I was interested, Governor, in your statement concerning the Erie Canal because I had anticipated a statement from you on that. I had hoped that it may be feasible to have a waterway across there which would be so much shorter and an American controlled waterway rather than to go into partnership with a foreign country.

I am wondering about the power side of this, if the power possibilities on the Hudson River from Lake Champlain have been considered by interests there and if it would not answer practically the same demand for power that could be generated on the St. Lawrence.

Governor LEHMAN. Well, I haven't got the figures of the amount of power that could be generated on the Hudson River but my impression is that it is very small.

Mr. GREEN. I had in mind that possibly sufficient power could be generated on the Hudson and Connecticut Rivers to supply that area in there and answer the same purpose and would represent an all-American investment.

Governor LEHMAN. I think it would be very small. The flow of the Hudson River varies very greatly in different seasons of the year. The water in the upper stretches of the Hudson gets very low in the

summertime. We have developed some of the Hudson River power up at a place called Conklingville which has been very useful in regulating the flow for flood control.

Mr. GREEN. But it would not be adequate for power?

Governor LEHMAN. I don't think we would get more than 50,000 or 60,000 horsepower.

Mr. GREEN. I was particularly interested in your statements concerning the fact that this development would not be injurious to other transportation interests, and your broad scope of American thought for developing the entire portion of our country.

Now, we have down my way a similar proposition as the St. Lawrence, as an outlet from the Gulf of Mexico—a canal across the State of Florida which would do for the south area the same thing as the St. Lawrence would do for the other area.

I was wondering if the Governor had given thought to that and if he would venture an opinion as to whether it would be a good thing to do or not.

Governor LEHMAN. Congressman, I know too little about that to express any opinion.

Mr. GREEN. But you would be for any improvements generally, all over the United States, would you not?

Governor LEHMAN. Certainly, where they are sound and where the improvements can be put to use on a sound, industrial economical and social basis.

Mr. GREEN. I appreciate that. Now, we have in my congressional district 16 counties. One county has about half of the wealth—a city of 200,000 people. That county pays about half of the taxes. It is a clearing house for the other 15 counties in a way. And for a number of counties in south Georgia it is also a clearing house. It seems to me that New York State with its 25 percent tax payment toward the Federal Budget occupies a position as a clearing house and the fact that that wealth is in New York is a matter that makes it a clearing house for industry and finance and so forth, but New York's ability to pay 25 percent is contingent upon the strength of the 47 other States surrounding it—don't you think that is the case?

Governor LEHMAN. I said so earlier in the afternoon.

Mr. GREEN. Now, these freight rates—I think the Governor and other Governors of that area were altogether out of keeping with the Governor's present position today when at their conference they undertook to keep up higher and discriminatory freight rates against the South than is enjoyed by other States.

Now, for instance, you can load in New York State a carload of brick and ship it to Florida on one rate and then load them back into the same car and send them back where they came from and pay twice as much money for freight, and that has caused New York State to develop and grow and have money and power.

Mr. PITTINGER. Mr. Chairman—

Mr. GREEN. But it has bled out of the southern part of this country all of its resources and all of its ability to ever have a self-maintained economy in that area.

Mr. PITTINGER. Mr. Chairman, I don't think this is—

Mr. GREEN. I know it doesn't sound good to you gentlemen who bled the southern part of this country.

Mr. PITTENGER. I don't understand that the freight rate question has any more to do with this bill than a bluebird and a robin out on the White House lawn.

Mr. GREEN. The reason that New York pays 25 percent of the taxes of this country is because of discriminatory freight rates.

Mr. PITTENGER. That belongs before the Interstate Commerce Commission.

Mr. GREEN. And the Interstate Commerce Commission has four members from the congested areas where it has only one member from other areas.

Mr. PITTENGER. I am not arguing with you at all. I am simply saying let us get down to business.

Mr. CULKIN. I want to joint the gentleman's condemnation of the Interstate Commerce Commission.

The CHAIRMAN. Governor Lehman, we appreciate your very fine statement and thank you very much.

Mr. ANGELL. Mr. Chairman, before Governor Lehman leaves, may I call attention to this: In the case of *The United States of America v. The Appalachian Electric Power Co.*, which was decided December 16, 1940, in the Supreme Court, Justice Reed delivered the opinion that the States owned the water power within their boundaries. What examination I have been able to make of this decision since receiving it a few moments ago, it seems the Supreme Court holds the position that the water power in a navigable stream is incidental to the control of commerce.

Governor LEHMAN. Is that in the *New River case*?

Mr. ANGELL. Yes; *United States v. Appalachian Power Co.*

Governor LEHMAN. Mr. Chairman, may I express my appreciation of the very courteous hearing that has been given to me.

The CHAIRMAN. Thank you very much, Governor Lehman.

Admiral Rock, are you ready to proceed?

STATEMENT OF ADMIRAL GEORGE H. ROCK, UNITED STATES NAVY, RETIRED

The CHAIRMAN. Gentlemen of the committee, Admiral Rock is a very high authority in the Navy Department. Several members of the committee like myself, are what are known as "landlubbers" and I would like for Admiral Rock to state his experience and qualification.

Admiral Rock. Well, Mr. Chairman, I graduated from the United States Naval Academy in 1889, and then after a period at sea, graduated from the University of Glasgow in the special course in naval architecture and marine engineering.

Since that time I have been continuously in the service as a member of the Corps of Naval Constructors on the active list, until I retired for age in November 1932. Since retiring I have been at the head of the Webb Institute of Naval Architecture in New York City.

While an active officer was on duty continuously in navy yards and in private shipbuilding yards, about half in each capacity, in the navy yards as construction officer and as manager and in the private shipyards as superintending constructor.

For 7 years prior to my last assignment of duty, I was assistant chief constructor and my last tour of duty from which I retired for age, I was chief constructor of the United States Navy.

Now, a short time ago the Department of Commerce asked me if I would inspect some of the shipbuilding yards on the Great Lakes and give them my opinion of the possibilities of building in those yards, ships large enough, larger than those they had been building which could be accommodated by the locks in the St. Lawrence waterway project.

On account of that request I visited four of the larger Lake shipyards, those at Cleveland, Lorain, Detroit and Toledo. I did not go up to Manitowoc because at that time and now, they have the contract for 10 submarine torpedo boats which, of course, will keep them fully occupied for a number of years, and therefore the Manitowoc yard, which is one of the largest and best equipped, did not enter into this particular problem.

I also conferred by telephone and later with representatives from the city, about the shipyard at Ashtabula, Ohio, so I feel conversant with those five and also with the sixth yard at Manitowoc, which I said really does not enter our picture.

I reported to the Department of Commerce, as a result of this trip of inspection, that the four yards visited had capacity, yard facilities and plant to build the larger ocean-going ships which they could build if there was channel to the sea through the St. Lawrence waterway project.

Now, as we all know the canal locks are 80-foot beam and 27-foot depth, and whereas perhaps one or two of the smaller yards would not at first be capable of building ships up to 80-foot beam, yet they all are capable of building ships over 60-foot beam which, after all, meets the majority of the ships about which we are concerned.

The shipyards are very well equipped and they are of moderate or medium size; all of them capable of ordinary and continuous expansion. They have in the yards different numbers of building slips. Some like the River Rouge plant in Detroit with four building slips, on which four moderate in length or two extreme length ships could be built at one time, and that would taper down to the Cleveland yard where they have only one slip but that is a long one where either one long and one short ship could be built or two moderate size, like 500-foot lengths.

It might be that for the oceangoing ships, some very moderate amounts of work would have to be done. Some of the building slips might have to be additionally piled so as to give stronger support for their ways. There might be some changes, too, in the location of the crane tracks for the cranes for handling material in order to move them back and get more space for the building slip, and it might be that the cranes would have to be raised in height in order to reach the material out over the beamier and the deeper ships, but those are moderate and minor items of alterations in the yards.

Also, their probably would be required a moderate amount of dredging because it seems that in most of the Lake yards the depth of the water in the launching slips is between 14 and 15 feet and for these deeper, heavier ships it might be necessary to dredge somewhat deeper in the slips and out to the channel which runs alongside, and perhaps

dredge also in front of the fitting-out pier. But that is an ordinary matter which is under way all the time anyway, and in dredging moderately deeper in the launching slip or the fitting-out pier, there might be required a longer sheet piling in order to protect the embankment.

It is also a more or less minor question and in fact in one of the yards that I visited the sheet piling was then in need of renewal and, of course, driving sheet piling a couple of feet longer would have been of no consequence.

Now, so much for the building, except that I was asked to consider whether those yards could build combatant ships. Of course it would be well known by everybody that they could build destroyers and small craft but I found that, in my judgment, the two larger yards anyway, at the River Rouge and Lorain plants, could build now the 10,000-ton 8-inch-gun cruisers and, of course, the smaller cruisers.

Those in the ordinary terminology are called "large cruisers" because they are 10,000 tons. If we speak of very much heavier cruisers they are either called "heavy cruisers" or "battle cruisers," but they are out of the picture because they are so very much larger with much larger dimensions.

There isn't any doubt in my mind also, that the other large yards that we saw on the Lakes could prepare themselves for building these cruisers because they have the facilities right there and it would be a matter, not of pride but of business, to enter into bidding for the building of them.

There is this to say about the yards which may not have been brought out before, and that is that they are well-equipped, well-organized, well-staffed shipbuilding yards. They are going concerns and they have been going concerns, some of them, for 40 years. They are not new plants or they are not problematical in any sense of the word. They are shipyards where several thousand men have been employed in previous times of stress, like the last war, and they are located in localities where mechanics exist and where mechanics can be trained so easily from the ordinary run of mechanics to shipyard mechanics.

And it is also probable that if they got into the shipbuilding business again, and for a number of years they have been pretty near idle except for ordinary repair work in the winter time, the numbers of lake shipbuilders of the different shipbuilding trades, who have been more or less drawn away by the demand for larger shipyard labor of all kinds, not only in the old, established coast yards, but in the new yards, would by that process gravitate back to their homes for employment in their home yards.

That has always been found to be the case.

Now, I have a little further to say. I have naturally studied the general problem or the general advantages of this matter of the St. Lawrence waterway project because it has been advocated by our administration for so many years.

The CHAIRMAN. Do you mean by the Navy Department?

Admiral ROCK. I mean by the Presidents and the administrations, the Presidents, back to Woodrow Wilson. I mean that our national administration has favored publicly and in messages to the people and to the Congress, the St. Lawrence waterway project for national development for so long that naturally, I, a naval officer, have been more or less just naturally interested.

I have been interested from my own professional point of view and I think that here, from what I have heard and from numerous things that are said to me outside, that there is a great liability to stress much too strongly the thought that by the time we get the St. Lawrence waterway project finished we will not need this additional shipbuilding capacity that we will have acquired.

I cannot think of anything more short-sighted or more foolish from my viewpoint, than that. Now, I am old enough to have lived through the Spanish-American War, and, of course, our first World War and now we are well into this war that is spreading everywhere, but in our own country.

In all three cases, the one dominating demand in our country and by our people has been for ships and more ships—a continuous output of ships, and it seems to me that if with all these experiences so recent, we cannot have the foresight to plan a moderate distance ahead and be prepared for what may happen when the next war comes, then I think we are woefully short-sighted and for us to talk about this war as being the end of wars, of course we all know it can't be.

We know that the Spanish-American War separated from the first World War and the first World War to the second World War only about a generation each, and whether we have this next war a generation ahead or two generations ahead, or 50 years, we certainly want to have the advantage of the assets that lay up in our interior part of the country on the Lakes; we want to have the benefits of those assets for oceangoing commerce which we can get by the present project, instead of forgetting all about it because there is no immediate and insistent urgent demand for it until we again get plunged into the war or the time when again the demand for ships is overwhelming.

Those yards, I repeat, are organized, going concerns and there is a large number of them. The new yards that are being built all over the country have to be built from the ground up.

There is a very large expenditure of time and money and many of them are being put in locations that are not the centers of mechanics and after the war is over and those yards close up, as we have seen in the past, then those men are stranded in places far away from their own homes and there is nothing for them to do there. But if they are in areas like Cleveland and Detroit and Lorain and other places like that, after all there are the numerous other manufacturing industries where gradually they can be absorbed if those shipyards close down or reduce their working forces.

Of course, the lake yards would also be in the running for bidding for ships, either for merchant marine or for the Navy for all time if the St. Lawrence waterway project were completed, and they were able to build ships that could be gotten to salt water.

That is about all I had in mind, sir, to say to the committee; but I would be very glad to try to answer any questions on the shipbuilding end that the members of the committee might like to ask me.

The CHAIRMAN. Any questions at this time?

Mr. CARTER. Admiral Rock, you made this survey, you say, at the request of the Department of Commerce?

Admiral ROCK. Yes, sir.

Mr. CARTER. And you made it for the Great Lakes region only?

Admiral ROCK. That was all, and I limited myself to the larger yards because I accumulated the plans of the others and I knew from

the data I had for all the others about how they graded down, and I felt that it was particularly interesting to examine personally the larger yards where probably these larger ships could be built right away.

Mr. CARTER. You mentioned a number of places and you told us the number of ways or slips in some of those places.

Admiral ROCK. Yes, sir.

Mr. CARTER. If you have a list of them convenient, I think it might be enlightening to place it in the record.

Admiral ROCK. I will be very glad to furnish for the record a list of them.

Mr. CARTER. The entire list and the number of ways in each city or shipbuilding plant that you visited.

Admiral ROCK. Yes, sir; I will place in the record a list giving for each yard the number and the length, the sizes of ways, of building ways and that will let anybody see right away about how many ships could be built, because one must have in mind that an ordinary yard would have as many ships in the water fitting out as the yard has on the ways building.

Therefore, if they have fourways on which they can build two ships to each way and they have 8 ships building, they could have in that yard, approximately, 16 ships being built at the same time.

Mr. CARTER. Some reference has been made here during these hearings to shipbuilding along the Mississippi River. Have you any information on the possibility of establishing shipbuilding yards along the Mississippi River or any of its tributaries?

Admiral ROCK. I am sorry but I have not. I have not gone into that. Of course, it is like other areas, Mr. Congressman.

If we take the Great Lakes areas we know that there are numbers of places that are available for new shipyards if they have the opportunity of building ships that will have the demand and an approach to salt water.

After I came back from my little trip, and I didn't advertise it—I tried not to, but I have received six very urgent letters from different cities asking me to come out and inspect sites on which certain companies or corporations wanted to build shipyards.

Mr. CARTER. Those were places where no yards were as yet established?

Admiral ROCK. Where they didn't exist.

Mr. CARTER. And all in the Great Lakes area?

Admiral ROCK. All in the Great Lakes area. And like the Mississippi River area, or other large bodies of water, there undoubtedly would be places where shipyards not only could be built but good shipyards could be built. It just depends on channels and on the lay of the land and other things.

But personally I do not know about the Mississippi area.

Mr. CARTER. That is all.

The CHAIRMAN. Gentlemen, any other questions?

Mr. BEITER. Yes; I would like to ask Admiral Rock one or two questions. What is the approximate limit of tonnage of ships that are built in the Great Lakes yards at the present time?

Admiral ROCK. Now?

Mr. BEITER. Yes.

Admiral Rock. Why, I think that there are two sizes that they have built that would show the limits. Of course, the big ones are the lake carriers which go up to about 700 feet long and they are for the particular purpose of carrying ore.

They could not be gotten out but they don't go out. They are limited to the lakes. And then in the last war they showed their capacity for building moderate size cargo ships by building a large number of them that could be sent and were sent through the Welland Canal. They were about 270 feet long and of course, limited in beam and limited in draft, but the Great Lakes capacity at the present time is for building large ships but not of great depth and not of great draft. They are deep draft ships when they are loaded, these ore carriers, but they are light when they are launched and finished.

Mr. BEITER. Wouldn't it be feasible to construct all the trawlers and mine sweepers and mine layers in the Great Lakes and make the ports or the berths that have facilities along the Atlantic seaway and the Gulf, available for the larger draft vessels?

Admiral Rock. Well, the smaller craft that you speak of could well be built in many of the Lake yards, but there are also, of course, many other yards on the two coasts that are quite capable and ready to build them and in the meantime our shipyards that are capable of building large ships are swamped with orders for years to come.

Mr. BEITER. There are still some idle shipyards along the Atlantic coast, for instance, as pointed out by some of my colleagues here this morning or, rather, during the testimony.

Admiral Rock. They would be of the type—

Mr. BEITER. Some in Connecticut, I believe, in Congressman Fitzgerald's district.

Admiral Rock. They would be of the same type, sir, the small craft that you speak of. They are not large shipbuilding yards.

Mr. BEITER. Of course, there are still many berths available in the Great Lakes that could be used for the construction of the sweeper type and the trawlers and the minelayers. I believe at the present time there are only about 8 yards that are made available or can be used, rather, for the construction of them and 25 yards that are actually not doing anything.

Admiral Rock. They haven't any of them been doing much of anything until very recently. Very recently they have been assigned some small craft building like these net tenders and the smaller craft, and there is much capacity there that is not absorbed yet; you are quite right.

Mr. BEITER. There are still 25 berths that are available, or 25 places available plus 18 or 20 additional that could be made available?

Admiral Rock. I don't know the exact number. I don't know just what point you are referring to. I would like to try to help you if I may.

Mr. BEITER. The point I am trying to make is that the facilities are available there for the construction of these smaller craft and it wouldn't be necessary to construct the seaway. There are at the present time, facilities that are completed and crafts could be built in Great Lakes yards and could sail down either the Illinois River or up through the St. Lawrence without spending several hundred millions of dollars for the improvement of the St. Lawrence seaway.

The smaller berths that are available now along the Atlantic coast and Gulf coast, could be converted into larger berths for building larger vessels.

Admiral ROCK. Well, that doesn't follow, you know.

Mr. BEITER. Why not?

Admiral ROCK. Oh, no; that doesn't follow at all. A small yard doesn't necessarily—isn't one that necessarily can be transformed into a large shipbuilding yard.

Mr. BEITER. Of course, they are all small yards in the Great Lakes area and the channels to them would have to be deepened.

Admiral ROCK. A good many were not small. I was talking about medium-size yards. There are in addition a good many small yards on the Lakes.

Mr. BEITER. But the channels of all of them would have to be deepened in order to build the type of boat that we are speaking of now.

Admiral ROCK. To get them to salt water.

Mr. BEITER. You would use a 27-foot channel in the St. Lawrence seaway.

Admiral ROCK. Yes.

Mr. BEITER. There isn't a yard on the Great Lakes that is equipped to build a boat that would require a 27-foot channel.

Admiral ROCK. That is what I said did exist; yes.

Mr. BEITER. On the Great Lakes?

Admiral ROCK. Oh, yes; that is what I tried to make clear.

Mr. BEITER. But the channels leading to these berths would have to be deepened?

Admiral ROCK. That is right.

Mr. BEITER. So in addition to building the deep seaway 27 feet deep, you would have to deepen the channels?

Admiral ROCK. Oh, well, that may be something like 50 feet. That is a very minor matter. The channel runs along the fitting-out pier. The launching slip is perhaps 50 or 100 feet from the channel. The amount of dredging is a minor matter.

The CHAIRMAN. May I suggest that we have already adopted and completed a project for deepening those channels so as to accommodate ships drawing 24 feet, which means they are about 26 feet in depth now.

Mr. BEITER. But they would have to be deepened still further to accommodate ships of the size we are talking about.

The CHAIRMAN. Not to take out empty ships that are built there. They would go out easily with several feet of water under the keel of most of them.

Admiral ROCK. Now, the reason I asked you to explain the point you were trying to make was because I knew that I did not quite understand your question. What you say about the small craft may be quite so but you are not touching on the question of getting built these larger ships that we are talking about.

You were saying that we could increase these smaller yards on the coasts in order to build the larger ships.

Mr. BEITER. So it would not be necessary for us to construct the seaway, that is what I am trying to point out—it wouldn't be necessary to construct the seaway and spend that money, use the material that is so vital to national defense and the labor that is so important

at the present time that would be employed in the construction of that project.

Furthermore, it would take you 4 years to complete the seaway so that any ship you might be building in the Great Lakes wouldn't be of any use to us for national defense for at least 4 years.

Admiral ROCK. Then you don't agree with me. I tried to make a very particular point of the fact that I think any of us who don't plan longer than 4 years ahead can't have our national defense very firmly in our minds. I say that after we go through three wars and constantly are in the position of demanding a larger number of ships than we possibly can build, then we are not justified in not taking advantage of the assets that lay within our lake region and making them available for oceangoing ships so as to be prepared the next time the demand comes for this larger number of oceangoing ships.

I say that I think it is just as vitally important for national purposes if it is not finished in time for the present war, because I think we must look ahead to the future wars, just based entirely on the experience within the minds of some of us who are old enough to have lived through the recent wars.

Mr. BEITER. Then you believe this project is vital to national defense?

Admiral ROCK. I think the word "vital" has a definition in each person's mind. To my mind anything that is necessary to protect our country is vital and I think that is a big asset in protecting our country and, therefore, I say it is vital.

Mr. BEITER. Do you believe it is vulnerable?

Admiral ROCK. Yes; every place is vulnerable to attack and getting more vulnerable as the days go on, but it is much less vulnerable to attack than the yards that are situated anywhere from a few hundred to a thousand miles nearer to the place from which bombing planes must approach us.

Mr. BEITER. Bombing planes travel at the rate of 425 miles an hour, some of the later ones do, so it wouldn't take long to travel 250 miles inland to attack.

Admiral ROCK. It is a little more than 250 miles. I said a "few hundred miles to a thousand miles", and furthermore, this traveling of 450 miles an hour is all right, but they have got to have the fuel to get there and back. And in addition, the load of bombs is to be considered and at the present time they don't have that capacity. But I say they are making advances day by day and certainly it is far from me to predict that they won't have bombing planes that will reach the Lake region in a very short time. But after all that is only one of the hundreds of places that are more or less vital to our country's needs.

Mr. BEITER. So in addition to the cost of the construction of the project, there will have to be some provision made for the protection of these locks?

Admiral ROCK. Well, I hope, sir, we never will have anything in our country that is of any importance that we don't lay out suitable plans for protecting, just exactly the same as we are protecting the Panama Canal today. That is what I call planning ahead for what is sure to come in time. Certainly I think they would be protected. I think we would be most negligent if we did not protect them.

Mr. BEITER. Then the cost of the St. Lawrence seaway is not \$300,000,000 as has been estimated, but it probably will be \$800,000,000 or \$900,000,000?

Admiral ROCK. I shall not go into the realm of that astronomical figure. I only say, of course, it would be protected undoubtedly. It must be protected because as you say it is subject to attack and we can't leave it undefended.

Mr. CULKIN. Mr. Chairman, if I were trying a lawsuit with that question in the record, I would object to it as being a self-serving declaration and leading. The gentleman is testifying himself.

Mr. GAVAGAN. And if I were the presiding justice I would sustain the objection.

Mr. BEITER. Of course the advocates of the seaway would object to it.

Mr. CULKIN. We are all advocating national defense now.

The CHAIRMAN. Mr. Bell.

Mr. BELL. Admiral Rock, were you here this morning when the Secretary of the Navy testified?

Admiral ROCK. Yes, sir.

Mr. BELL. You may recall that in his testimony he said that the shipways on the Great Lakes either were now or soon would be in use to full capacity. Do you recall that statement?

Admiral ROCK. I didn't remember that he said they would soon be in use to full capacity; but even so it must have been in connection with these small craft which, of course, are turned out very rapidly. They might be fully occupied for 3 or 4 months and turn out a very large number of small craft and be comparatively idle again.

Mr. BELL. My recollection is that he stated that they soon would be in use to full capacity for vessels of a certain size and type.

Admiral ROCK. I did not catch that this morning.

Mr. BELL. I was merely bringing it up to have a meeting of minds with you on another question that I want to ask you in a moment.

Then you recall that he said at the present time they are making vessels of somewhere close to 10,000 tons, approximately, and 600 feet in length and by leaving off part of the vessel, the upper part and armament and such as that, that they are able to float those vessels down the river as far as Cairo and then at a point below Cairo those vessels were finished later on.

I want to ask you, Admiral, if you are familiar with the lower Mississippi River?

Admiral ROCK. No, sir; I am not.

Mr. BELL. You have not been up and down that river enough to familiarize yourself with it?

Admiral ROCK. No, sir.

Mr. BELL. Do you know of any reason why ships of that character could not be built on the lower Mississippi?

Admiral ROCK. I don't know enough about the lay-out of that part of the country to give you an answer. I know that there was an investigation under way to see whether certain merchant ships could be built on the Great Lakes under present conditions and towed down through the drainage canal and down the river.

Mr. BELL. Did you hear the Secretary's testimony that that was now being done, this morning?

Admiral ROCK. That is the part I missed this morning. They may have been ordered and those merchant ships may be built there, but of course, it is a rather desperate measure, isn't it, when we have to build ships and take them apart and go to all kinds of delay, more

than money expenditure, to get them where we want them and then finish them in another yard that is wanted for other purposes.

Mr. BELL. The testimony wasn't that they took them apart. He said they built the ships up to a certain point and floated them down and finished them in the other yards.

Admiral ROCK. That is what I meant, putting the upper works on. Of course it would take the time and the labor in another yard to finish them. I say that seems to me like fairly desperate measures. It simply shows the desperate need for ships.

Mr. BELL. You think that there would be considerable delay in partly finishing the vessels and then completing their construction farther down the river?

Admiral ROCK. Well, of course, it is delay, yes; delay in getting the ships down there and then delay in completing them.

Mr. BELL. Is it your understanding, Admiral, that the ways of the Great Lakes ought to be used for the construction of war vessels or for the construction of merchant vessels?

Admiral ROCK. My purpose was to see if they could be made—if the St. Lawrence waterway project went through, whether we could count on being able to build the larger merchant ships on the Great Lakes which would then have access to the ocean.

I looked into it or considered the matter of building cruisers only because it had been discussed frequently enough and it was naturally a question in my own mind as to whether that would be practicable. But primarily it was for oceangoing merchant ships.

Mr. BELL. So far as you know there is no plan on the part of the Navy to build fighting vessels there on the Great Lakes?

Admiral ROCK. No, sir; I know nothing about the plans of the Navy Department to build combatant ships on the Lakes.

Mr. BELL. That is all.

Mr. BENDER. Admiral, you visited Cleveland, Lorain, and Ashtabula?

Admiral ROCK. I didn't go to Ashtabula. I talked over the telephone and later saw two representatives in my office in New York.

Mr. BENDER. In Cleveland you found they were building some sweepers and trawlers and mine layers?

Admiral ROCK. My recollection is that at Lorain they were building some net tenders, about six.

Mr. BENDER. And at Lorain they were building six sweepers and six trawlers and six mine layers and two 640-foot lake vessels for the steel corporation?

Admiral ROCK. They were not in evidence at that time.

Mr. BENDER. And at Cleveland they are building six sweepers, four trawlers, and four mine layers. Now, Admiral, you found in Cleveland there were three berths that were not being used?

Admiral ROCK. No.

Mr. BENDER. Is that correct?

Admiral ROCK. No. They have only one berth in the yard but that is a long berth.

Mr. BENDER. At Lorain they have eight berths that are not used?

Admiral ROCK. They have four, some of which are extra long, yes, and they were not being used. There was nothing on them.

Mr. BENDER. Admiral, how many warships could be laid down in the Great Lakes yards and how many merchant ships could be built in ocean yards freed as a result?

Admiral ROCK. I don't feel that I am the person to answer that. I am not, in the first place, in the confidence of the Navy Department as to any plans for building cruisers there. It was a matter which came up in a personal way and I volunteered the information, thinking the committee would like to know what I thought about it.

There has been some study made by those who have considered the project of building cruisers in the lake yards and they probably could answer your question and will be on the stand, very much more accurately than I. Mine would be a quickly made estimate.

Mr. BENDER. Admiral, the existing 14-foot channel makes it practical to build even naval craft as specified in the Great Lakes yards?

Admiral ROCK. You mean these smaller craft?

Mr. BENDER. Yes.

Admiral ROCK. Yes; they are all less draft than that; even destroyers, of course, would be within that draft when they were fully loaded.

Mr. BENDER. Is there some question in the minds of the Navy Department in the matter of the construction of cruisers at a point so far removed from the sea, that is inasmuch as there is only one channel for use. Is the Navy Department, in its mind, questioning the desirability and advisability of building these ships so far away from the sea?

Admiral ROCK. They have said nothing to me about it; sir, if they have. I am not on the active list and I wouldn't be brought into that.

Mr. BENDER. Admiral, on the basis of even the present estimated cost of the Great Lakes-St. Lawrence project, we could build more than 100 destroyers, thirty 10,000-ton cruisers or fourteen 35,000-ton battleships. Which do you think Winston Churchill would favor, the building of the cruisers and battleships now or the undertaking of the Great Lakes-St. Lawrence project?

Admiral ROCK. I don't think I can answer that. You cover the whole area. Battleships, of course, can be built only in our largest yards. The 10,000-ton cruisers are the largest of our large cruisers and they can be built only in well-equipped, medium-sized yards. The smaller craft that you speak of can be built in practically any of the yards.

Mr. BENDER. But the question I am asking——

Admiral ROCK. Now, I have not quite finished, if you don't mind, sir.

Mr. BENDER. Sure.

Admiral ROCK. The only information that we have about all of those sizes of ships is that our transactions with them have been limited to the small destroyers and smaller——

Mr. BENDER. The point I am trying to make is the investment of money. Do you think the expenditure of these funds is the more essential now to the successful prosecution of this war to provide the British Government with these ships, than it is to invest this money in this waterway?

Admiral ROCK. I tried to make clear that I consider the waterway a matter of a very great national asset and a project which adds to our national safety and for that reason I consider it of the utmost importance, regardless of whether we finish it before this present war ends or not.

We bring into our control—by that I mean the control of the National Government—assets for ocean-going ships that at the present time are simply latent. We cannot get the benefit from them and we have felt it necessary for that benefit in our previous wars as well as we have felt it now in this war.

Mr. PITTENGER. I would like to ask the witness a question: In your survey—I don't recall whether you said you included in your survey the Lake Superior yards.

Admiral ROCK. I didn't go to Lake Superior. I knew of the situation up there in a general way, but it was too far and it wasn't involved in my immediate plans. It was for the same reason that I didn't go up to Manitowoc in Wisconsin.

Mr. PITTENGER. I suppose your time was limited, but I am sorry the Navy Department has never heard of Lake Superior.

Admiral ROCK. I did not say I had never heard of it.

Mr. PITTENGER. I am going to acquaint them with the fact that we have a body of water there, and all I want to ask you is if you will complete your survey, by correspondence if necessary, so the number of ways and other yard facilities in Lake Superior might be called to the attention of the proper officials.

Admiral ROCK. That will be given in the sheet that I am going to add to my record.

Mr. PITTENGER. In that connection, I want to call your attention to a yard known as the Riverside yard, which was operated in the World War No. 1, by the McDougal-Duluth Shipbuilding Co., and that that yard is still available and is not in use. In World War No. 1, those yards constructed 44 boats, I think of 265 feet in length of the cargo type, and I would like whatever details you can furnish along those lines to be included in your report.

Admiral ROCK. I have that data, sir, and it will be in the statement that I am to hand in for the completion of my record or my statement before the committee.

Mr. BEITER. I don't want the gentleman to overlook one of his constituents. There is one also at Sturgeon Bay.

Mr. PITTENGER. That is up in Canada.

Mr. BEITER. That is in Wisconsin.

Mr. PITTENGER. I know where it is.

Admiral ROCK. And that will be included.

Mr. BEITER. But it is not in your district.

Mr. CULKIN. I have a question which I would like to put to Admiral Rock, but I am going to put it on a little higher plane.

I made a statement the other day, Admiral, that Newport News was one of the most efficient of the American shipbuilding yards. Is that correct?

Admiral ROCK. It is; yes.

Mr. CULKIN. And it is under the management of Mr. Ferguson?

Admiral ROCK. He is the president of it.

Mr. CULKIN. And I understand they have work now that will take 7 years to finish.

Admiral ROCK. You probably are not far wrong, sir.

Mr. CULKIN. You think that is about right?

Admiral ROCK. I wouldn't reduce it any.

Mr. CULKIN. So that the time factor is—in other words you can't build these ships, you can't launch them like Helen of Troy did, all at once with a splash.

Admiral ROCK. The yards are very filled up with work orders.

Mr. CULKIN. All the present yards?

Admiral ROCK. All of our going yards.

Mr. CULKIN. And those along the Gulf Coast.

Admiral ROCK. Even those new yards down at Pascagoula in Mississippi and Tampa, Fla., and the others. They are filled up with orders for a long time ahead.

Mr. CULKIN. They are running to capacity and will be for some time?

Admiral ROCK. Yes.

Mr. CULKIN. Now, the gentleman from Ohio asked you about battle ships and cruisers. How vital by comparison is the need of cargo ships and warships in the present situation?

Admiral ROCK. You know that they are two intimate parts of any navy, and they are two intimate parts of our Navy.

Mr. CULKIN. Well, I am speaking to the larger situation of the needs of getting aid to the English. You know that the merchant marine is now building some 400 merchant-marine vessels that they call the ugly ducklings. Admiral Land doesn't like that expression; but those ships are scattered throughout the coasts and other places, and what you wish to say here, as I understand it, is that here are these available yards in the Great Lakes area that could be used now to full purpose, and not taking business away from the Gulf of the west or east coasts, but supplementing them in the construction, for example, of these cargo ships?

Admiral ROCK. That is correct; yes, sir.

Mr. CULKIN. If there was a 20- to 27- foot seaway?

Admiral ROCK. That is correct, if the St. Lawrence Waterway project were finished.

Mr. CULKIN. And that, of course, is a most vital factor, the delivery of merchant ships, cargo ships, to the British at this time.

Admiral ROCK. I think there isn't any doubt of that, sir.

Mr. CULKIN. It is almost as important as the delivery of warships, is it not?

Admiral ROCK. I think it is equally so.

Mr. CULKIN. About equally important?

Admiral ROCK. I think it is equally so; yes.

Mr. CULKIN. And those ships, if we had the seaway, could be taken out now?

Admiral ROCK. They could; yes, sir.

Mr. CULKIN. And I think you said that in the Lakes area there is a wealth of manpower, trained, skilled mechanics that would be available for this type of work?

Admiral ROCK. That is another way of expressing what I did try to convey, that those yards are all established, going yards with personnel, both managerial and mechanical, and surrounded by areas which are new to be tapped—that is, new as far as other shipyards on the coasts are concerned, to be tapped for enlarging.

Mr. CULKIN. And they are very much industrialized, those sections?

Admiral ROCK. They are, and during the last war those yards did have several thousand men in each yard working, so we know that they have expanded—they will know how to expand and they must have expanded from reasonably near their locations.

Mr. CULKIN. You recall that during the last war they built ships there in the Great Lakes area and cut them in two and took them out in sections?

Admiral ROCK. Yes; but that was not very extensively done. That just piles up the work outside, of course, in a yard that is needed for regular work, but it can be done.

Mr. CULKIN. I don't want to bother you further, but your opinion is that the building of the St. Lawrence seaway for present and future wars is an important and vital part of our national defense?

Admiral ROCK. I speak very much from my heart, I think it is vital.

Mr. CULKIN. Thank you, Admiral.

Mr. SMITH. Admiral, I would like to pursue a little further the line of inquiry from the gentleman of New York. You are doubtless and thoroughly familiar with the wooden merchant shipbuilding program during the last World War.

Admiral ROCK. I am, and earlier than that.

Mr. SMITH. You recall in 1917, I believe, President Wilson issued his call to the shipbuilders of the Nation to "span the Atlantic with a bridge of wooden ships." I think those were exactly the words in a proclamation that he issued to the shipbuilders of the United States, and they responded so magnificently that historians have since claimed that the rapidity with which they built those ships was one, if not the most, important factor in shortening and winning the world War in 1918.

Admiral ROCK. I should think that is very greatly exaggerated.

Mr. SMITH. That it might have been one of the most important factors?

Admiral ROCK. No; the wooden ships were built with green timbers, they leaked almost as soon as we got them under way and it is not a practical proposition now to build large, moderately large wooden ships.

In the first place we don't have the timber that is seasoned that we need for them, and in the second place we don't have the wood shipbuilding mechanics. They have passed out of the picture many years ago. They gradually passed out after about, oh, roughly, 1900, and from then on.

When we rebuilt the *Constitution* in the Boston Navy Yard only some 15 years ago—we had to train the men to get them to make passable good wood mechanics. They were not to be found anywhere. They had passed out and when we actually did the work, it cost us over \$1,000,000 to rebuild that ship, which was probably a third of the work that was put on it when built originally at less than half that cost.

Mr. SMITH. Well, Admiral, the wooden ships that were built during the World War proved very serviceable at that time, didn't they?

Admiral ROCK. I didn't think so. All I know about them is that I was ordered to dock some of them and they were so open to the sea that they would not hold oakum and the seams were all open right above water and on up. So much so that nobody wanted to have very much to do with them and we couldn't make them tight because they wouldn't stay tight.

Mr. SMITH. They started building them in the spring of 1917 and they continued all through 1917 and into 1918 up to November; and granted what you say is so, I don't question it for a moment that you had that experience with some of the boats that were built out of

green, unseasoned timbers, yet when you take the program as a whole and the large number of ships that were built and the supplies that were transported in them, it certainly cannot be contended, can it, that the program wasn't a success because it served a purpose of meeting a desperate need for bottoms, which we face today, according to every bit of information that comes to us, and the statements of the President, and according to the statements of Mr. Churchill and everybody concerned at the head of all the democratic governments, our greatest need now is for merchant ships?

Admiral ROCK. Yes.

Mr. SMITH. And is it your idea, Admiral, that we will have to build them all out of steel?

Admiral ROCK. Yes.

Mr. SMITH. Is that your idea?

Admiral ROCK. Yes; that is my idea. I think we can build the smaller craft of wood.

Mr. SMITH. How small?

Admiral ROCK. Let us say up to 150 feet long if we have to, perhaps.

Mr. SMITH. How much of a cargo tonnage would that be?

Admiral ROCK. That wouldn't be any. It would simply be a small craft either for harbor work or submarine chasing or something like that. It wouldn't be a cargo carrier. I don't think it would be a satisfactory proposition nor even practicable to build wooden ships for cargo carriers.

Mr. SMITH. I wanted to get your opinion about that because we contend out on the west coast that with the new chemical processes and the treating of wood, which they claim is proving a success, that you can make those ships out of wood and they won't leak and they won't shrink and you prolong the life of them so they last almost as long as a steel ship. Have you heard about that chemical process?

Admiral ROCK. Well, I don't know whether you refer to the fire proofing process or to a seasoning process.

Mr. SMITH. Both.

Admiral ROCK. Well, I haven't—of course I know about our wooden ships in the past, naturally. I was brought up on them and in them and actually had to build one or two in my earlier days, but at that time we had enormous stocks of material. For example, the wooden ship that I built in 1902 was built from material that had been in the wet basin since before the Civil War, so anybody would know it was pretty well seasoned and there wasn't any question about it, but then we stopped collecting our wood stock for future shipbuilding because we were passing out of the wood shipbuilding time and we haven't collected it since.

I don't know about this patent process of quick seasoning but even so it really is a questionable matter. As I tell you we don't have wood shipbuilders anymore and we don't want to try to train our iron shipbuilders now to build wood ships.

Mr. SMITH. Admiral, if I may differ with you about that because we have a great many experienced shipwrights on the Pacific coast who are capable of building wood ships, a great number of them and we have some in New England and in Maine and in various parts of the country, but I am more familiar with the western coast of the United States, of course, and if we are facing a shortage of steel, which is the

report of the Office of Production Management recently to President Roosevelt, the last report just a few weeks ago, we might face a shortage of 17,000,000 to 20,000,000 tons of steel if we are going to build all the heavy armament and munitions that are required. If that proves to be the case and steel is not available and we can treat the wood in the manner I have indicated, then it would be wise, would it not, to launch an extensive wooden merchant shipbuilding program?

Admiral Rock. No, sir; I would say not.

Mr. SMITH. If we are going to give Great Britain the number of bottoms and tonnage that she needs and not entirely cripple our own coastwise shipping in this country by placing it at the disposal of Great Britain—over 2,000,000 tons as is proposed of the shipping which we need now for our own commerce and to serve our own industries in the United States?

Admiral Rock. Well, sir, I think the far more sensible thing to do would be to acquire this very much larger amount of steel by stopping its use for nondefense and for unnecessary purposes, and there are plenty of them, which will give us the additional steel we need and I think that would be far the more sensible thing to do than to try to branch off into a wooden shipbuilding proposition.

Mr. SMITH. I understand when that report was made to President Roosevelt that even though these priorities were imposed they were still of the opinion that we would have a shortage of steel and if we have we will have to resort to wooden construction.

Admiral Rock. No; I would rather see us build additional steel-making capacity.

Mr. SMITH. That would take a great deal of time and it is claimed time is the essence of this matter.

Admiral Rock. I am afraid a longer time is better than unsatisfactory ships, and my experience is that they are not satisfactory now, that they were not satisfactory in the World War. They were a great disappointment and they would be much more of one now 20 years later. That is my judgment.

Mr. SMITH. You are basing that on the assumption this chemical treatment would not have the effect, which I have indicated in my question to you, because if we could prevent the leakage and the shrinkage and also prolong the life of those boats, then, of course, your statement would not apply, would it?

Admiral Rock. Well, I have had to deal with new inventions and new appliances and new discoveries all my life in the shipbuilding game. I would really want to know more about that patent process before giving it any kind of approval for shipbuilding purposes.

Mr. SMITH. I think you would find it interesting if you investigated it.

Admiral Rock. Yes; it is interesting indeed.

Mr. SMITH. I think if you will investigate it that you will find the facts to be as I have stated.

Admiral Rock. It is interesting and I shall tuck it away and try to find out about it.

Mr. ANGELL. Admiral Rock, how many seagoing merchant vessels could be built in the Great Lakes yards in addition to those for which present commitments are made if this seaway project were completed?

Admiral Rock. Well, I can't give you any number offhand. That is a little more than I can just visualize, but the different yards could

all be building, of course, different numbers based on their slip and berth capacity, and in a little while they would be having ships on the move and out by the fitting-out piers and delivery a short time later.

Let us go back to the World War days, for example. They built something like 250 ships in the yards that were under the American Shipbuilding Co.

Mr. ANGELL. Those were steel ships you are referring to?

Admiral ROCK. Oh, yes; steel ships. Let me finish my answer. Two hundred and forty-eight ships in the 4 yards that were controlled by the American Shipbuilding Co. Those yards were in Cleveland and Lorain which are the big ones, and then at Duluth and Chicago were the other ones.

That shows that two well-equipped, medium-size yards and two rather small ones turned out in a little over a year, let us say a year and a half, 248 ships. That gives you a pretty good idea of the volume of ships that could be turned out by all the yards on the Lakes if they all were turned to that kind of shipbuilding, and it wouldn't take them so much longer, of course, to build the larger ships than it does those 270-foot ships. It would take moderately longer but not so very much longer.

Mr. ANGELL. Are those yards tied up on commitments now?

Admiral ROCK. Well, they may have been in the last few weeks or a month or so, but they certainly were not when I was out there only 6 weeks ago. If they are I think the commitments are very recent.

That was the question put a little while ago and I didn't know what Secretary Knox had said this morning. He must have mentioned some Maritime Commission ships of a little under 500 feet which are being placed now under contract on the Great Lakes, then to be towed down through the river. I didn't know about them. But even so I say that is building under rather a desperate disadvantage and it is adding a great deal to the expense and the time of getting them down as compared what the yards could do if they had the open channel to the sea.

Mr. ANGELL. Thank you, Admiral.

The CHAIRMAN. Gentlemen, we will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 5:20 o'clock the committee adjourned until 10 a. m., Thursday, June 19, 1941.)

(The following document was received in evidence as a part of the testimony of Admiral Rock:)

UNITED STATES SHIPBUILDING AND SHIP REPAIR YARDS ON THE GREAT LAKES

The American Shipbuilding Co.:

Cleveland, Ohio:

Building berths: (1)—maximum, 750 feet.

Drydock: 547 feet length; 65 feet width; depth 12 feet 9 inches.

Lorain, Ohio:

4 building berths, 2 for ships up to 735 feet; 2 for ships up to 550 feet.

Drydocks (2)—586 feet length, width 66 feet, depth 14 feet 6 inches; 736 feet length, 80 feet width, depth 14 feet 6 inches.

Buffalo, N. Y., repair facilities only:

1 drydock—470 feet length; 61 feet 10 inches width; depth 13 feet 6 inches.

1 drydock—630 feet length, 81 feet 2 inches width, and 13 feet 10 inches depth.

The American Shipbuilding Co.—Continued.

Chicago, Ill., repair facilities only:

1 drydock—570 feet length; 71 feet 8 inches width; 15 feet depth.

1 drydock—727 feet 4 inches length, 92 feet 2 inches width, 16 feet depth.

Superior, Wis., repair facilities only:

1 drydock—608 feet length; width 66 feet; depth 13 feet 6 inches.

1 drydock—620 feet length; width 66 feet 6 inches; depth 17 feet 6 inches.

Defor Boat & Motor Works, Bay City, Mich.:

Marine railway, 500 tons.

1 building berth, 675 feet by 60 feet.¹

Great Lakes Engineering Works:

River Rouge, Mich.:

3 building berths, 0 to 800-foot ships.

2 drydocks—626 feet over all; 162 feet over all.

Astabula, Ohio:

1 building berth—800 feet.

1 drydock—650 feet over all.

Detroit, Mich.: Repair facilities only.

Manitowoc Shipbuilding Co.:

3 building berths—600 feet.

1 drydock—floating dock 650 feet by 70 feet.

Marine Iron & Shipbuilding Co.:

2 building berths—300 feet.

1 drydock, floating, 1,500 tons.

Sturgeon Bay Ship Building & Dry Dock Co.:

Sturgeon Bay, Wis.:

3 building berths (no dimensions given).

3 drydocks—100 feet, 70 feet, 200 feet.

Toledo Shipbuilding Co., Inc.:

3 building berths—capacity for vessels up to 650 feet in length.

1 drydock—690-foot length, 96-foot width, 14-foot depth.

1 drydock—560-foot length, 80-foot width, 13-foot depth.

Source: U. S. Department of Commerce, Bureau of Marine Inspection and Navigation.

CANADIAN SHIPBUILDING AND REPAIR YARDS ON THE GREAT LAKES

Collingwood Shipyards, Ltd., Collingwood, Ontario:

5 berthing docks—(no dimensions).

2 drydocks:

518 feet by 56 feet at entrance.

412 feet by 95 feet at entrance.

Limiting conditions—16-foot draft.

Kingston Shipbuilding Co., Ltd., Kingston, Ontario:

2 building berths (no dimensions).

1 drydock—379 feet 6 inches by 55 feet—limited to 16-foot draft.

A. B. McLean & Sons, Brock Street Dock, Sault Ste. Marie, Ontario:

Repair work only.

1 drydock—112-foot length, width 49 feet 6 inches, depth 13 feet.

Midland Shipbuilding Co., Ltd., Midland, Ontario:

3 building berths—650 foot 265 foot, 265 foot.

Port Arthur Shipbuilding Co., Ltd., Port Arthur, Ontario:

2 building berths—650 feet long.

1 drydock—700 feet by 98 feet—water over sill 16 feet.

¹ This information is taken from U. S. Department of Labor, Bureau of Labor Statistics, op. cit., table 3.

GREAT LAKES-ST. LAWRENCE BASIN

THURSDAY, JUNE 19, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 10 a. m., Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. Gentlemen, we have General Robins before us this morning. You may proceed, General.

STATEMENT OF BRIG. GEN. THOMAS M. ROBINS, CORPS OF ENGINEERS, UNITED STATES ARMY

General ROBINS. Mr. Chairman, and gentlemen:

The St. Lawrence River is a natural transportation route between the Great Lakes and the sea and offers an exceptional opportunity for the production of hydroelectric power.

In the early stages of the commercial development in North America the St. Lawrence River was partially improved for both navigation and power purposes, and for many years plans have been in the making for the complete and full utilization of the resources of this waterway.

It has been generally understood throughout the country, that some day these plans would have to be carried out. In my opinion that day has now arrived. The country can no longer afford to be without the transportation facilities and the power which can be made available by full and comprehensive development of the St. Lawrence River, either from the standpoint of national defense or the commercial needs of our great inland empire bordering on the Great Lakes.

The plans for the Great Lakes-St. Lawrence seaway and power projects are now complete, having been worked out in detail and agreed upon wholeheartedly by duly accredited representatives of both the countries concerned.

There is no longer any argument as to what should be done and it is possible to make reliable estimates of costs of the undertaking.

This cost is not unreasonable or excessive and under the pending agreement will be divided as equitably as possible between the United States and Canada. The State of New York offers to take over and operate the power facilities that will be built on the American side of the border and to reimburse the United States for the cost of these power facilities.

It is safe to assume that the net outlay to the United States Government, that is the first cost of the Great Lakes-St. Lawrence seaway, will not exceed \$200,000,000, a sum that this country can well afford to invest in such a worthy project.

It must be obvious to all thoughtful people how thankful we would be today if the Great Lakes-St. Lawrence seaway and power project

were completed and available for use in the present emergency. No one knows how long the emergency will last or how soon it will occur again. I am convinced that immediate authorization of the St. Lawrence project is essential to all-out defense effort and that it is advisable to proceed with construction at as fast a rate as may be consistent with other pressing needs of national defense.

Under the agreement which is pending between the two countries, the St. Lawrence waterway project covers the Great Lakes and the two sections of the St. Lawrence River, namely, the International Rapids section of the St. Lawrence and the Canadian section of the St. Lawrence. The Canadian section of the St. Lawrence—

Mr. CULKIN. Mr. Chairman, if I may state, I was at the site of this proposed power construction and Colonel Jones had some pictures which he said he would send in. Are they available?

Colonel JONES. Yes; they are here.

The CHAIRMAN. How recently were you there, Judge Culkin?

Mr. CULKIN. I was there a week ago. I was hoping some arrangement might be made so the committee might go to the site.

Mr. SMITH. I think we should.

Mr. PITTENGER. I think we better let the general testify.

General ROBINS. I started to describe the works required for the project under the pending agreement between the two countries. They cover the Great Lakes and the two sections of the St. Lawrence River, the International section and the Canadian section.

On the Great Lakes the project begins with a new lock at the Sault and includes a deepening of the connection channels of the Great Lakes clear up through here [indicating on the map], to 27 feet. Also the Thousand Islands section of the St. Lawrence River to 27 feet. We then come to the International Rapids section, which is the main one under discussion.

The works in this section consist of a control dam at Iroquois Point, near the town of Iroquois on the Canadian side, a main dam at the head of Barnhart Island and a powerhouse at the lower end of Barnhart Island; a navigation canal on the American side to get around and up into the pool formed by the long Soo Dam, a readjustment of the Canadian canal in this stretch of the river so as to continue the 14-foot navigation that the Canadians have at present. Also the necessary highway and railroad relocations and dikes.

Then under the agreement the Canadian Government agrees to complete the navigation features in what is known as the Soulanges reach of the river and the Lachine reach. The Soulanges reach of the river is the reach in which the Beauharnois project is located and the navigation canal is to be built in connection with that project. They already have a power canal there and that will be deepened on one side to carry navigation and the necessary side canal to get into this power canal, and the necessary locks will be built there by the Canadians.

Getting on down to the last section, the Lachine section of the river just above Montreal, the Canadians agree to provide the necessary canal and locks to overcome the navigation difficulties in that section.

The channels in all these improvements are to be 27 feet deep and the locks are all to have 30 feet over the sills, at least, to provide for future deepening of the channel if that is found necessary.

The powerhouse, coming back to the International Rapids section, the powerhouse at the foot of Barnhart Island straddles the international boundary. Half of the powerhouse is in Canada and the other half is in the United States. The Canadians will take over and operate their half of the powerhouse and New York State will take over and operate the American half of the powerhouse.

The total cost of the project as now estimated, with the best figures available, and I may say we have reestimated the cost of all these works in the light of the investigations, borings, and surveys and studies that have been going on for the past year.

The total cost of the project now figures \$579,252,000, of which \$277,090,000 is chargeable to Canada under the agreement, and \$302,162,000 is chargeable to the United States.

Canada has spent to date \$132,672,000 on the project; the United States has spent to date \$17,105,485. The total spent to date by both countries is \$149,777,485, leaving the cost to complete for the entire project, \$429,474,515, of which \$144,418,000 is to be expended by Canada; \$285,056,515 by the United States.

New York State offers to pay, under the terms of the bill before the committee, \$93,300,000. Subtracting that from the \$285,000,000 that the United States still has to spend, makes a net cost to the United States, based on these estimates, of \$200,000,000, as I stated before.

I have copies of this estimate that I will be glad to pass around to the members of the committee.

(The estimate passed around to the members of the committee is as follows:)

Estimate of cost of St. Lawrence Waterway

	Canada	United States	Total
Great Lakes section:			
New lock at Sault Ste. Marie, with approach channels.....		\$8,000,000	\$8,000,000
Connecting channels.....		66,029,000	66,029,000
Welland Canal.....	\$133,000,000		133,000,000
St. Lawrence River:			
Thousand Island section.....	772,000	516,000	1,288,000
International Rapids section:			
(a) Works solely for navigation.....		48,857,000	48,857,000
(b) Works primarily for power.....	37,950,000	78,550,000	116,500,000
(c) Works common to navigation and power.....	22,414,000	100,210,000	122,624,000
Canadian section:			
St. Francis Lake Channel.....	1,330,000		1,330,000
Soulanges Reach.....	25,785,000		25,785,000
Lachine Reach.....	55,839,000		55,839,000
Total.....	277,090,000	302,162,090	579,252,000
Expenditures to date.....	132,672,000	17,103,485	149,777,485
Cost to complete.....	144,418,000	285,056,515	429,474,515

The CHAIRMAN. Now, General, this \$8,000,000 on the new lock at the Soo, is that included in this estimate?

General ROBINS. It is; yes, sir. It has always been included in the treaties and agreements that have been negotiated, so I have included it in this estimate.

Mr. ANGELL. Mr. Chairman, may I ask the general a question at this point and before we leave it? I note by the provision of the bill an allocation of \$93,375,000, mentioned by you as the part estimated that New York would reimburse the Federal Government.

Is that sum fixed or isn't it subject to modification in the event the cost exceeds these estimates?

General ROBINS. In the bill it is fixed. Mr. Angell. It is a flat offer to pay that much. That \$93,300,000 has been arrived at by making a very liberal allowance for contingencies in the costs that are properly allocated to power.

Mr. ANGELL. Our experience has been in the Congress, particularly in the erection of cantonments, the costs exceed many times the original estimates and under existing conditions it would seem that no one can foretell now what this project would cost if it is going to extend in building over 2 or 3 or 4 years. It seems to me there ought to be some latitude there so if there are more costs and the State of New York is going to take title to the property, that it would pay its proper share to the Federal Government.

General ROBINS. Well, it would be very difficult for New York to enter into an agreement on that basis. They have got to know where they stand and that \$93,000,000 is more than ample to take care of any actual cost of the power installation that the United States will provide.

It is figured in accordance with the agreement as to how the power costs would be allocated effected some years ago between the United States Engineer Department and the New York State power authority. The costs of the entire project allocated to power are the costs of the works built primarily for power, plus one-half of the cost of the works that are common to navigation and power, so New York State is not only paying for the cost of the power facilities but also a quarter of the cost of all the works that are common to both navigation and power. So I think that the figure of \$93,000,000 is fair and reasonable, and in my opinion it is ample to cover any costs that will be incurred, even though we know that prices are rising, and so forth.

We have made an allowance of 25 percent for contingencies in all our estimates, and on top of that there is an allowance of 12½ percent to get the \$93,000,000.

Mr. ANGELL. Are there any other hydroelectric projects which have been developed by the Federal Government on navigable streams in which the power has been turned over to the State in which the project is situated?

General ROBINS. I don't recall any at the present time.

Mr. ANGELL. That is not true with reference to the T. V. A.; it is?

General ROBINS. No, sir.

Mr. ANGELL. Nor the Bonneville project?

General ROBINS. As far as I know, all the Federal-built hydroelectric plants are still operated by the Federal Government and not by the States.

Mr. ANGELL. This provision then in this bill is plowing through new ground and it is a departure by the Federal Government from the policy adopted, and which has been followed in all of the developments with reference to hydroelectric power on navigable streams.

General ROBINS. Well, I would hardly say that. There are power projects built by the Federal Government which have been leased and operated by other agencies.

Mr. ANGELL. Oh, yes; but the Federal Government retains title to them.

Mr. GAVAGAN. May I say to my distinguished friend—

Mr. ANGELL. Just a moment, if you will let the witness answer the question.

Mr. CARTER. Now, Mr. Chairman, we had an established rule here that the witness would make his statement and then the members would take turns in questioning him. Are we going to abrogate that rule and forget all about it?

Mr. ANGELL. I shall be quite happy to forego any further questioning if that is the wish of the committee.

Mr. CULKIN. I find myself for once in strong accord with the gentleman from California.

Mr. CARTER. Then I must be wrong.

Mr. GAVAGAN. I just wanted to say to my distinguished friend and colleague here, if he looks at the Tennessee Valley Authority Act he will see that the Federal Government agreed to pay the States of Alabama and Tennessee 5 percent.

Mr. ANGELL. But that was to cover taxes.

Mr. GAVAGAN. No; it wasn't to cover taxes. It was to cover the use of State property at a rate of 5 percent in perpetuity.

Mr. ANGELL. But it had nothing to do with the ownership of the dam?

Mr. GAVAGAN. But here New York State is paying \$93,000,000.

Mr. ANGELL. And the Federal Government still owns the T. V. A.

Mr. GAVAGAN. There is no question in the bill as to who is going to own it. The State of New York is not surrendering any sovereignty it has over the project to the Federal Government.

Mr. PITTINGER. It certainly does, and you can't read the bill any other way.

Mr. ANGELL. Well, Mr. Chairman, I don't want to engage in a controversy with my distinguished colleagues on the committee, but if they will read the act they will find that by the provision of section 2 it says:

The President is hereby authorized and directed to negotiate an arrangement with the power authority of the State of New York for the transfer to said power authority of the power facilities constructed pursuant to this authorization.

In other words, the title is transferred to the State of New York. The Federal Government releases its ownership and virtual control of the project.

Mr. CULKIN. I think the gentleman persists in an obvious error in that connection. I feel that very strongly.

Mr. RODGERS. Governor Lehman made that very clear.

Mr. CULKIN. I think the power and distribution of it is controlled under the contract with the Federal Government, and I insist that it is so, and I can't see any other conclusion.

Mr. PITTINGER. I suggest we let the general testify.

Mr. ANGELL. Those are all the questions I have at the present time, Mr. Chairman.

General ROBINS. I have developed about all that I can develop in a general statement. I have described the project and furnished the estimates of cost, and perhaps it might just as well be to proceed to questions by the committee.

The CHAIRMAN. Well, General, I will ask you a few questions: The project which Canada is to perform, to carry the navigation

feature from this proposed dam down to Montreal, will that follow the present 14-foot channel down there and enlarge it?

General ROBINS. No, sir. In the Soulanges section the channel will be on the other side of the river from the present 14-foot canal, and in the Lachine section it will be on the same side of the river but not in the same location as the present canal. It will be an entirely new canal.

The CHAIRMAN. Then the 14-foot canals will remain in operation while the work is going on?

General ROBINS. Yes, sir; that is in the agreement.

The CHAIRMAN. Now, how about the dam—from the dam up to Lake Ontario? Will navigation be continuous there during the construction of the work?

General ROBINS. It will, sir.

The CHAIRMAN. And will the channel in that section follow the present channel or will it be separate?

General ROBINS. The ship canal is on the American side of the river in the International Rapids section.

The CHAIRMAN. Now, will this one dam afford slack water navigation for 27 feet all the way to Lake Ontario?

General ROBINS. To the Thousand Islands of the St. Lawrence.

The CHAIRMAN. And then what will convey it on up?

General ROBINS. Well, we have 27 feet now in the Thousand Island section.

The CHAIRMAN. You already have it there?

General ROBINS. Yes, sir; it is not slack water, but we have 27 feet.

The CHAIRMAN. Now, the navigation channel in the Welland Canal, which connects Lake Erie and Lake Ontario, is at present 25 feet deep, with 30-foot depth in the locks?

General ROBINS. That is correct. The Canadians agreed to deepen the channel to 27 feet.

The CHAIRMAN. To make it uniform with the rest of it?

General ROBINS. Yes; and at a cost of \$1,100,000—estimated.

The CHAIRMAN. Now, then in the connecting channels between Lake Erie and Lake Superior, in the Detroit and St. Clair Rivers, and Lake St. Clair, and in the St. Marys River, what is the present depth of those channels?

General ROBINS. The down-bound channels are 25 feet, the up-bound channels 21 feet.

The CHAIRMAN. The down channels are 25 feet and the up channels 21 feet?

General ROBINS. Yes, sir.

The CHAIRMAN. That is, on account of the heavier traffic of iron ore coming down, what makes the difference, is it?

General ROBINS. That is correct. It is only in a few places that we have both up-bound and down-bound channels. Where we have two channels the up-bound channel used by the up-bound traffic is 21 feet. The ships go up light and come down loaded.

The CHAIRMAN. Now, to increase the depth of those two channels from 25 to 27 feet, what was the estimated cost of that?

General ROBINS. The latest reestimated cost is \$66,000,000.

The CHAIRMAN. That is in addition to the estimates that you gave us awhile ago for the entire project?

General ROBINS. No, sir; that was included in the estimates.

The CHAIRMAN. That is included in that?

General ROBINS. Yes, sir; \$8,000,000 for the new lock at the Sault, and \$66,000,000 for the deepening of the connecting channels in the Great Lakes.

I gave you the cost of the entire project from Duluth to the ocean.

The CHAIRMAN. I want to get that plain so as to be certain about it. Then the figures which you gave us are your estimates of the cost of the entire project completed?

General ROBINS. Yes, sir.

The CHAIRMAN. So far as the American side of it is concerned.

General ROBINS. I have both sides in the estimates.

The CHAIRMAN. Well, I mean the part that they are to perform we are not concerned in that, really, are we?

General ROBINS. We are not concerned in it, but I gave you the total cost, both to Canada and to the United States.

The CHAIRMAN. I understand that.

General ROBINS. And also the cost to each country.

The CHAIRMAN. Now, General, several years ago we had a project, and I believe General Markham had charge of it—I think he was the division engineer—a project of deepening some of those ports up there so as to accommodate ships with a draft of 24 feet. That is my recollection of it. Am I correct in that?

General ROBINS. Yes, sir; that is correct.

The CHAIRMAN. Do you remember how many of those ports were involved?

General ROBINS. I think there were four or five, or something like that.

The CHAIRMAN. It included all the major ports?

General ROBINS. Yes, sir; all major ports were considered.

The CHAIRMAN. For general shipping?

General ROBINS. Wherever the ore ships came in they had to have that depth of water to get in. All the principal ore ports were deepened to that depth, if it did not already exist.

The CHAIRMAN. Well, now, I notice from the report that some of them now have 26 feet, or something like that. Have they been dredged to that depth or are you advised as to that?

General ROBINS. I couldn't state offhand. Some of them have been deepened and some of them had that depth anyway.

The CHAIRMAN. Well, now, in a channel to operate those large boats drawing 24 feet of water, you would want about 2 feet of water under their keel for safe navigation, would you not?

General ROBINS. Yes, sir.

The CHAIRMAN. That would require then a channel about 26 feet deep to accommodate one of those large ships drawing 24 feet?

General ROBINS. That is correct, sir.

The CHAIRMAN. Can you give us the names of the ports that have been deepened to the major depth?

General ROBINS. I can insert them in the record.

The CHAIRMAN. I would be pleased to have that list inserted in the record in connection with your remarks. I believe that is all.

(The following Great Lakes harbors have entrance channel project depths of 27 feet or more:)

Duluth-Superior, Indiana Harbor, Ashtabula, Buffalo.

Mr. CARTER. General, I am not at all familiar with that region up there. I have tried to follow you as best I could on a map that I have here, but would you pass to the map there and start downstream toward the mouth of the St. Lawrence and point out the first place at which the United States proposes to spend money?

General ROBINS. Yes, sir.

Mr. CARTER. And then I would like to have you work back up toward the Great Lakes.

General ROBINS. The first place is at the powerhouse at the foot of Barnhart Island.

Mr. CARTER. The first place you say, General, is the power site. Will you point that out on the map, please?

General ROBINS. I would say it is about there on the map. On this map they have a circle around the entire International Rapids.

Mr. CARTER. But it is in that vicinity?

General ROBINS. It is right near Massena on the American side and Cornwall on the Canadian side.

Mr. CARTER. Now, referring to your statement of proposed expenditures, will you tell me which of those items you propose to spend there?

General ROBINS. \$116,500,000.

Mr. CARTER. How is it designated on the sheet that you passed around?

General ROBINS. "Works primarily for power," on the St. Lawrence River, International Rapids section.

Mr. CARTER. \$116,500,000, is that correct?

General ROBINS. That is correct.

Mr. CARTER. Now, as I understand it, General, that will be spent for the powerhouse and for the equipment of the power house—the generators and other equipment?

General ROBINS. That is correct, sir.

Mr. CARTER. That is entirely for power?

General ROBINS. That is right.

Mr. CARTER. Any cost of transmission lines involved in this \$116,500,000?

General ROBINS. No, sir.

Mr. CARTER. But fully equipped powerhouses ready to hook up with transmission lines are included?

General ROBINS. Yes, sir.

Mr. CARTER. How many powerhouses?

General ROBINS. There is one powerhouse, a continuous building.

Mr. CARTER. How many generators?

General ROBINS. Thirty-six.

Mr. CARTER. That is entirely on the American side?

General ROBINS. No, sir; 18 on each side.

Mr. CARTER. Eighteen generators on each side?

General ROBINS. Yes, sir.

Mr. CARTER. But we are not paying for the 18 on the other side?

General ROBINS. No, sir. You will see an item in this estimate of \$37,950,000 which the Canadians pay. That is for their machinery in their powerhouse.

Mr. CARTER. Is that on this sheet that you passed around?

General ROBINS. Yes, sir; in the first column.

Mr. CARTER. Works primarily for power; yes. Well, then, the United States' share of the powerhouse is \$78,550,000; is that correct? General ROBINS. That is correct, sir.

Mr. CARTER. Are there any locks there near the powerhouse?

General ROBINS. No, sir; the locks are on the American side. The canal starts in opposite the powerhouse on the American side.

Mr. CARTER. And that powerhouse is at Barnhart Island, isn't it, General?

General ROBINS. Yes, sir; the foot of Barnhart Island and runs from the island to the Canadian shore.

Mr. CARTER. And the map that I have here—I do not know whether it is correct or not—but it indicates that on the American side, opposite Barnhart Island, there is to be a new shipway and locks?

General ROBINS. That is correct.

Mr. CARTER. Now, where is the cost of that new shipway and locks on the sheets that you passed around?

General ROBINS. Well, that is included in the works solely for navigation, under "A," \$40,875,000.

Mr. CARTER. \$40,875,000; is all of that to be spent at this particular place?

General ROBINS. That may include—

Mr. CARTER. General, I see, a little further up on the map, another lock, and I am wondering if that would be classed as works solely for navigation, and whether the cost of that lock is included also?

General ROBINS. No, sir; that \$8,000,000 you see up there is for the new lock on the Sault Ste. Marie. It is not in the international section.

Mr. CARTER. Well, the new lock that I am speaking of is downstream from Ogdensburg, according to this map.

General ROBINS. Well, that might be the lock on the Canadian side, to keep the 14-foot navigation going.

Mr. CARTER. Well, this lock is on the American side, General. As I say, I cannot vouch for the authenticity of this map.

General ROBINS. There are two locks on the American side in the canal, included in that \$48,875,000. You mean the third lock up at the control dam?

Mr. CARTER. Yes, sir.

General ROBINS. That is also included in the \$48,000,000.

Mr. CARTER. That is included.

Now, going upstream from this new lock at the control dam, where is the next point on the river at which the United States Government spends money?

General ROBINS. Going upstream from the powerhouse, the next point is at the main dam at Long Sault. That is at the head of Barnhart Island.

Mr. CARTER. That is going upstream; I see this main dam, and where is this?

General ROBINS. At Long Sault Rapids.

Mr. CARTER. Oh, yes.

General ROBINS. It is a good deal like—

Mr. CARTER. That is the dam that connects Barnhart Island with the mainland on the American side?

General ROBINS. That is right, sir. The powerhouse acts as a dam on one section, and the main dam on the other.

Mr. CARTER. I see. Now, where is the cost of that dam in your itemized statement here?

General ROBINS. That is included in the cost of the works common to navigation and power.

Mr. CARTER. That is a part of the \$100,210,000?

General ROBINS. That is right; that dam at the Long Sault Rapids is estimated to cost \$16,000,000.

Mr. CARTER. Well, then, that is \$16,000,000, then, of that amount?

General ROBINS. That is correct.

Mr. CARTER. All right. Now, what is the next point going on upstream? We covered the new lock at the control dam, so we may pass that by.

General ROBINS. Well, we have not got to that yet.

Mr. CARTER. There is something intervening there?

General ROBINS. There is considerable channel excavation in the river. You see, the canal around the powerhouse and the Long Sault Dam is not very long; it just runs around those two structures, and then the channel goes back into the river, and the ships go up the river from the upper end of this short canal until they hit the control dam. Then they go through this lock at the control dam, and then above the control dam is the excavation in the channel. The control dam is the next place where we spend money.

Mr. CARTER. That would be directly above the control dam?

General ROBINS. The lock?

Mr. CARTER. No; where you are going to do excavation work.

General ROBINS. Well, there is a lot above the control dam, and there is considerable below it.

Mr. CARTER. Between the control dam and the Barnhart Island region?

General ROBINS. Yes; there is some excavation down there.

Mr. CARTER. What sort of material is in there, General?

General ROBINS. Rocks; it is generally hard rocks and boulders.

Mr. CARTER. It is to be very expensive work?

General ROBINS. Well, it is pretty expensive excavation; yes, sir.

Mr. CARTER. Would you have to do blasting?

General ROBINS. Probably would.

Mr. CARTER. Offhand—I do not want to pin you down—offhand, what would be your cost per yard, just a rough estimate?

General ROBINS. Slightly over a dollar a yard.

Mr. CARTER. Now, the expense, of course, is a part of this item, that of works solely for navigation, I suppose?

General ROBINS. It is common to power and navigation, the excavation in the river. The reason for that is that you have to have the channel enlargement there to reduce your velocities in order to keep your ice sheet and not interrupt your power operations.

Mr. CARTER. Now, going upstream, what is the next item?

General ROBINS. Well the dam at Iroquois Point is estimated to cost \$11,000,000. The excavation up above it—

Mr. CARTER. Now, the control dam, where is that set up here?

General ROBINS. At Iroquois Point, right near the town of Iroquois on the Canadian side.

Mr. CARTER. And where have you that written on your financial statement here?

General ROBINS. It is in the works common to navigation and power.

Mr. CARTER. It is in the item a little over \$100,000,000?

General ROBINS. Yes, sir; in the item of \$100,210,000. The estimate is \$11,071,000 for the control dam.

Mr. CARTER. \$11,071,000. All right. Where is the next work located, running on up the river?

General ROBINS. The next is the channel excavation above the control dam.

Mr. CARTER. Would that be the channel on the American side?

General ROBINS. There are two channels there, the north channel and the south channel.

Mr. CARTER. Well, do you mean by that a south channel along the American side and a north channel along the Canadian side?

General ROBINS. Both channels are practically on the American side.

Mr. CARTER. They are both on the American side?

General ROBINS. Yes, sir.

Mr. CARTER. What is the purpose of the two channels?

General ROBINS. The purpose of the two channels is to reduce the velocity through that stretch of the river known as the Galop Rapids and also to provide for navigation. The ships will use the south channel. But an additional cut has to be made, to reduce velocities.

Mr. CARTER. Well, as you are going downstream there, both of the channels would reach into the new locks, would they not?

General ROBINS. They would; yes. The new lock is considerably below.

Mr. CARTER. Yes.

General ROBINS. You have got a plug in the river there which holds up the lake levels at present.

Mr. CARTER. I did not catch that?

General ROBINS. There is a rock sill in the rapids there, which now controls the flow from Lake Ontario.

Mr. CARTER. Well, how far upstream? Is that opposite Ogdensburg, or is it farther on up?

General ROBINS. That is downstream from Ogdensburg.

Mr. CARTER. It is between Ogdensburg and the new locks?

General ROBINS. Yes, sir.

Mr. CARTER. What is to be the width of those channels?

General ROBINS. 600 feet.

Mr. CARTER. Each of them?

General ROBINS. The south one is 600 feet wide that is for navigation. The north one varies in width, but it is somewhat less than 600 feet.

Mr. CARTER. It is sort of a control channel, then?

General ROBINS. That is what it is; it is to reduce the velocities. You see, when you cut that channel through, you remove that plug which now holds up the levels in Lake Ontario. That is the reason we have to have the control dam below it, so that you do not run any chance or any risk of lowering the level in the lake.

Mr. CARTER. Well, General, does not the control dam reduce the velocity?

General ROBINS. No, sir. It would, of course, if it is raised.

Mr. CARTER. What is it that it controls, then, if it does not control the velocity?

General ROBINS. It controls the flow of water.

Mr. CARTER. Well, does it control it by taking it out?

General ROBINS. It can reduce or increase the flow, depending on whether you open the gates or close them.

Mr. CARTER. It controls the level of Lake Ontario?

General ROBINS. That is correct.

Mr. CARTER. Yes. And of course, if the dam is lowered, then that velocity would increase there, I suppose?

General ROBINS. When you increase your channel capacity you increase flow.

Mr. CARTER. All right. Now, General, going on upstream, where is the next point you spend some money?

General ROBINS. We have already spent—

Mr. CARTER. Are we out of money now?

General ROBINS. No, sir; the next point upstream is in the Thousand Islands section of the river, where we have already spent \$516,000.

Mr. CARTER. \$516,000. Well, that is the \$516,000 listed here to the Thousand Islands section?

General ROBINS. I am wrong, Mr. Carter; the total cost of the improvement of the Thousand Islands section is \$516,000; we have actually spent \$447,978.

Mr. CARTER. Well, we have spent approximately that.

General ROBINS. And we have \$68,000 more to spend there.

Mr. CARTER. All right, General. Now, what are you spending it for there?

General ROBINS. Deepening the channel.

Mr. CARTER. That is channel deepening?

General ROBINS. Channel deepening to 27 feet, and widening.

Mr. CARTER. Is that hard material, also?

General ROBINS. It is pretty hard material. It is not—

Mr. CARTER. Do you remember the contract price on that?

General ROBINS. No, sir; I can insert it in the record.

NOTE.—The contract price was \$6.80 per cubic yard for removal of 60,435 cubic yards.

Mr. CARTER. Well, now, we are up to the Thousand Islands region. Where is the next point? Do we spend any money in Lake Ontario?

General ROBINS. No, sir; the next place we spend money is in the connecting channels in the rivers, the Detroit River, the St. Clair River, and the St. Marys River.

Mr. CARTER. I see. We are not going to spend any money on the Welland Canal?

General ROBINS. No, sir.

Mr. CARTER. Then in the connecting channel between Lake Erie and Lake St. Clair, are we to spend some money there?

The CHAIRMAN. In the Detroit River.

General ROBINS. The Detroit River, the St. Clair River, and the St. Marys River.

The CHAIRMAN. Is there anything in Lake St. Clair?

General ROBINS. There may be some in Lake St. Clair.

Mr. CARTER. Now, what item on your financial schedule refers to that region?

General ROBINS. The \$66,029,000 item.

Mr. CARTER. \$66,029,000; that is marked "connecting channels"?

General ROBINS. Yes, sir; that covers all the deepening of the connecting channels with the Great Lakes.

Mr. CARTER. Well, now, what do you have to do between Lake Erie and Lake St. Clair—in the Detroit River?

General ROBINS. Mr. Carter, I have not my itemized statement with me. I can insert it in the record.

Mr. CARTER. That would be widening and deepening the channels, I suppose?

General ROBINS. That is true, throughout the connecting channels of the lakes. I do not think that they would have to be widened.

Mr. CARTER. And when you insert that in the record, General, will you give us a break-down of the cost, also, so that we can know how much is to be spent there in the Detroit River?

General ROBINS. Yes, sir; that is what I intend to do.

Mr. CARTER. Just as I say, I am unfamiliar with this region, and I don't know whether the Detroit runs from Lake St. Clair to Lake Huron, or not.

Well, you are going to do some work on the St. Clair River; are you not?

General ROBINS. Yes, sir; also on the St. Marys River. We are going to do work everywhere in the channel, the connecting channels in the Great Lakes, where we have not got 27 feet already.

Mr. CARTER. And you will give us a break-down of that amount?

General ROBINS. I can give you the break-down.

(The estimated cost of completing connecting channels 27 feet deep in the Great Lakes is as follows:)

St. Marys River-----	\$21, 142, 000
Between Lakes Huron and Michigan-----	625, 000
St. Clair River-----	6, 028, 000
Lake St. Clair-----	1, 968, 000
Detroit River-----	19, 609, 000
Total-----	49, 372, 000

Mr. CARTER. Well, is there anything else you are going to do up there that is going to cost the United States some money?

General ROBINS. The new lock at the Sault, \$8,000,000.

Mr. CARTER. Yes.

General ROBINS. We are going to do that anyway. We need that now in order to get the ore down.

Mr. CARTER. I think—

General ROBINS. We could also stand 27-foot connecting channels in the lakes; if we had them.

Mr. PITTINGER. On account of the enormous shipment of ore?

General ROBINS. Yes, sir; and they are building larger ships.

Mr. CARTER. I think that that covers pretty well, General, the items on this sheet that you have given us, and I appreciate your bearing with me because it gives me a very much better understanding of the project.

You endorse this project, do you, General?

General ROBINS. I did not get the question.

Mr. CARTER. Well, I understood from your initial statement here, and I listened to you, that you endorsed it and advocated its construction?

General ROBINS. Oh, yes, sir; I did. I think that this is a very worthy project.

Mr. CARTER. Do you think that entirely on a national-defense ground?

General ROBINS. I think it should be done on either ground, or both.

Mr. CARTER. On either ground?

General ROBINS. Yes, sir.

Mr. CARTER. In making your endorsement, General, did you take into consideration the financial condition of this country?

General ROBINS. No, sir. I do not consider that that is my responsibility.

Mr. CARTER. Well, I think that your answer is correct.

The CHAIRMAN. We look to the Appropriations Committee for the money, and Mr. Carter is on that committee.

Mr. CARTER. I am wondering, General, if you were placed in my seat, however, if you would arrive at the same conclusion, when you take into consideration the rapid growth of our Federal debt. I am not asking you to express yourself on this, because I know you were given a job to do up there, and I have no doubt that you have done it in a very splendid way, too. But the Ways and Means Committee is struggling with a new tax bill at the present time. We have got to get additional revenues and, of course, we are in an emergency, and we have to go ahead and do certain things to meet that emergency. But we have to do the most important things first.

I feel you are advocating this, as I understand it, both from a national-defense point of view, and from a general development point of view; and that notwithstanding the emergency, you would say this development is desired?

General ROBINS. Mr. Carter, may I interrupt just a minute? We have before us in this committee a bill authorizing the project, and in reporting on a project to Congress, whether we think the project should be authorized or not, we go entirely on balancing the cost against the benefits.

Mr. CARTER. Yes; the same as you do any rivers and harbors project?

General ROBINS. The same as we do any rivers and harbors project. The question of raising the money to build the project is entirely one for Congress.

Mr. CARTER. Yes.

General ROBINS. Congress has complete control of that phase of the question. And what we are having this hearing on, as I understand it, is whether or not this project shall be authorized. Of course, there has been a lot of discussion, and very properly so, of how quickly it should be built, and all that. But that is not the main question before us today.

Mr. CARTER. Well, General, I did not understand you to insinuate, however, the committee should not take into consideration the fiscal condition of the country; is that right?

General ROBINS. Oh, not at all, sir. All I wanted to bring out was that the Corps of Engineers, in reporting projects to our Congress, base their recommendations on whether the benefits exceed the cost.

The CHAIRMAN. They do not operate the printing presses.

Mr. CARTER. The Judge is insinuating we get our money by printing it.

Mr. RANKIN. They do not control this gold that they have, either, General; do they?

General ROBINS. No, sir; we do not control any funds, because what we get is appropriated by Congress and given to us to spend.

Mr. SMITH. All you do is to spend it judiciously?

General ROBINS. We try to do it.

Mr. CARTER. That is all.

The CHAIRMAN. I have one more question: General, this \$8,000,000 project for the lock out there at the Soo on the St. Lawrence River, we also have a separate project for that, do we not, under a separate survey?

General ROBINS. We have a report before the committee on it.

The CHAIRMAN. And it is to be included in our omnibus bill?

General ROBINS. That is correct.

The CHAIRMAN. It is proposed to go ahead, in any event, whether this bill is approved or not?

General ROBINS. The O. P. M. has certified that the new lock is essential for the defense program.

The CHAIRMAN. Yes; that is certified, and that survey has been authorized and you have made the report on it?

General ROBINS. Yes, sir.

The CHAIRMAN. That is all.

Mr. Smith?

Mr. SMITH. Yes, Mr. Chairman.

General Robins, I have found your analysis of the costs very illuminating. I have been somewhat of the impression, which I think many people have, that most of this money for the cost of the project is to be spent by the United States and now we find, according to your estimate, that the United States is going to spend \$302,000,000, in round figures, and Canada \$277,000,000, in round figures. So we are spending only about \$25,000,000 more than Canada to pay for the entire project?

General ROBINS. That is correct, Mr. Smith. And the reason for that difference between the expenditures of the two countries is the increased cost in the last few years. The Canadians have already spent \$133,000,000 for the Welland Canal, which, if they had to build it today, would cost them much more.

Mr. SMITH. Otherwise, there would be an absolute parity of expenditures between the two respective governments?

General ROBINS. Yes, sir. Under the pending agreement between the two countries, the work has been allocated as nearly as possible 50-50.

Mr. SMITH. I think the impression has gone out over the country and shared by many, including myself, heretofore, that we were going to pay almost the entire cost, that is not correct at all, is it?

General ROBINS. No, sir; that is not the case.

Mr. SMITH. Of the \$17,000,000 that we have already expended, are you prepared to show how much of that has been spent, if any, on the Canadian side? Has it all been spent on our side?

General ROBINS. Not quite all of it. Some of it was spent in the Livingstone Channel, which is on the Canadian side, when we were deepening these Great Lakes channels some years ago. Anticipat-

ing that the St. Lawrence project would some-day be authorized we excavated the channels to a depth of 27 feet at places where we were working on cofferdams in order to save money in the long run.

Mr. SMITH. Of the entire amount that we are going to spend, have you any idea how much it would be on the Canadian side; what percentage?

General ROBINS. About half of the powerhouse is on the Canadian side. The rest of the works are, outside of some remodeling of the locks in the Canadian 14-foot canal, on the American side. The main dam is on the American side. The control dam is half and half, but the locks are entirely on the American side. So that there will be much more money spent on the American side than there will be on the Canadian side.

Mr. SMITH. I think the public is interested in that, as we are on this committee, because that is an issue that has been stressed a great deal. I infer, then, from your statement most of the money is going to be spent on the American side, and such money as is actually expended on the Canadian side is essential to the project and makes available the benefits which we will derive from the project? Is that correct?

General ROBINS. Yes, sir.

Mr. SMITH. What is your estimate, General, of the time element; how long will it take to complete the navigation feature?

General ROBINS. We have scheduled the project for completion, all features of it, in 4 years. It is possible to raise the pool sufficiently to get ships down out of the locks on light draft in three working seasons, and assuming that we have no contingencies.

The CHAIRMAN. But the Canadians would have to do the same thing, would they not, below, from Montreal?

General ROBINS. I was coming to that, Judge.

The CHAIRMAN. Yes.

General ROBINS. I am talking about the International Rapids section.

The CHAIRMAN. Yes.

General ROBINS. Of course, the ships cannot be gotten out to the ocean until the Canadians do their part in the construction, and that is an uncertain quantity. The work in the Canadian section can be finished in three working seasons.

Mr. SMITH. When you say "working seasons," what do you mean by that? What is that in terms of months or years?

General ROBINS. I mean this: The working season runs from May to December. In the other 5 months there is ice in the river and you cannot work in the river. If you are inside a cofferdam you can work, but you cannot put your cofferdams in in the ice. We could get started on the cofferdams on the 1st of May 1942, and then we could work in the season of 1942, the season of 1943, and the season of 1944. At the end of the season of 1944 I think we could raise the pool sufficiently to handle ships out. That would be about 2½ years in actual time, but it would be three working seasons. Now, it will take another season to bring in the power and everything. We might have some power, in three seasons.

Mr. SMITH. That is, it would take another season beyond that to bring in the power?

General ROBINS. Yes. The normal schedule would be 4 years, but it is possible to raise those pools for navigation, assuming that

we have luck and everything goes all right, in three working seasons.

Mr. SMITH. And commencing the fourth year there would be some power available?

General ROBINS. Yes, sir.

Mr. SMITH. And how long would it take to complete the entire power project?

General ROBINS. Well, I think if you had priorities on getting all of the equipment and there were no delays anywhere, you could complete the whole power installation in 4 years.

Mr. SMITH. Four years.

General ROBINS. We could order the power machinery immediately and get it there and installed in that time.

Mr. SMITH. General, some reference has been made here to the arrangement with the State of New York whereby this power is turned over to the power authority of the State of New York, and a comparison has been made, I think by my colleague from Oregon, Mr. Angell, with the situation at Bonneville Dam. Of course, as you know, the Bonneville Dam on the Washington side of the Columbia River is in my district, and I had, I hope, something to do with getting the project initiated before this committee about 6 years ago.

The CHAIRMAN. The committee concurs in that.

Mr. SMITH. Thank you, Mr. Chairman. It seems to me, with all due deference to my colleague from Oregon, that there is no parallel at all between the situations. Under this proposed bill relating to the St. Lawrence we are not transferring the title, as I take it, to the power to the State of New York, but we are merely providing that the power project shall be operated by the State of New York. There is also a further provision that any final arrangements that are made shall be reported to Congress, and we shall have the ultimate say as to what those terms and conditions shall be. It is not your understanding, General, is it, that we are parting with our title to the power in the project and transferring it?

General ROBINS. No, sir. In the bill before the committee, an agreement has to be reached between the United States and the State of New York which will safeguard the interests of the United States, and that will be put before the Congress, and Congress will have ample opportunity to decide on what those terms shall be.

Mr. SMITH. We could impose any terms we see fit, so far as the power development is concerned?

General ROBINS. That is right; yes, sir.

Mr. SMITH. Of course, in this case the State of New York obligates itself to pay the actual cost of the power project, approximately \$93,000,000. Now, at Bonneville, there was no such arrangement made, and I am not aware that there was any proposal made by the States of Washington or Oregon to undertake any such obligation to contribute toward the cost of Bonneville Dam at all; was there, General?

General ROBINS. No, sir. I do not know of any other State in the Union that has created a power authority such as the State of New York has created, and offered to reimburse the Government for every nickel of the cost of the power, and take over the plant and

operate it. Certainly it seems to me it is advantageous to the Federal Government if a State will take such action and assume all the burden of operation.

Mr. SMITH. So, as a matter of fact, we are not favoring the State of New York or giving them any better terms or conditions than we gave the States of Washington or Oregon on the Bonneville project, but we are getting more benefits and it is a better transaction so far as the Federal Government is concerned; is that correct?

General ROBINS. Yes, sir; certainly it is the best arrangement to preserve the interests of the United States Treasury.

Mr. SMITH. Thank you.

The CHAIRMAN. Judge Culkin?

Mr. CULKIN. Congress, General, can safeguard the social use of this power, can it not?

General ROBINS. Yes, sir.

Mr. CULKIN. And that is, in fact, written in the bill itself?

General ROBINS. That is in the bill. It is also written in the State law which governs the operations of the New York State Authority.

Mr. CULKIN. General, are you familiar with the history of it that occurred in New York State for the protection of this power and its use to the people?

General ROBINS. No, Judge, I am not.

Mr. CULKIN. It has been referred to here during the hearings, the part that Governor Smith played in it, and Governor Hughes, and various other governors, asserting that the control of this power must be made to remain in the people. Do you recall that there was such a battle, and you have heard of it?

General ROBINS. Only in a very general way, sir. I was stationed on the west coast in those days.

Mr. CULKIN. May I say that gubernatorial elections of New York State have turned and have been won and lost on those issues. It is more or less historical.

Now, the area of the Great Lakes, General, includes what population? The conventional figure now is 40,000,000 people, I believe.

General ROBINS. Well, somewhere in that neighborhood. I have not looked it up lately.

Mr. CULKIN. What is that?

General ROBINS. I should say it was at least 40,000,000 people.

Mr. CULKIN. It reaches, of course, from Duluth to the international line on the St. Lawrence in the International Rapids?

General ROBINS. Yes, sir.

Mr. CULKIN. And your judgment, according to your preliminary statement, is that those people in that area will be profoundly and favorably affected by this construction; is that right?

General ROBINS. They certainly will, in my opinion, Judge.

Mr. CULKIN. Yes. Now, Nature almost completed the seaway, did she not?

General ROBINS. It is a natural route.

Mr. CULKIN. And, of course, it is a matter of history, in the struggle between the French and the English and in the War of 1812 between England and ourselves.

These figures of yours include all contingencies necessary to make this an efficient 27-foot waterway reaching from the Atlantic to the interior of the continent as far as Duluth?

General ROBINS. They do, sir.

Mr. CULKIN. And your staff has been working on this full time for some months, has it not?

General ROBINS. Almost a year.

Mr. CULKIN. And prior to that, in the engineer office, you have had earlier and other figures; in other words, the subject has been under investigation for some years?

General ROBINS. Well there have been three or four boards considering this subject for the last 20 or 30 years.

Mr. CULKIN. The figures you give us now for the Government cost is what, allowing for the New York State contribution?

General ROBINS. It would be less than \$200,000,000.

Mr. CULKIN. Yes. So that the figure that is flouted in the press by various propagandea agencies that the cost of this is \$1,100,000,000, is completely erroneous. Is that true?

General ROBINS. Completely so.

Mr. CULKIN. And those claims—I do not wish just to characterize them—are just pure propagandea and unsound?

General ROBINS. They are certainly unsound.

Mr. CULKIN. Yes:

In 1930, I think, General, this committee authorized the deepening of the seaway to 27 feet between Ogdensburg, and what point? Chimney Point, was it?

General ROBINS. Chimney Point.

Mr. CULKIN. And that part has been done. What stretch of the river is that?

General ROBINS. That is what we call the Thousand Islands stretch of the St. Lawrence.

Mr. CULKIN. About how long is it?

General ROBINS. I think it is about 70 miles long.

Mr. CULKIN. Now, this route, this St. Lawrence route, from the coast to Lake Ontario, has been used how long by the various nations?

General ROBINS. I think that the Canadian canals were built in 1856.

Mr. CULKIN. Yes.

General ROBINS. Of course, then it was used by the barges and the flatboats.

Mr. CULKIN. And they pulled their boats upstream by hand power and over the rapids?

General ROBINS. Portage around the rapids.

Mr. CULKIN. And portage at certain places. Now, the present canal in the St. Lawrence is in full operation, is it not?

General ROBINS. Yes, sir; it is carrying about 9,000,000 tons of commerce.

Mr. CULKIN. And what is the depth of the present canal?

General ROBINS. Fourteen feet.

Mr. CULKIN. That, of course, will go to 27 feet over the entire river?

General ROBINS. That will still be in operation for 14-foot draft. Of course, in the river they will have the 27-foot channels to use.

Mr. CULKIN. That is what I mean. This proposition includes deepening the canal to 27 feet between the international boundary and the city of Duluth, does it not?

General ROBINS. Well, it provides a 27-foot waterway to the sea.

Mr. CULKIN. Yes; that is what I mean. Now, that includes, of course, Michigan and all the lakes?

General ROBINS. Yes, sir. All the ports on the Great Lakes will have an opportunity to participate in the benefits of that ship channel.

Mr. CULKIN. I do not want to make any mistake about it. I am not clear on it myself as to the ports. It is proposed that certain ports be given a 27-foot depth, is it not; Buffalo and—

General ROBINS. Well, this estimate that we have made for the waterway does not include the deepening of any entrance channels to harbors.

Mr. CULKIN. What would be the cost of that?

General ROBINS. We have estimates on that, taking the most important harbors, the ones we think would have to be, or would be used in the immediate future, it will cost somewhere in the neighborhood of \$10,000,000.

Mr. CULKIN. That would cover what you view to be the essential ports?

General ROBINS. Yes, sir.

Mr. CULKIN. Now, of course, there are a great many ports in the world that are going ports and carrying a large tonnage where lighterage is used; is there not, General?

General ROBINS. There are many ports on the Great Lakes carrying large commerce that would not be involved in the use of this waterway; car ferries the sand and gravel business and commerce of this kind. They do not need any greater depth than they have got now.

Mr. CULKIN. But I mean ports that do not have the 27 feet. There are a great many ports in the world today that use lighterage; is not that so?

General ROBINS. Yes, sir; they can if necessary.

The CHAIRMAN. However, it has never been applied there, has it?

Mr. CULKIN. I think that it has been done in some places, Judge.

The CHAIRMAN. I do not know of any.

Mr. CULKIN. But it could be done if it were necessary, could it not, General; lighterage could be used?

General ROBINS. Yes, sir; it could, if the traffic warranted it.

Mr. CULKIN. Yes.

General ROBINS. There are many of the ports on the Great Lakes that carry large commerce that would not be developed for offshore trade.

Mr. CULKIN. Now, General, just briefly—not for the purpose of controversy, but for the purpose of comparison—what did Grand Coulee cost, or what will it cost on completion, do you know, just for approximate figures?

General ROBINS. The dam will cost \$200,000,000 and the irrigation features will cost another \$200,000,000.

Mr. CULKIN. It will be \$400,000 000?

General ROBINS. Yes, sir.

The CHAIRMAN. Do you include the power facilities, too?

General ROBINS. Yes, sir; in that \$200,000,000 for the dam.

Mr. CULKIN. How about the Central Valley project in California?

General ROBINS. I do not know what the latest estimates are on that project. Originally it was in the neighborhood of \$200,000,000.

Mr. CULKIN. Mr. Carter says \$250,000,000.

Mr. CARTER. It is a little over \$250,000,000, with the possibility of going still higher.

General ROBINS. It will go higher, because they are only doing the first phase of it now.

Mr. CULKIN. Well, the destiny of one State only is affected by that project, is it not?

General ROBINS. The Central Valley project?

Mr. CULKIN. Yes, sir.

General ROBINS. That is entirely in the State of California.

Mr. CULKIN. Of course, that is under construction now?

General ROBINS. Yes, sir.

Mr. CULKIN. Does your office have that project, General.

General ROBINS. No, sir; the Bureau of Reclamation is carrying out that project.

Mr. CULKIN. And that money, of course, is coming out of the Federal Treasury?

General ROBINS. Yes, sir; it is.

Mr. CULKIN. And continuing to come out?

Mr. RANKIN. Will the gentleman from New York yield? Does that include the stand-by steam plant they are asking for?

Mr. CULKIN. Where?

Mr. RANKIN. In the Central Valley.

Mr. CULKIN. I did not understand that there were any stand-by steam plants there. I never heard of any.

General ROBINS. They are planning now to put in a stand-by steam plant in connection with it.

Mr. CULKIN. They are?

Mr. RANKIN. Now, wait a minute. General, I am correct in this, they are planning to put in a stand-by steam plant down there?

General ROBINS. That is my understanding, Judge.

Mr. RANKIN. At what cost?

General ROBINS. I could not say.

Mr. RANKIN. I think it is \$30,000,000; that is my recollection.

Mr. CARTER. I can give the gentleman the exact figure, if you would like.

Mr. RANKIN. All right.

Mr. CARTER. The stand-by steam plant was proposed and turned down by the Committee on Appropriations. The plant was estimated to cost \$15,000,000.

Mr. RANKIN. Fifteen instead of thirty.

Mr. CULKIN. Now, I refuse to yield further. Let me get along.

This seaway affects the destiny of 40,000,000 people?

General ROBINS. It does; yes, sir.

Mr. CULKIN. And that costs the United States, according to your figures, what amounts?

General ROBINS. Well, the first cost, without any interest on construction and taking into account repayment by the State of New York, would be a little less than \$200,000,000.

Mr. CULKIN. Now, take the project at Bonneville, for which I was always an enthusiastic supporter; what is that project?

General ROBINS. When that project is entirely completed, with the complete power installation, it will cost \$80,000,000.

The CHAIRMAN. The power facilities are put in from year to year as they are required, as they are needed, as I understand it?

General ROBINS. Yes, sir. We are now engaged in installing all the 10 units.

Mr. CULKIN. Is that the complete installation, 10 units?

General ROBINS. Ten units will be the complete installation.

Mr. CULKIN. And that will affect only the destiny of, say, three States?

General ROBINS. It will affect the destiny of more States than that, because it has a great influence throughout the entire Pacific Northwest.

Mr. CULKIN. And it is playing a most important part in the production of aluminum at this time; is it not?

General ROBINS. Yes, sir. If the country did not have Bonneville, the power from Bonneville at this time, it would be in a pretty bad fix.

Mr. SMITH. As a matter of fact, General, we are going to produce this year, it is estimated, over 30 percent of all the aluminum manufactured in America. That is by the plant at Vancouver, and by the Reynolds plant at Longview that goes into production the 15th of July.

Mr. CULKIN. Boulder Dam, General; what was the cost of that, if you remember, just approximately?

General ROBINS. I would say it was somewhere in the neighborhood of \$100,000,000. I will have to look it up.

Mr. CULKIN. That has been working out very successfully under Senator Johnson's plan, and President Hoover's?

The CHAIRMAN. And Mr. Carter's.

Mr. CULKIN. And Mr. Carter's?

General ROBINS. Yes, sir.

Mr. CULKIN. That, of course, mainly affects the city of Los Angeles.

General ROBINS. I can give you the figures on Boulder Dam now. It is a total cost of \$140,000,000.

Mr. CULKIN. That is completed and going and is paying out, is it not?

General ROBINS. That is right; it will pay out.

Mr. CULKIN. Now, the Tennessee Valley project; what is that costing?

General ROBINS. I cannot tell you, Judge.

Mr. CULKIN. Well, is it not approximately \$400,000,000?

General ROBINS. \$400,000,000, and still going.

Mr. CULKIN. That is now contributing a most important service for the American people?

General ROBINS. A very important service.

Mr. CULKIN. A needed service?

General ROBINS. A needed service in national defense.

Mr. CULKIN. Do you know anything about the aluminum plant at Massena, N. Y.?

General ROBINS. I have been through it.

Mr. CULKIN. That now employs 5,000 people, I understand.

General ROBINS. They have increased their employment tremendously, I know that.

Mr. CULKIN. Well, now they are doubling the capacity?

General ROBINS. Yes, sir.

Mr. CULKIN. They have just started to erect the buildings or the factories?

General ROBINS. Yes, sir; they are just in it.

Mr. CULKIN. Do you know anything about the scarcity of power in that area, and the present situation of this aluminum manufacturing company?

General ROBINS. In a general way; I know that there is a power shortage there right now, Judge. I think when Mr. Olds, of the Federal Power Commission, appears before the committee, he can tell you accurately and in detail just what that situation is. I have been engaged only in the engineering end of this project, and am not prepared to testify fully as to the power question.

Mr. CULKIN. May I ask you this broad question, General; and you need not answer unless you want to: Is that power there that will be created by this dam, if Congress sees fit to adopt the project, is that needed now for national defense?

General ROBINS. It is.

Mr. CULKIN. And that will be a continuous need; will it not?

General ROBINS. It will be a continuing need, even leaving national defense out of it. The country will need that power just as sure as the sun rises and sets.

Mr. CULKIN. Yes. It will be just as splendid a contribution to our national economy as Boulder Dam and Grand Coulee and Central Valley and all these other projects, will it not?

General ROBINS. Yes, sir; it is a better power proposition than any of them, except Bonneville.

Mr. CULKIN. It is what the engineers call a "natural," is it not?

General ROBINS. It is a natural from an engineering standpoint, and it is located in a very densely populated region with an almost unlimited power market.

Mr. CULKIN. Now, all the waters of the Great Lakes—and I have heard the statement that it constitutes half of the fresh water of the globe—flows down through this narrow gorge in the St. Lawrence?

The CHAIRMAN. Chicago gets some of it.

General ROBINS. All of it that does not go down the Illinois.

Mr. CULKIN. What is the cubic second-feet flow there at the St. Lawrence, at that point?

General ROBINS. The mean flow over a period of some 60 years is about 240,000 second-feet. It fluctuates very little, comparatively. I think it has got as high at one time as 318,000, and as low at one time as 170,000; but that wide fluctuation is due to ice conditions and not to the water available.

Mr. CULKIN. Yes. There is nothing like it in the world?

General ROBINS. No, sir.

Mr. CULKIN. No place in the world where power, which is now a part of our defense economy in the United States and abroad, can be created at so low a cost; is that correct?

General ROBINS. I think that is correct. I do not know of any other place that can develop that quality of power at such a cost.

Mr. CULKIN. And if the treaty had been adopted in 1934, we would be much happier from the standpoint of defense than we are now; is not that true?

General ROBINS. In my opinion, much happier; yes, sir.

Mr. CULKIN. I do not suppose, General, you would care to speculate on the duration of this war?

General ROBINS. No, sir; I would not.

Mr. CULKIN. Irrespective of who wins in this war, we will have a considerable amount of "hay" down for a good many decades, will we not?

General ROBINS. It looks like it is going to be a pretty rough world to live in, Judge.

Mr. CULKIN. For the next several generations?

General ROBINS. Yes, sir.

Mr. CULKIN. And this project here will make a substantial and actual contribution to our national welfare and our national defense, in your judgment?

General ROBINS. It will.

Mr. CULKIN. Now, on the Great Lakes in the present development of ships. What is the size and the tonnage of the ships on the Great Lakes? I mean, for example, the ships that are carrying ore?

General ROBINS. They are as large as, and larger than, the average freighters that are plying the ocean. They are very long, and I do not recall the actual tonnage, but they are big ships. They are not small at all.

Mr. CULKIN. And, General, what is the average annual tonnage on the Great Lakes?

General ROBINS. That is in the neighborhood of 90,000,000 tons.

Mr. CULKIN. Yes. How does that compare with the Panama Canal and the Suez Canal?

General ROBINS. That is as much as the tonnage in the Panama Canal and the Suez Canal put together.

Mr. CULKIN. So these theories that are voiced about the closed season in the Great Lakes have no foundation in fact.

General ROBINS. Well, they handle 90,000,000 tons in 7 months.

Mr. CULKIN. And the Great Lakes built Chicago, did they not, very largely?

General ROBINS. I do not think Chicago would have been in existence if there had not been the Great Lakes.

Mr. CULKIN. No. Well, now, how about Cleveland?

General ROBINS. Well, I think all those Lake ports naturally sprung from the fact that they were located on the Great Lakes.

The CHAIRMAN. Even Buffalo.

Mr. RANKIN. Mr. Chairman, are we going to meet back at 2 o'clock?

The CHAIRMAN. They have a conference report out, and will not be through.

Mr. RANKIN. Just a minute, Mr. Culkin, let me get this straight. We are not going to meet this afternoon at all, but meet in the morning at 10 o'clock?

The CHAIRMAN. Yes.

Mr. RANKIN. At which time General Robins will continue?

The CHAIRMAN. Yes.

Mr. RANKIN. Thank you.

Mr. CULKIN. So that all that is needed to get the benefits from this power and seaway is the development of this 42-mile stretch in the international section?

General ROBINS. And in the Canadian section.

Mr. CULKIN. And in the Canadian section. Did you happen to see—some reference has been made here by some members of this committee to the attitude of Canada—did you happen to see that recent speech by the Premier of Ontario?

General ROBINS. No, sir; I have not seen it.

Mr. CULKIN. Well, I will not press that further, then. I think that is all, then.

The CHAIRMAN. I want to put these figures in the record: At the Soo in 1939 the American tonnage was 62,475,237 tons. The Canadian was 866,305 tons.

Now, on that section of the waterway the United States got the benefit of 86 percent of navigation, and Canada 14 percent.

I just wanted to get those figures in the record.

Judge Bell, did you have any questions?

Mr. BELL. General Robins—

The CHAIRMAN. Mr. Green has just come in.

Mr. BELL. I will defer.

Mr. GREEN. General Robins, the 90,000,000 tonnage on the waterway under question, is that the estimated amount which will be carried after the project is completed?

General ROBINS. No, sir; that is what I understand it will carry this year.

Mr. GREEN. This year. Have you any estimation as to the probable increase as the result of this project?

General ROBINS. There would not be any increase in the tonnage we are talking about now.

Mr. GREEN. This improvement on the St. Lawrence waterway will not add to the tonnage?

General ROBINS. It will add tonnage, but not the particular tonnage that is moving on the Great Lakes now.

Mr. GREEN. The project indeed has merit, and one thing that concerns me, at least, is the fact it is not all-American. But I would like to make one or two friendly comparisons between it and the project that many of us, including the Army engineers in their report, are interested in and favor.

It was estimated in our hearings here a year or 2 years ago on the Florida ship canal that it would carry and handle twice the tonnage of the Panama Canal. If that should be the case, and expert opinion says it is, that would give us probably 50,000,000 tons a year through the Florida Canal when completed. The Panama Canal tonnage runs now from 25 to 30 million a year, does it not?

General ROBINS. That is correct, sir.

Mr. GREEN. So that would give some 50 to 60 million tons for the Florida Canal. In that case, it would handle more than half of what the St. Lawrence would handle; is that correct, in that event?

General ROBINS. Well, it would handle lots more than the St. Lawrence would handle, if it is going to handle 60,000,000 tons. This lake traffic we have been talking about—the ore—that is the bulk of it, will not go down the St. Lawrence.

Mr. GREEN. Yes. Then the completion of the Florida Canal as far as navigation is concerned, and commerce, would be as important as the St. Lawrence waterway project would be, would it not?

General ROBINS. It would affect a large amount of commerce. Of course, a large part of the commerce that would use the Florida ship canal is already in existence. It would go through the canal, instead of going around. The St. Lawrence will not carry a large proportion of the existing commerce on the Great Lakes.

Mr. GREEN. Will not carry it?

General ROBINS. No, sir. The Florida ship canal will carry more commerce than the St. Lawrence will carry, if you want to put it that way.

Mr. GREEN. Yes, sir.

General ROBINS. That has nothing to do with the benefits.

Mr. GREEN. The tonnage that would go through the Florida ship canal would be the existing and future tonnage down the Mississippi River and the tributaries thereto and other methods of transportation which converge in this area, in the south Gulf area, together with the commerce going through the Panama Canal and assembled in the Gulf of Mexico area.

You are acquainted with Gen. Charles P. Summerall, are you not?

General ROBINS. Yes, sir; I am.

Mr. GREEN. You recall his capacity as Chief of Staff, formerly?

General ROBINS. Yes, sir.

Mr. GREEN. Is it or is it not your opinion that he is well advised concerning national-defense questions?

General ROBINS. Yes, sir; he is a very eminent soldier.

Mr. GREEN. Yes, sir; I believe that opinion is shared by all. It is General Summerall's opinion that the Florida Canal, when completed, will be of great benefit to the country as a national-defense auxiliary or aid. Is that also your opinion?

General ROBINS. I think it would be valuable.

Mr. GREEN. The national-defense organizations of our country, particularly the Navy, is establishing air bases at Jacksonville, Fla., Guantanamo Bay, Key West, Fla., and to a lesser degree at Miami, Fla., and the Bahama Islands, the Virgin Islands and other so-called Caribbean points for the protection of the Florida Straits and the Panama Canal. We are expending millions of dollars in that area to try to make usable at all times and defend at all times and secure at all times the Panama Canal and the Gulf of Mexico area.

Now, would not the completion of the Florida Canal fit into that general national-defense picture and be a tremendous asset and aid in defending the Panama Canal, the Caribbean and the Gulf of Mexico areas, and the commerce in that particular area?

General ROBINS. I am not qualified, Mr. Green, to discuss the naval advantages of that canal.

Mr. GREEN. But from the general national-defense problem of it, you think that it would be helpful?

General ROBINS. Well, from a military standpoint, the more transportation facilities you have, the better.

Mr. GREEN. How is that?

General ROBINS. I say, from a military standpoint, the more transportation facilities you have, the better off you are.

Mr. GREEN. And would it not permit the transit of a great volume of commerce without imperiling this commerce by carriage through the Florida Straits; is that not correct?

General ROBINS. It would, if the Florida Straits were dangerous.

Mr. GREEN. Well, we may anticipate the possibility of the danger of navigation under war conditions.

General ROBINS. Well, with all these bases offshore, the Florida Straits ought to be safer.

Mr. GREEN. They will be safer.

General ROBINS. Yes, sir.

Mr. GREEN. But, that would not eliminate the usefulness of the Florida Canal for commerce purposes in a war period, would it?

General ROBINS. If the Florida Canal was in existence today it would be used all right.

Mr. GREEN. Yes; and used to advantage?

General ROBINS. Yes, sir; to advantage.

Mr. GREEN. I might venture the statement there too, that it was conclusively proven at the hearings that this canal would save from four to six hundred miles in a round trip to the eastern ports and would save considerable in transportation costs. Some 22 hours saving in each round trip to the east coast.

I believe that is all I have, Mr. Chairman.

Mr. PITTINGER. Mr. Chairman, I think that I am next on the list.

I was very much impressed with one statement you made, and which I think the public generally would be interested in, and that is that the War Department engineers in all these big projects, and the worthy ones, balance benefits against costs, and as I understood you that has been done in connection with this proposed development of the St. Lawrence seaway project; is that correct?

General ROBINS. The economic studies on this project have been made primarily by the Department of Commerce.

Mr. PITTINGER. Yes. I would just like to have you amplify that statement at our session tomorrow, because, periodically, people who object to these projects raise the question of wasting the taxpayers' money and as I understood your answer to that sort of an objection it was that the benefits here would outweigh the cost of this project.

General ROBINS. That is my opinion from what I know of the benefits.

Mr. PITTINGER. Now, with the indulgence of my colleagues I would just like to call your attention to and get into the record, a short statement by Walter Lippmann in today's Washington Post. He says:

A question of very general importance came up before the House committee on Tuesday when Secretary Stimson was testifying in favor of the agreement with Canada to develop the St. Lawrence seaway. This is a project which, besides developing a considerable amount of hydroelectric power in the region where it is badly needed, would open a channel for shipping from the Great Lakes to the Atlantic Ocean. Whatever regional and other objections there may have been to the project in the past, it is fair to say that on the merits it would be an immense advantage to us today if it had been completed years ago. Who can seriously deny the value of being able to develop American sea power in the heart of the North American continent, and of being able to provide the great inland industrial and agricultural centers with access to the sea? We must wish we had had the foresight to carry out this project in the years when we were spending so much money on less valuable things.

The only real question now is whether, since it will require several years to complete it, we ought to regard the seaway as a genuine defense project. Secretary Stimson, who surely has as vivid a knowledge of the urgency of the defense program as anyone and certainly is not remotely interested in boondoggling, has now urged Congress to approve. That ought just about to settle

the matter for those who have kept an open mind, and particularly in view of Mr. Stimson's argument that he regards this long-range undertaking as necessary preparation "for a very long emergency."

Mr. BEITER. Will the gentleman yield?

Mr. GREEN. Will the gentleman yield?

Mr. BEITER. Is Walter Lippmann's column headed "One Man's Opinion"?

Mr. PITTINGER. Well, I do not care whether it is one man's or a dozen; Walter Lippmann has an able educational background; he is well known as an economist and analyst, and his views, I think, will carry considerable weight.

Mr. BEITER. You agree with him on this particular question?

Mr. PITTINGER. I do not agree with him or you on everything. I use my own judgment, but he happens to be right on this.

Mr. GREEN. Will the gentleman yield?

Mr. PITTINGER. Yes.

Mr. GREEN. I am very much interested in the statement there, and I am inclined to agree with it.

Now, will the gentleman agree that practically the same thing as outlined there applies to the Florida Canal also?

Mr. PITTINGER. Well, I am not prepared to answer that offhand, but I will say to the gentleman, I voted twice to get the Florida Ship Canal out of the committee. I consider that a complete answer.

Mr. GREEN. Are there any further questions that you desire to ask?

Mr. BELL. Mr. Chairman.

Mr. GREEN. Mr. Bell.

Mr. BELL. I am next in line, I believe, Mr. Green.

Mr. GREEN. You have finished with your questions?

Mr. PITTINGER. I will yield to the gentleman.

Mr. BELL. Mr. Chairman—

Mr. CULKIN. Mr. Chairman—

Mr. BELL. I will yield to the gentleman from New York.

Mr. CULKIN. I do not want to interrupt your questions.

Mr. PITTINGER. I believe that I am next in line.

Mr. CULKIN. You think that Walter Lippmann is just as good an authority as the group of lobbyists, if we may call them by the short and ugly name, who have been spreading the misinformation abroad, broadcast throughout the country, to the effect that this project is going to cost a billion dollars or over a billion dollars. You think that Lippmann is entitled to just as much consideration as that group?

Mr. PITTINGER. My answer is that the War Department's engineers will admit that they are never wrong, and I am not disregarding the Engineers.

Mr. GREEN. Mr. Bell.

Mr. BELL. General Robins, in looking over this estimated cost of the St. Lawrence waterway I notice it is estimated to complete, \$420,000,000 and some odd dollars. Is that the best estimate that you could give us at this time as to what it will cost to do the things necessary to do from now on; is that right, General?

General ROBINS. That is correct, sir.

Mr. BELL. Could you assure the committee that the project will not cost more than \$429,000,000?

General ROBINS. In normal times I could. In the present state of the emergency, I do not think I could.

Mr. BELL. As a matter of fact, very frequently the estimates have been far under the estimated cost of recent months; is that not true?

General ROBINS. It has on some work; yes, sir.

Mr. BELL. That is due to the rising cost of labor, material, and so on?

General ROBINS. This project though has been engineered more and better than most any projects that have ever been proposed, and this estimate has been prepared in the light of intensive investigations and figures and is based on the present prices, with 25 percent contingencies. Now, if the contingencies go beyond that, or if we have to spend additional money in order to get speed, it is possible this estimate may be exceeded; but it will not be exceeded by any stupendous amounts. I can assure you of that.

Mr. BELL. Could you place a definite limit upon the figure by which this figure would be exceeded?

General ROBINS. No, sir; I could not.

Mr. BELL. Could you assure the committee that the figure would not be exceeded by more than 25 percent?

General ROBINS. I think I could, because we have got a 25 percent contingency in there now and 25 percent more certainly ought to cover it.

Mr. BELL. Well, you would say you could assure the Congress that it would not cost, say, more than \$500,000,000 to complete?

General ROBINS. Yes, sir; I could.

Mr. BELL. I would like to ask a question or two, General, in regard to the matter of power.

As I understood you this morning you said that the matter of who would ultimately own that power could be controlled by the Congress and by the State of New York, in your opinion.

Was I correct in my understanding of what you said?

General ROBINS. The State of New York, if it pays for the powerhouse would own the powerhouse and the machinery.

Mr. BELL. Were you present yesterday when the Governor of New York was on the stand; did you hear his testimony?

General ROBINS. Only for a very few minutes.

Mr. BELL. Did you hear him testify that the State of New York claimed title and ownership of all power produced on the New York side of the river?

General ROBINS. I understood that he did make such a statement.

Mr. BELL. Assuming, General, that the State of New York does have title and right to all power produced on the New York side of the waterway, do you think the Congress, by any act, could arbitrarily take it away from them?

General ROBINS. I am not a lawyer, Mr. Bell.

Mr. BELL. You are a very distinguished citizen and General, and have had long contacts with matters of this sort.

General ROBINS. I do not think that the Federal Government would take away any right of the State of New York, arbitrarily.

Mr. BELL. In other words, it would be up to the Supreme Court of the United States, ultimately, to say whether or not the title to that power lay in the State of New York or in the Federal Government?

General ROBINS. It certainly would.

Mr. BELL. Yes, sir.

General ROBINS. I think the Federal Government would be able to control the use of that power and to see that that power was utilized to the best interests of the country as a whole.

Mr. BELL. But before that power can be produced, and before New York can get the benefit of that vast source of power, it is necessary for the United States Government to spend somewhere between \$429,000,000 and \$500,000,000 in addition to what has already been spent. That, of course, is true; is it not?

General ROBINS. The United States would not spend that much.

Mr. BELL. Well now, is it not true—well, that \$429,000,000 includes the part Canada also spends?

General ROBINS. Yes, sir.

Mr. BELL. In other words, the United States Government's share would be between \$200,000,000 and \$250,000,000?

General ROBINS. Yes, sir.

Mr. BELL. Money that would come out of the general Treasury, before the State of New York could have the benefit of that power.

Do you not think, General, as a matter of fairness to other parts of the country that that power ought to be the property of the United States rather than the property of the State of New York?

General ROBINS. I do not think it makes a bit of difference who holds the title to that power so long as the power is properly developed and properly used for the people in the area which it would naturally serve.

Mr. BELL. Well, suppose, General, that by reason of this vast source of power and its proximity to the State of New York, and ownership of it by the State of New York, the people in that State get much lower rates for electric power than the people in Kansas or Missouri or Iowa.

Do you not believe that there ought to be some way of compensating the people out there in the Middle West who pay for this power, and yet who do not get the benefit of those lower rates?

General ROBINS. Well, you might look at it that way, sir; but that is not the way it is being done all over the country. The Federal Government develops the power and the power is sold at cost. So long as the power is sold at cost, there is no way people who live too far away can be benefited.

Mr. BELL. They pay taxes to create the power.

General ROBINS. The whole country is concerned in that exactly in the same way as in any of these projects that we were talking about a while ago, Bonneville, or Grand Coulee, or Boulder. The people who live in the vicinity of those projects are the ones who are going to get the direct benefit from the power.

Mr. BELL. They will be the natural beneficiaries of that power. General, you were saying a while ago, as I understood you, that it would take from three to four working seasons to finish the project so that navigation could be opened up with the 27-foot channel. How soon could work start on this project if the bill before this committee became a law within the next 30 days?

General ROBINS. It could start tomorrow.

Mr. BELL. Would you say that the rest of this summer and fall would constitute one of the working seasons?

General ROBINS. No, sir. We have lost practically a whole working season.

Mr. BELL. So that the first of those, we will say, three or four working seasons, would start next May?

General ROBINS. Start about the first of May.

Mr. BELL. That would be May 1942, would it not?

General ROBINS. That is assuming that we had the project authorized and the money available to move in on the job this winter. I stated that if we could start our cofferdams right at the beginning of the next working season, we could raise the pools for navigation at the end of 1944.

Mr. BELL. So that any equipment and actual dredging would not start before next May, would it?

General ROBINS. Well, we can start dredging immediately.

Mr. BELL. Well, the other work necessary to constitute those four working seasons—

The CHAIRMAN. They could be assembled, I judge.

Mr. BELL. I am trying to get out, bring out, when it is going to be open for navigation.

So that would be the working seasons of 1942, 1943, 1944, and perhaps 1945, and it would be the working season of 1945 when it would end.

General ROBINS. It would surely end about the first of December 1945.

Mr. BELL. About the first of December 1945.

General ROBINS. Yes.

Mr. BELL. Then what would be the condition of that channel from December until the following spring; would it be open to navigation?

General ROBINS. No; navigation on the St. Lawrence and the Great Lakes is generally closed between December and May of the following year.

Mr. BELL. So how early in the season of 1946 could we expect navigation to open up on that channel?

General ROBINS. We would be able certainly to open up navigation at the end of the working season of 1945.

Mr. BELL. Yes; from a practical standpoint, it would not be navigable until the following summer, would it, General?

General ROBINS. Well, if any ships on the Lakes wanted to get out, you could get them out at the end of the 1945 season, before it froze up.

Mr. BELL. In December?

General ROBINS. Yes, sir. And, you have got a chance of getting them out in 1944.

Mr. BELL. The channel is generally frozen over from December until the following May, General?

General ROBINS. Navigation is suspended.

Mr. BELL. That is what I understood, so that in no event could we, even with the best of luck, and the swiftest construction, hope to have navigation on that channel to any extent before the summer of 1946, could we?

General ROBINS. No, sir; with the best of luck and immediate authorization we could get ships from the Great Lakes out at the end of the 1944 navigation season.

Mr. BELL. 1945?

General ROBINS. 1944.

Mr. BELL. That would be December 1944.

General ROBINS. Yes, sir.

Mr. BELL. But if there happened to be a little earlier freeze those vessels would be ice-bound up there until the following summer, would they not?

General ROBINS. They would if they did not get them out before the navigation season was closed.

Mr. BELL. So, it would depend upon whether the freeze came the first, second, or third week in December, and we might not be able to rely on getting them out in December 1945, General.

General ROBINS. Well, that depends upon what happens.

Mr. BELL. General, is there not some agreement between the United States and Canada as to what time the navigating season is closed up there? Is there a fixed time for the closing of navigation?

General ROBINS. No, sir; it depends. Ordinarily it closes around the 1st of December. Sometimes a little later; sometimes a little earlier, depending upon the season.

Mr. BELL. So we could not absolutely rely on getting vessels which we had built on the Great Lakes out into the ocean before the summer of 1946?

General ROBINS. No, sir; it depends entirely on what happens here in Congress and when the project is authorized.

Mr. BELL. I am assuming that the project is authorized right away.

General ROBINS. If the project is authorized right away, I think you can rely on getting the ships out by the end of the 1944 navigation season.

Mr. BELL. That would be December 1944?

General ROBINS. Yes, sir.

Mr. BELL. Which would only be two working seasons.

General ROBINS. It would be three working seasons.

Mr. BELL. Well, you—

General ROBINS (interposing). 1942, 1943, and 1944. It does not take much time to get them out. You could get them out right at the end of the season.

Mr. BELL. You said that it would take 4 years, or 3 years with the best of luck.

General ROBINS. I was thinking about three working seasons with the best of luck.

Mr. BELL. Three working seasons, and I understood you to say, General, for instance, that you would not get started until next May, because of the fact that this working season is largely now gone.

General ROBINS. Well, I have got a factor of safety there. If the project were to start today, I have half a working season in addition.

Mr. BELL. Of course, you know that you could not start today. The bill will have to go on through its course through Congress, and you will have to have an authorization and have to get under way.

General ROBINS. And I figure that, assuming that the money became available, we will say in the fall, in September, we could move in there this winter and be prepared to start right in with our cofferdams on the 1st of May.

Mr. BELL. That is the 1st of May 1942.

General ROBINS. 1942; and we would have the season of 1942, the season of 1943, and the season of 1944, and at the very end of the season of 1944 we would be able to raise the pool and bring the ships down, with luck.

Mr. BELL. You think you might, with the best of luck, be able to finish in December 1944?

General ROBINS. Yes, sir. We would not be able to finish, but we would have the pool up sufficiently so that they could snake the ships out if they were light.

Mr. BELL. Well, you can do that now, if they are light, can you not?

General ROBINS. No, sir, you cannot get large ships through the locks in the 14-foot canals.

Mr. BELL. Is it not a fact that they are building vessels of up close to 10,000 tons up there on the Great Lakes now and bringing them down the Illinois River and down the Mississippi.

General ROBINS. I do not know. I have read something about it in the papers, but I do not know.

Mr. BELL. I think that is what was said by Admiral Rock.

The CHAIRMAN. Judge, will you permit an interruption?

Mr. BELL. Yes, sir.

The CHAIRMAN. I think that you misunderstood what he said. He said that with this waterway completed they could build ships there up to 10,000 tons and get them out.

Mr. BELL. No; I think, Mr. Chairman, he testified that they were building vessels that size at the present time.

The CHAIRMAN. No; no.

Mr. BELL. And then after they got them out, below Cairo, they reassembled them.

The CHAIRMAN. Not 10,000-ton ships.

Mr. BELL. Well, that is the testimony.

The CHAIRMAN. No; you misunderstood him. He said that they could do that when the St. Lawrence was finished.

Mr. BELL. What size did you understand that those vessels were?

The CHAIRMAN. They are small vessels.

Mr. BELL. He testified that they were about 600 feet long.

The CHAIRMAN. No, sir. They were 100 and something.

Mr. SMITH. 165 feet.

The CHAIRMAN. 165 feet long. Now, those big freighters are over 600 feet long and they carry twelve or fifteen thousand tons of ore.

Have we got Admiral Rock's testimony here?

Mr. BELL. I do not think it would be fair to examine this witness on somebody else's testimony.

Mr. BEITER. Mr. Chairman, it is now 12:15, and that bill is coming up on the floor.

The CHAIRMAN. I am advised that the bill is to be called up at 12:30. We have got about 10 minutes more.

Mr. BENDER. In connection with Judge Bell's questions, General, you said "with the best of luck." What do you mean by that?

General ROBINS. I mean that if we have no difficulties with ice or unusual ice conditions and that we are able to get our material and equipment without any undue delay. There are a great many other contingencies that enter into a proposition of that kind; but we built the Bonneville Dam in 3½ years, and I think we know what

we are talking about; and we had a lot more water in the Columbia than they ever get in the St. Lawrence. We did not have the ice, but we had the water.

Mr. BENDER. As to the estimated costs, we have found that the actual cost of Army Camps is much greater. Is that correct?

General ROBINS. That is true, about the Army camps, but the Army camps cannot be compared with a project of this kind. The estimates made on the Army camps were not engineering estimates.

Mr. BELL. General, are you familiar with the cost of the Panama Canal and the Suez Canal, in a general way? Of course, I know you cannot remember the details.

General ROBINS. I do not remember about the Suez. I think that the Panama Canal cost in the neighborhood of \$300,000,000.

Mr. BELL. Is it not a fact that, General, that the cost greatly exceeded the original estimates?

General ROBINS. Not the engineering estimates that were made after General Goethals got down there and knew what he was up against.

Mr. BELL. I mean the original estimates that were made by the Department.

General ROBINS. The Engineer Department never made any estimates—

The CHAIRMAN. The original estimates were made by the French.

Mr. BELL. I am talking about the original engineering estimates made by the Department.

The CHAIRMAN. It was completed for \$3,000,000 less than the estimates.

Mr. BELL. Is that a fact?

The CHAIRMAN. Yes.

General ROBINS. Yes; General Goethals' estimates were right on the nose.

Mr. BELL. Just another question, General, in regard to the St. Lawrence River below Montreal. How deep a channel do they have up to Montreal at the present time, we will say?

General ROBINS. I think they have 35 feet.

Mr. BELL. So there is no work that has to be done there?

General ROBINS. No work below Montreal.

Mr. BELL. Thank you.

The CHAIRMAN. That is all. It is my recollection that the depth of that channel corresponds with the others we have, with the exception of New York and Boston.

Mr. O'Brien, we shall be glad to hear from you now.

STATEMENT OF HON. GEORGE D. O'BRIEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. O'BRIEN. Mr. Chairman and members of the Committee on Rivers and Harbors, I appreciate the opportunity of appearing before this committee to further the passage of H. R. 4927 which bill provides for the acceptance by the United States of the terms of the agreement between Canada and the United States to build the Great Lakes-St. Lawrence seaway. The people of Detroit, and particularly of the Thirteenth District which I represent, are wholeheartedly in

favor of this project. Up to this time they have been patiently awaiting the completion of the seaway by the Federal Government. I say patiently waiting because they have not interposed any objections when the representatives that they sent to Congress voted to set up the Tennessee Valley Authority which gave cheap power to the Southern States, and which transformed the valley into a hive of industry, giving to the residents of that area the comforts that electric power, in quantity and at a reasonable price, makes possible; because they acquiesced when the Government appropriated huge sums to build Boulder Dam, Grand Coulee Dam, and the rest so that the West might have their share of the benefits that electric power can give. No complaint was heard when the Panama Canal was built, although it placed them at a trade disadvantage with the rest of the country, for while water transportation was cheapened, the rail routes that they had to use increased their rates. Gladly did they see the Mississippi dredged and cleared for the traffic that flows down to the Gulf, but now they feel that it is their turn, since every other section of the country has been helped by the construction of waterways or electric power projects. Opposition in the form of sectionalism has raised its head to stop the completion of this project. In appealing to your sense of justice, I point out that it is not just and fair for the other sections after they have been helped to now stop and collectively prevent the section that has cooperated with joint transportation ventures, and in public-power programs from itself sharing in the bounties that this canal would bring.

There are no logical arguments that one can use against its completion. To the Representatives of the Mississippi Valley I say: "Did you argue in favor of the railroads when you were pressing for dredging of the Mississippi River, and for the continuance of the flow of water by diverting a certain amount from the waters of the Great Lakes?" To you Representatives from New York State and the eastern seacoast, I say: "Did you argue for the railroads when you were supporting the Panama Canal?" And to the Congressmen from the Tennessee Valley, and the Columbia River Valley, and the Colorado River I say: "Did you argue for the private power companies when you pleaded for the Federal Government to build T. V. A., and Boulder Dam, and Grand Coulee?" And as for the railroads themselves, they are spending, in a sense, the Government's own money to conduct the powerful lobby that they are maintaining in Washington to defeat this program of the United States Government. There is not a single one of them today that would be operating had it not been for the help given them by the Federal Government in the form of loans. Further, they were given millions of acres of land which financed their very beginning, and now they are trying to defeat a measure that is designed to aid the whole country.

Let me briefly review the several arguments that have been presented against it, which appear to be:

1. The short period that the waterway would be in use.
2. Not all ships could use it even with the 27-foot draft.
3. Would jeopardize the level of the Mississippi system.
4. No need for it.

I propose to take these criticisms up in sequence. You will note that these criticisms do not include the purely sectional ones, that

have questionable validity, and motives such as: It will harm the business of the eastern seaboard or of the railroads. These criticisms are only of special interest or sectional character, and should not rightly figure in any discussion of a matter that is so national as national defense.

Its opponents claim that the period of use is limited to such a short sailing season. The season stated varies from 5 months, as claimed by its opponents, to the statement by the United States Department of Commerce that ships engaged in shipping of goods on the waterway need not lose more than a month and a half during the year. It is not the length of the sailing season that should govern the value of the project, but rather the number of tons that will be shipped during the season that is available. For example, the Detroit River which has a sailing season comparable to the one of the proposed waterway has a greater tonnage of traffic than the Panama, Suez, and Kiel Canals combined. The latter group has a continuous and the former a curtailed sailing season.

You will hear the objection that many of the present-day craft could not use the canal if it had only a 27-foot depth as proposed. The Department of Commerce states in a report that with the proposed depth it will be sufficient to permit use by 90 percent of the present-day craft of the world. Even if this figure were high, the new craft being built for use on the Great Lakes-St. Lawrence seaway would be built with a draft that would make it possible to use the waterway.

The argument has been advanced that the clause in the agreement which provides for arbitration in cases of diversion will make it possible for Canada to imperil the navigability of the Mississippi River. The clause relating to diversion concerns only new or increased diversions. The Mississippi River system is already diverting 1,000 to 1,500 cubic feet per second, which is an amount that was judicially determined to be sufficient for operation of the system, and in fact Justice Hughes stated that more than that amount would make floods likely.

Now as to the need for the seaway. The railroads have admittedly underestimated the demand for rolling stock that the national-defense program would bring about. Worse than that now, the very items that go into making additional cars and the shops that are making them are being used to manufacture munitions and war machines. The completion of the seaway would release the cars that are now being used for the long hauls along the same route as the seaway and permit them to be used in other needed areas. Furthermore, we will need the haven that the Great Lakes will afford for constructing and repairing ships.

We are nearing the maximum output of the available sources of electricity. The power phase of this project is sorely needed in order to supply additional power near the available trained men and raw materials.

The completion of this seaway will add 3,576 miles to our sea-coast, and will at the same time open a highway for trade by the other States with the richest part of our country.

I feel that this committee is sincerely interested in the continued welfare of the United States of America, and that you view the proposed legislation from the national standpoint rather than from the viewpoint of the sections from which you come.

I should like to ask this one favor of all of you, and that is when the opposition comes in to be heard, that you weigh and evaluate it from the national viewpoint, and accept only as valid criticism of this great project, criticisms that are concerned with our national wellbeing, and not with the purely selfish reasoning of some section.

The CHAIRMAN. Thank you, Mr. O'Brien.

The committee will stand adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 12:20 p. m., the committee adjourned to meet the following morning, Friday, June 20, 1941, at 10 a. m.)

GREAT LAKES - ST. LAWRENCE BASIN

FRIDAY, JUNE 20, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., Hon. Joseph J. Mansfield (chairman) presiding.

(After the consideration of other business, the hearing proceeded as follows:)

The CHAIRMAN. Gentlemen, I have a telegram here from the Governor of New Jersey, who cannot come. He was expecting to be here, but notified us that he could not. I suggest that his telegram be read into the record, and without objection that will be done.

Mr. McGANN (reading):

Hon. J. J. MANSFIELD,

Chairman, House Committee on Rivers and Harbors.

DEAR JUDGE MANSFIELD: I am very sorry that the pressure of State business in Trenton will prevent me from attending the hearings of your committee on the St. Lawrence project, H. R. 4927. As you know, I am heartily in favor of the St. Lawrence waterway. I believe that its value to the Nation as a whole outweighs any of the claims that it may cause some supposed adverse effect on the particular sections. However, I cannot find the time to prepare the case for the project in the manner which I feel is merited by its importance. I would appreciate it if you would enter on the record of your proceedings that the Governor of New Jersey gives wholehearted support to the project.

CHARLES EDISON, *Governor of New Jersey.*

Mr. BEITER. Mr. Chairman, I believe the State legislature recently passed a resolution directing the Governor to appear here in opposition to the St. Lawrence waterway.

Mr. BEITER. That resolution was vetoed by the Governor.

Mr. BEITER. That is right.

Mr. RANKIN. At least they have a wholesome division up there.

The CHAIRMAN. Well, I think the legislature can no more control the Governor than Congress can control the President.

Mr. RANKIN. Do they have a Republican legislature and a Democratic Governor?

The CHAIRMAN. He is a Democrat.

Mr. RANKIN. I know he is; what about the legislature?

The CHAIRMAN. Republican.

FURTHER STATEMENT OF BRIG. GEN. THOMAS M. ROBINS, CORPS OF ENGINEERS, UNITED STATES ARMY

The CHAIRMAN. General, are you ready to proceed?

General ROBINS. I am ready, sir.

The CHAIRMAN. Let us proceed. You had finished your main statement yesterday, had you not?

General ROBINS. Yes, sir; I was answering questions when the committee adjourned.

The CHAIRMAN. Have you anything further that occurs to you at this time that you want to state?

General ROBINS. No, sir.

The CHAIRMAN. Now, several of the members have already asked you questions.

General ROBINS. Judge Bell was the last.

The CHAIRMAN. Mr. Rodgers, do you wish to ask any questions?

Mr. RODGERS. There is one point here on which I am not clear: The Welland Canal now has a definite 14 feet, is that right?

General ROBINS. No, sir; 25.

Mr. RODGERS. Oh, 25 feet. Well, is it proposed to use the present canal by increasing the depth, or to construct another channel and maintain the same?

General ROBINS. It is proposed to use the Welland Canal, deepening it to 27 feet. It is not proposed to use a number of Canadian canals which are 14 feet, but they are lower down in the river.

Mr. RODGERS. I see.

The CHAIRMAN. But it involves no change in the locks, as I understand?

General ROBINS. On the Canadian side the locks will still be the same capacity.

The CHAIRMAN. The same locks. They are 30 feet, are they not?

General ROBINS. In the Welland Canal they are.

The CHAIRMAN. I am speaking of the Welland Canal. Were you speaking of the Welland Canal?

Mr. RODGERS. Yes.

I have heard nothing so far in reference to tolls. Are there tolls proposed; has that been considered, or are they definitely out?

General ROBINS. They have not been considered, because under the law as it stands now tolls would not be charged.

Mr. RODGERS. The present expenses by the Government for the maintenance of docks and ports, and so on, is about \$45,000,000 per annum. With the construction and the operation of the proposed St. Lawrence seaway, about how much would that be increased?

General ROBINS. Not over \$250,000.

Mr. RODGERS. About \$250,000?

General ROBINS. Yes, sir.

Mr. RODGERS. If I got one of your statements correctly, there are a number of Lakes ports now not of sufficient depth to accommodate vessels which might navigate the locks and your estimate was it would cost probably \$10,000,000; is that right?

General ROBINS. That is correct, sir.

Mr. RODGERS. To bring these docks and ports up so the largest ships could use them?

General ROBINS. That is what is needed to take care of entrance channels to 8 or 10 of the principal harbors; not all of them. It does not include cost of additional port facilities.

Mr. RODGERS. Not all of them.

If my memory serves me correctly, I saw a report with reference to a survey made by the engineering department of the city of Buffalo to the effect that it would cost Buffalo \$47,000,000 to modernize their port, channel, and so forth. Now, what I could not reconcile in my

own mind was your statement of \$10,000,000 and the Buffalo engineers' statement of \$47,000,000 for one port.

General ROBINS. Well, I have not that estimate, sir. I don't know what it is based on. But I think it is based on a much larger development than would be necessary.

My estimate is based on what we consider would be adequate to take care of the situation for some years, with the present commerce or the commerce which we anticipate may materialize in the near future.

Mr. RODGERS. Probably, then, a difference in the way you figure it, rather than in the engineering conclusions?

General ROBINS. Yes, sir; I think that is it.

Mr. RODGERS. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Beiter?

Mr. BEITER. General, what head would be available for the development of power in the summer and in the winter?

General ROBINS. The head would be practically the same, summer and winter, unless there was an ice gorge down below, which raised water levels.

Mr. BEITER. Of course, the ice does form down below in the river. In fact, they have had ice jams there.

General ROBINS. They have had, but I think that when this project is built they will not have any more that will affect power.

Mr. BEITER. Well, they had ice jams up through the Niagara, right opposite Niagara University, in the lakes and rivers, just a few years ago.

General ROBINS. That is true. We are not talking about Niagara.

Mr. BEITER. That is true, but does not that affect the situation in some way?

General ROBINS. It might affect the flow, but it would not affect the head.

Mr. BEITER. There have been jams up through the Thousand Islands?

General ROBINS. It might affect the flow, but it would not affect the head.

Mr. BEITER. It would not affect the head. How much horsepower can you develop in the summer?

General ROBINS. Two million two hundred thousand.

Mr. BEITER. Two million two hundred thousand?

General ROBINS. That is the capacity, the installed capacity of the plants with the units rated at best efficiency.

Mr. BEITER. The same in the winter?

General ROBINS. The flow is not as great in the winter as it is in the summer.

Mr. BEITER. I cannot hear you.

General ROBINS. The flow in the stream is not as great in the winter as it is in the summer.

Mr. BEITER. So there would not be as much horsepower available in winter as in summer?

General ROBINS. No, sir.

Mr. BEITER. About how much less?

General ROBINS. The worst year they have ever had, I think the horsepower would be about a million and a half.

Mr. BEITER. So that would be about 700,000 horsepower less in winter than in summer?

General ROBINS. But that is a very unusual occurrence. On the average, it would be, the firm power of the plant would be about a million and a half horsepower available every day in the year all the time, based on the records of flow over many, many years.

Mr. BEITER. So that the maximum horsepower would be 2,200,000, and the average would be between 1,500,000 and the 2,200,000?

General ROBINS. No, sir; your average would be about 2,200,000.

Mr. BEITER. What is the maximum, then?

General ROBINS. It would be about 10 or 15 percent over that.

Mr. BEITER. Over the 2,200,000?

General ROBINS. Yes, sir.

The installed capacity of the plant, which is 2,200,000, is based on the average flow.

Mr. BEITER. Have any provisions been made for regulating the flow or otherwise controlling the flow in the Great Lakes area and the St. Lawrence River, other than in the International Rapids section?

General ROBINS. Under the agreement, studies are to be made, further studies of the situation at Niagara Falls, with a view to putting compensation works in there.

Mr. BEITER. At Niagara Falls?

General ROBINS. At Niagara Falls.

Mr. BEITER. Well, have those amounts been included in the estimates given to cover the cost of such regulations?

General ROBINS. No, sir.

Mr. BEITER. They have not? What is the estimate of the cost of such regulation?

General ROBINS. I have no estimate, because the agreement provides that a further study will be made by the commission, and in the absence of knowing what the commission will plan, we have made no estimate of that. That has nothing to do with the seaway project itself.

Mr. BEITER. Now, practically all the labor in connection with the construction of this project will be skilled labor, will it not?

General ROBINS. No, sir.

Mr. BEITER. How much common labor will be used and how much W. P. A. labor will be employed there?

General ROBINS. I suppose whatever W. P. A. labor happens to be available and capable of working on the project will find employment there. We would not employ just the W. P. A.

Mr. BEITER. Could you use common labor to operate the "bulldogs," for instance, or a steam shovel?

General ROBINS. No, sir.

Mr. BEITER. Well, that is skilled labor. Do you have any idea how much skilled labor, or the proportion of skilled labor to common labor that would be employed there?

General ROBINS. I have a complete list of what we estimate will be employed there.

Mr. BEITER. Do you have it available there and can you give us the figures?

General ROBINS. Yes, sir. I can give you just some of the principal figures.

Mr. BEITER. I would appreciate that very much.

General ROBINS. Carpenters, about 700.

Mr. BEITER. Seven hundred carpenters?

General ROBINS. Concrete finishers, about 300.

Mr. BEITER. And concrete finishers.

General ROBINS. Electricians, 130.

Mr. BEITER. One hundred and thirty electricians.

General ROBINS. Enginemen—

Mr. BEITER. What is that?

General ROBINS. Enginemen.

Mr. BEITER. Enginemen? What is an engineman?

General ROBINS. It is a marine engineer, or a man that runs a hoisting engine. About 150 of them.

Mr. BEITER. One hundred and fifty.

General ROBINS. Common labor; we have 2,000.

Mr. BEITER. Two thousand common laborers?

General ROBINS. Machinists, 70.

Mr. BEITER. Seventy machinists?

General ROBINS. Yes, sir.

Then, under the classification of operators of the power equipment—

Mr. BEITER. They are skilled men, considered to be skilled men, too, are they not?

General ROBINS. They are both skilled and semiskilled.

Mr. BEITER. Yes.

General ROBINS. There are air-compressor operators—

Mr. BEITER. What is the total there employed?

General ROBINS. We have got a total of about 10,000 men, on the average.

Mr. BEITER. Ten thousand men. So that 2,000 common laborers and 8,000 skilled men would be employed on these projects if they are all in operation at the same time; that is, you expect to construct them all at the same time?

General ROBINS. That is based on the project going ahead in all its phases.

Mr. BEITER. Eight thousand skilled men and 2,000 common laborers?

General ROBINS. I would not say that all 8,000 are skilled.

Mr. BEITER. Skilled or semiskilled?

General ROBINS. Skilled or semiskilled. But they are men that work habitually in the heavy construction industry, and are not adaptable to mass production of airplanes or tanks, or any of that kind of equipment.

Mr. BEITER. So that you think that this project is so important to the defense of our country that it should be given priority to receive steel, aluminum, or technical equipment, or other equipment and material, and 8,000 skilled men should be taken out of other industries and placed on this project here?

General ROBINS. No, sir; I have not said that.

Mr. BEITER. Well, isn't it a fact that they will have to be taken from some other place?

General ROBINS. If I recall, in my opening statement I said I thought this project should be authorized immediately and should be constructed as speedily as was consistent with other needs of defense. The priority boards will determine what priority you will have, if you

started your project tomorrow. I do not think that anyone has said that any project in the country of this kind, should be given the right-of-way over everything else.

Mr. BEITER. You believe, then, that the aluminum that would be necessary for this could be used to better advantage to manufacture bomber planes?

General ROBINS. It would depend upon what the situation was, how much aluminum was available and how much was needed. There will not be any aluminum go into this project for several years.

Mr. GAVAGAN. And how many bombers we had on hand at the time?

General ROBINS. Yes, sir.

Mr. BEITER. There will be quite a lot of aluminum used in transmission lines?

General ROBINS. There are no transmission lines included in this.

Mr. BEITER. But in order to get the power to the site or where it is to be used, transmission lines will be required?

General ROBINS. Transmission lines are already built. The main thing we would have to get would be transformers. However, there are other ways of getting power than doing that.

Mr. CULKIN. May I suggest to the gentleman from New York that under the legislative set-up of New York at present it is contemplated that the going transmission lines will be used. That is my understanding of it, subject to the agreement with the utilities.

Mr. BEITER. It is my understanding that probably 200 miles of transmission lines, at least that much, will have to be constructed to tie in with present lines.

Mr. CULKIN. I greatly fear the gentleman is mistaken. That is my understanding, that the existing lines will be used.

Mr. BEITER. General, do you think this project is vital to our national defense?

General ROBINS. I think it is essential to a program for all-out defense.

Mr. BEITER. But you would not consider it vital?

General ROBINS. I do not think you can take any project, any one project, and say that it is vital, if you mean—what do you mean by "vital"?

Mr. BEITER. Well, of course, construction of bomber planes is a vital undertaking; the construction of a battleship is vital; and equipping the Army with fighting material is vital.

General ROBINS. If you break it down, how many planes and how many battleships would be vital, and how many would not be vital?

Mr. BEITER. Well, as a matter of defense, General, do you not feel that this project, with power dams and locks and switch yards would be highly vulnerable, especially when we consider the ever-increasing range of planes?

General ROBINS. Not any more vulnerable than all the other plants and facilities we have.

Mr. BEITER. I know, but when our other plants were constructed, we took that into consideration, did we not? For instance, in the construction of the Panama Canal, we took into consideration that it must be protected and spent a lot of money doing it?

General ROBINS. Well, if you are talking about protecting transportation facilities and the locks of the St. Lawrence waterway, you pro-

tect it with the air force and the Army, just as you protect the city of Washington. There is no special provision other than your general force. The St. Lawrence seaway is not any different. How are you going to protect the bridges over the Potomac or the bridges over the Susquehanna or the bridges over any of the other rivers?

Mr. BEITER. A bridge is not as important as a power plant, as far as national defense is concerned, because the power plant is relied on by other industries for power. So if the power plant was destroyed it would vitally affect these industries, would it not?

General ROBINS. Or any other power plant that is being used.

Mr. BEITER. You cannot very well make a comparison of a power plant with a bridge, or compare the seaway with the city of Washington; of course, the city of Washington—

General ROBINS. I think if the bridges were hit, for instance, on the Susquehanna River, for instance between here and Philadelphia and New York, I think that that would cripple the country quite a bit.

The CHAIRMAN. Conowingo?

General ROBINS. Yes, sir; the Conowingo plant is just as vulnerable as the St. Lawrence, and more so; and any number of plants are just as vulnerable as the St. Lawrence.

Mr. BEITER. Why is Conowingo more vulnerable than the St. Lawrence?

General ROBINS. It is nearer the sea coast.

Mr. BEITER. That is true. But does a hundred or 200 miles make much difference with the planes that are being used now?

General ROBINS. It makes a big difference.

Mr. BEITER. Not to the large bomber planes.

General ROBINS. Well, if your planes are operating from an aircraft carrier, which they would have to be, it would make a big difference as to what range they had to operate on.

Mr. BEITER. That is true, but if they could operate from some base, it would make little difference.

General ROBINS. Well, we are spending a lot of money in acquiring offshore bases to protect the whole country, and of course if those defenses are not effective, why the whole country becomes at the mercy of anybody that has control of the air, all the large cities and the manufacturing plants and everything else. There is no difference in defending this project, if it is constructed, than there is in defending any other important part of the country.

Mr. BEITER. That is true, but the construction of it is an additional project that will have to be guarded and protected?

General ROBINS. No, sir; you have got to guard and protect that whole country, anyway. We are committed to protecting it.

Mr. BEITER. That is true, but you do not have to guard and protect just an ordinary stream, that is, you do not have to take the same precautions as would be necessary for a huge power plant or a dam?

General ROBINS. We have got to protect—

Mr. BEITER. And you would have to guard against sabotage.

The CHAIRMAN. How about the locks at the Welland Canal?

General ROBINS. You would have to protect the Canadian canals as they stand. The Canadian canals right now are very essential to the Canadian war effort. We would have to protect the city of Montreal.

Mr. BEITER. Well, is it not a fact that the destruction of power plants and the crippling of the remaining defense industries that are dependent on this source of power, and the bottling up of the fleet under construction in the Great Lakes, would represent a major victory for the enemy or any enemy?

General ROBINS. It would represent a major victory now if they did something like it. If we are going to give the United States away to the enemy, we might as well stop doing anything.

Mr. BEITER. From a defense standpoint, however, would it not be better to scatter the sources of power and shipbuilding facilities and defense industries rather than concentrate them in any one location?

General ROBINS. Why, certainly; it is better to separate them as far as you can. That is a fundamental military principle. I think that that was one of the objects of building ships on the Lakes, was to get shipbuilding facilities dispersed.

Mr. BEITER. General, as I recall the testimony yesterday, you said that with luck some vessels in the Great Lakes might be built by December 1944, but that general traffic could not use the seaway until the summer of 1945; and a few days ago the Secretary of War thought this was possible with good luck. I think that he emphasized the words "good luck."

I want to get your considered opinion as an engineer. What is your conservative estimate of the time of completion?

General ROBINS. If there are no contingencies, it is just the same as I stated yesterday; you can complete it sufficiently to pass ships down in three working seasons, provided you are not confronted with unusual ice conditions or strikes or you cannot get the materials that you need.

Mr. BEITER. So that by your estimate this seaway and power project would not be available to us until the spring of 1946?

General ROBINS. No, sir; in three working seasons it would be available; ships could be taken out at the end of the navigation season in 1944. By the end of 1945, four working seasons, the whole project would be available; not all of the power, probably, but as much as we needed right away.

Mr. BEITER. Well, now, if this agreement should be approved—and it has still got to go to the Senate—then, as far as this season is concerned, you could not do anything?

General ROBINS. It depends on how soon we can start. We could move in in the winter if we could get all set and start our cofferdams around the first—

Mr. BEITER. Of next year?

General ROBINS. Of next year. We will be able to raise the pool sufficiently to get the ships down at the end of the navigation season of 1944.

Mr. BEITER. That is only 2 years?

General ROBINS. That is three working seasons.

Mr. BEITER. Well, it is if the work is started in the spring of 1942 and ran from that time through the summer of 1942. Then this would require the years of 1943 and 1944 before completion.

General ROBINS. That is, working—

Mr. BEITER. Wait a minute. If you completed the work in the fall of 1944, or December of 1944, and the project was encased in a solid cake of ice for 4 months, at least, and this year I believe it was the 15th of May before they opened up the navigation at Montreal, then

it would be May 15 of the next year before you could get the vessels out of them.

General ROBINS. No, sir; we will bring the ships out at the very end of the navigation season.

Mr. BEITER. What are you going to do, put ice cutters in there?

General ROBINS. There will not be any ice.

Mr. BEITER. There will not be any ice in the winter of 1944?

General ROBINS. Of course, there will be ice. It will not take but a week to bring the ships down, and what we propose is to do it at the very end of the working season when we might get a week or 10 days before the ice comes in, and we will bring the ships out.

Mr. BEITER. Construction of the ships will be so timed that they can be brought out just as soon as the project is completed?

General ROBINS. That is presumably the assumption. I do not know anything about when the ships will be completed, but if they are there ready to come out, we will take them out.

Mr. BEITER. That deals with the navigation portion of the project.

How about the power project, will that be complete, ready to produce 100,000 kilowatts at that time?

General ROBINS. No, sir.

Mr. BEITER. It will not?

General ROBINS. We can make power available sometime in 1945. I do not think it would be wise to try to install, all of the 36 units at once.

Mr. BEITER. How late in 1945 will it be before you are able to get power?

General ROBINS. I think early in 1945 we would have power available.

The powerhouse, Mr. Beiter, is not affected by the ice. We build our coffers, and stay right in them so that the powerhouse can go right along winter and summer.

Mr. BEITER. Then what is your conservative estimate of the time for completion of the entire project?

General ROBINS. Four years.

Mr. BEITER. Four years?

General ROBINS. Yes.

Mr. BEITER. So that would make it 1946.

Mr. ELLIS. They start in 1941.

Mr. BEITER. No; that was not his testimony.

Mr. ELLIS. He said that they can start right away.

Mr. BEITER. Well, the bill has not passed Congress yet; it has not gone through the Senate.

Mr. ELLIS. If we can get along, it can pass.

Mr. BEITER. Now you said the estimates were increased 12½ percent over the previous estimates to give a better allowance for contingencies, did you not?

General ROBINS. I said that we had reestimated the project, using present prices and had added 25 percent for contingencies; and that in estimating what the State of New York is to pay, as named in the bill, 12½ percent on top of that was added.

Mr. BEITER. On top of the 25 percent that you had mentioned?

General ROBINS. Yes, sir.

Mr. RANKIN. Will the gentleman yield? How many months in the year do you say that ice interferes with the traffic?

General ROBINS. About 5 months.

Mr. RANKIN. And, over how many years do you have the figures showing the length of time that traffic has been blocked?

The CHAIRMAN. Mr. Rankin, if you will permit me, we have on page 13, part II of the St. Lawrence Survey of the Department of Commerce a table showing the date of opening and closing of the seasons for the last 2 years, and I suggest that this table be inserted in the record.

Mr. RANKIN. I understand; but I can more readily judge it and I can remember it better if I can get his statement here now while we are concentrating on this point.

I want to know how many months in the year that this seaway would be blocked with ice so that it could not be navigated.

General ROBINS. Five months, on an average.

Mr. RANKIN. Five months?

General ROBINS. Yes, sir.

Mr. RANKIN. I beg your pardon for interrupting.

Mr. BETTER. That is all right.

(The table above referred to is as follows:)

TABLE 10.—Seasons of navigation at Welland and St. Lawrence Canals, 1920-39

Year	Welland Canal			St. Lawrence canals		
	Opening of navigation	Closing of navigation	Days open	Opening of navigation	Closing of navigation	Days open
1920.....	Apr. 19	Dec. 15	241	May 1	Dec. 11	225
1921.....	Apr. 15	Dec. 19	249	Apr. 18	Dec. 14	241
1922.....	Apr. 17	Dec. 14	242	Apr. 19	Dec. 11	236
1923.....	do	do	242	May 1	Dec. 10	224
1924.....	Apr. 16	Dec. 10	239	Apr. 21	Dec. 11	234
1925.....	Apr. 14	Dec. 17	248	Apr. 23	do	233
1926.....	May 1	Dec. 15	229	Apr. 29	Dec. 5	221
1927.....	Apr. 16	Dec. 16	245	Apr. 18	Dec. 14	241
1928.....	do	Dec. 13	242	Apr. 16	Dec. 10	239
1929.....	Apr. 17	Dec. 9	237	Apr. 11	Dec. 12	246
1930.....	Apr. 21	Dec. 12	236	Apr. 12	Dec. 11	244
1931.....	Apr. 9	Dec. 17	253	Apr. 17	Dec. 12	243
1932.....	Apr. 7	Dec. 16	253	Apr. 14	Dec. 15	245
1933.....	Apr. 4	Dec. 13	254	do	Dec. 5	236
1934.....	Apr. 17	Dec. 15	243	Apr. 18	Dec. 13	240
1935.....	Apr. 1	Dec. 20	264	Apr. 22	Dec. 15	238
1936.....	Apr. 17	Dec. 13	241	Apr. 17	Dec. 16	244
1937.....	Apr. 10	Dec. 12	247	Apr. 12	Dec. 6	239
1938.....	Apr. 11	Dec. 15	249	Apr. 16	Dec. 14	243
1939.....	Apr. 10	Dec. 16	251	Apr. 25	Dec. 11	231
Average.....	Apr. 14	Dec. 15	245	Apr. 19	do	237

SOURCE: Canada, Dominion Bureau of Statistics, Canal Statistics.

Mr. BETTER. The unit prices that were figured in 1932, I believe, were based on a 25 percent contingency; is that correct?

General ROBINS. No, sir. The American estimates are based on new unit prices after investigation of costs for the last 4 or 5 years on going projects, the T. V. A. prices; the costs at Bonneville, and other projects of that kind.

Mr. BETTER. Well, the prices have recently gone up. Do you have an allowance there, or a spread for the recent increase in prices; did you take that into consideration?

General ROBINS. Yes, sir. I had them checked a week ago again, and the unit prices we used are comparable with the prices right now. Of course, prices are going up all of the time. Nobody knows how high they will go.

Mr. BEITER. Regarding the Soulanges, I believe your report is that the cost would be \$25,000,000.

Now, the 1926 report shows two items, one \$32,859,000 and another \$34,686,000.

The Engineers have dropped the two items somewhere and now use the figure of \$25,000,000. Will you explain that?

General ROBINS. The figures you refer to were based on the old project which contemplated a canal on the northwest side of the river. This figure of \$25,785,000, is based on what remains to be done on the Beauharnois Canal, which is now going to be used for navigation instead of the canal on the other side of the river.

These figures for the Canadian section, these estimates were made by the Canadians and not by us.

They are the exact figures that the Canadians gave us.

Mr. BEITER. Do you know whether or not any interest is allowed on any of these items during the construction period?

General ROBINS. No, sir; these items do not include interest.

Mr. BEITER. Do not include interest?

General ROBINS. No, sir.

Mr. BEITER. Do you know what the interest would amount to?

General ROBINS. It all depends on the period taken for construction.

Mr. BEITER. Did you submit a detail of estimates showing the cost of turbines, generators, and so forth?

General ROBINS. Not of these particular turbines and generators. The estimates for turbines and generators are based on what similar turbines and generators are costing today.

These turbines and generators have not been designed in detail yet.

Mr. BEITER. Will those figures be made available to the members of the committee?

General ROBINS. Yes, sir.

Mr. BEITER. They should be taken into consideration, I mean, in connection with the cost of this, and I think that the committee should have those figures.

General ROBINS. Well, I can give you a break-down on powerhouse estimates.

Mr. BEITER. Can you furnish a break-down on power on the estimates?

General ROBINS. Yes, sir.

Mr. BEITER. Have you got it in the old amount?

General ROBINS. I have not got it.

Mr. BEITER. I think that would be very helpful to the committee if you could.

The CHAIRMAN. For the record?

Mr. BEITER. For the record.

General ROBINS. I can give it to you. I do not have a break-down of the generating equipment. I can insert a complete estimate in the record.

Estimate of cost of Barnhardt Island powerhouse

I. Structures, headrace, and tailrace:		
Railway connection	\$287,500	
Unwatering	1,437,500	
Excavation	7,365,300	
Substructure	26,128,000	
Superstructure	2,161,700	
Ice sluices and walls	3,220,000	
		\$40,600,000
II. Machinery and equipment:		
Turbines and governors	28,566,000	
Generators	38,513,500	
Service units	230,000	
Low tension switching	5,830,500	
Gates, cranes, etc	2,760,000	
		75,900,000
Total		116,500,000

Mr. BEITER. Now, along with that, General, could you include steel for powerhouse construction, such as reinforcing steel, steel for columns or girders, and trusses, and everything?

General ROBINS. Everything is included.

Mr. BEITER. Well, I have some idea of the amount of steel to be used.

General ROBINS. Well, the estimates are based upon the quantities of materials to be required.

Mr. BEITER. That is right; but I would like to have a break-down to show how much steel would actually be used.

General ROBINS. Well, I can give an estimate of the steel for the entire project.

Mr. BEITER. Do you have that available at the present time?

General ROBINS. Yes, sir.

Mr. BEITER. Or can you supply it to the committee or insert it in the record?

General ROBINS. I can give it to you right now.

The amount of reinforcing steel required in the United States and reinforcing steel and rails is estimated at 50,000 tons.

Mr. BEITER. Fifty thousand tons?

General ROBINS. Yes, sir.

Mr. BEITER. That is steel and rails?

General ROBINS. That is reinforcing steel and rails. Structural and miscellaneous steel, 80,000 tons.

Mr. BEITER. Eighty thousand tons.

General ROBINS. Yes, sir.

Mr. BEITER. That is a total of 130,000 tons of steel that will be used in this project?

General ROBINS. Yes, sir.

Mr. BEITER. Now, in computing the amount of power that can be developed on the St. Lawrence River, am I correct in saying it will depend upon the head available and one-half of the river flow, less the amount of water that is diverted at Chicago into the Mississippi Basin?

General ROBINS. It will depend upon the head and the flow of the river at the site of the powerhouse.

Mr. BEITER. What has that been estimated to be?

General ROBINS. The mean flow is estimated at around 240,000 second-feet.

Mr. BEITER. Is that more than the legalized amount of actual diversion?

General ROBINS. You mean the diversion at Chicago?

Mr. BEITER. Yes.

General ROBINS. Why, it is much more than the diversion at Chicago. The authorized diversion, other than the water used by the city of Chicago, is only 1,500 second-feet. There is not over 8,000 second-feed going down the Illinois now.

Mr. BEITER. Not over 8,000?

General ROBINS. Not over 8,000.

Mr. BEITER. Not over 8,000 going down the Illinois at the present time?

General ROBINS. No, sir.

Mr. BEITER. What about the flow that is taken out of the St. Lawrence at Massena for power?

General ROBINS. I think they take about 30,000 second-feet.

Mr. BEITER. What is that figure?

General ROBINS. About 30,000 second-feet.

Mr. BEITER. About 30,000 second-feet?

General ROBINS. Yes, sir.

Mr. BEITER. How long have you been with the Board of Army Engineers?

General ROBINS. I graduated from West Point in 1904, sir.

Mr. BEITER. During the period that you have been with the Board of Army Engineers you have been constantly working on rivers and harbors work; constantly employed on rivers and harbors work?

General ROBINS. I have been constantly on that kind of work since 1925, with the exception of 2 years at Fort Belvoir.

Mr. BEITER. Who plans the work for the Board of Army Engineers?

General ROBINS. Well, the Board of Army Engineers does not do the work. The Board of Army Engineers reports or reviews the reports. The Engineer Department does the work and prepares the detailed plans and estimates, and so forth. That is done by the districts and the divisions into which the country is divided.

Mr. BEITER. Well, does not the Congress authorize the surveys and resurveys of projects?

General ROBINS. Yes, sir.

Mr. BEITER. Did Congress in this particular instance authorize a survey or the resurvey? I think you stated yesterday that the Army engineers have been working on this for 30 or 40 years, and I was wondering when Congress authorized such a survey and then, assuming an unfavorable report was submitted, whether a resolution was adopted in Congress authorizing a resurvey of the project?

General ROBINS. No, sir; not the St. Lawrence. You misunderstood me if you understood me to say that the Army engineers had been working on this project for 30 or 40 years. I said engineers. The Army engineers have been on the various boards, such as the joint board that was convened in 1925. That was done by authorization by Congress. Then that board was reconvened under the same authorization and put in its report. In the meantime the Canadian engineers have made several reports; but the present survey, the present investigation and survey that the Engineer Department is making, is being done by Executive order and not under a resolution by Congress.

Mr. BEITER. Well, from what source did the Board of Engineers obtain its funds?

General ROBINS. The President allotted money from his emergency fund.

Mr. BEITER. What fund was that?

General ROBINS. The first emergency fund that the President was granted.

Mr. BEITER. Were those W. P. A. funds?

General ROBINS. No, sir; the appropriation made to the President.

Mr. BEITER. You do not know the date of that, do you?

General ROBINS. No, sir; I do not. I can insert it in the record.

(The acts of Congress referred to above are Public 588, 76th Cong., approved June 11, 1940, and Public 611, 76th Cong., approved June 13, 1940.)

Mr. BEITER. Now, if Congress approved this resolution, would the work be under the supervision of the Board of Army Engineers or some other Government agency?

General ROBINS. What resolution are you referring to?

Mr. BEITER. The legislation authorizing the construction of the project.

General ROBINS. The bill states that the work will be under the direction of the Chief of Engineers and the supervision of the Secretary of War.

Mr. BEITER. And the work itself is ordinarily let by contract? How is this handled?

General ROBINS. The well-established policy of the Corps of Engineers is to do all their work by contract as far as possible, and the greater part of our work is done by contract.

Mr. BEITER. So that other agencies of the Federal Government, say, for instance, the Federal Works Agency, the Public Works Administration, the W. P. A., or any one of those agencies, would not be called upon to do this work if the project were authorized by Congress?

General ROBINS. No, sir.

Mr. BEITER. Would it be done by contract?

General ROBINS. Done by contract.

Mr. BEITER. In the past, have any commissions been set up on power projects to advertise for bids and oversee the work, supervise the work?

General ROBINS. Not Federal work. I think that some State agencies in the form of commissions function that way.

Mr. BEITER. Do you recall whether at any time the Board of Army Engineers has submitted a report on this project to Congress?

General ROBINS. It submitted a report in 1934.

Mr. BEITER. Was that a favorable or unfavorable report?

General ROBINS. I do not think the Corps of Engineers at that time in that report was called upon for definite recommendations. Mr. Hoover was then President and submitted the report to Congress, part of which was prepared by the Department of Commerce and part by the Federal Power Commission and part by the Corps of Engineers. The Corps of Engineers prepared the part of the report which had to do with the physical features, the barriers that had to be removed in order to get navigation and in order that the ships could use the waterway, and things of that kind.

The report was printed as Senate Document 116 of the Seventy-third Congress, second session.

Mr. BEITER. And you say that report was not in the form of a recommendation and was not a favorable report?

General ROBINS. The Board of Engineers was not called upon to make any recommendations in that report.

Mr. BEITER. And they made no recommendation and were not called upon to make a recommendation?

General ROBINS. They simply gave the finding of facts as to what the commerce was that could be expected to use the waterway and what ships could use it, and what had to be done to open it up and things of that kind. The report was really submitted by the President of the United States to Congress and—

Mr. BEITER. But there was no recommendation at that time that the project be built; is that correct; no recommendation from the Board of Engineers?

General ROBINS. No, sir.

Mr. BEITER. Subsequent to 1934, was there at any time a report submitted to either body of Congress recommending or disapproving this project?

General ROBINS. I do not know of any report that has been submitted by the Corps of Engineers as such.

Mr. BEITER. There has been no statement?

General ROBINS. We have not been called upon for any report.

Mr. BEITER. You have never been called upon for a report?

General ROBINS. No, sir.

Mr. BEITER. And in your recollection, the Board of Army Engineers has never recommended against the project?

General ROBINS. They have never recommended against it.

Mr. BEITER. And your recollection is that the board has never favorably reported it to the Congress?

General ROBINS. Well, not a favorable report in the sense that ordinarily we mean by a favorable report; that is, a report containing definite recommendations by the Board of Engineers and by the Chief of Engineers.

Mr. BEITER. Then there never has been a definite recommendation by the Board of Army Engineers for this project?

General ROBINS. There has never been one, sir; because Congress has never called for one.

Mr. BEITER. When the project was considered in the Senate under the treaty form was not the Board of Army Engineers called upon at that time to make a statement of some kind?

General ROBINS. They were called to—

Mr. BEITER. Either for or against it?

General ROBINS. General Pillsbury and General Markham testified before the committees of Congress and were both in favor of the project.

Mr. BEITER. Both General Pillsbury and General Markham were in favor of the project?

General ROBINS. Yes, sir.

Mr. BEITER. As Chief of the Board of Engineers, but, has the entire board ever taken action? Did they testify as individuals, or as engineers assigned as supervising officers? Or did they speak for the Board of Engineers?

General ROBINS. The Board of Army Engineers, so far as I know, has never been called upon and never has made a definite recommendation as to whether the project should be built or not.

Mr. BEITER. Then it was solely the recommendation of General Markham and General Pillsbury as individuals?

The CHAIRMAN. For the record, General Markham was Chief of Engineers and General Pillsbury assistant chief, was he not?

General ROBINS. Yes, sir.

Mr. BEITER. Have you ever made a study of steam plants, General, as to the time required to construct a steam plant?

General ROBINS. I have never made a study of it. I have never had to build one. In a general sense I have some idea as to the time required.

Mr. BEITER. How long would it take to build a plant of say 100,000 horsepower?

General ROBINS. Well, the time required to put it in commission would depend on the time required to get the machinery. I understand that at the present time it takes about 2 years.

Mr. BEITER. To get the machinery for a plant or construct the entire plant?

General ROBINS. Yes, sir; put the plant into commission.

Mr. BEITER. So that we could construct a steam plant and have additional power available in 2 years as compared with 4 years under the St. Lawrence proposal?

General ROBINS. You could if you can get the turbines and generators manufactured.

Mr. BEITER. Well, of course, the same thing will apply to a hydro plant, too?

General ROBINS. No, sir; it would not. You could get turbines, water wheels, much easier than you can get steam turbines.

Mr. BEITER. What is the reason for that?

General ROBINS. Because the people that make the steam turbines are just chock-a-block with all of the work they can do. The people that make water wheels are not so busy.

Mr. BEITER. Well does that mean, then, that steam plants are in greater demand than hydro plants?

General ROBINS. The power companies throughout the country, as I understand it, are all enlarging their capacities and then besides that the steam turbines are required for ships and the result is that for the next year or 2 the people that make steam turbines are going to have more work than they can do.

Mr. BEITER. Well, assuming that the St. Lawrence seaway, according to your estimates of the other day, would cost \$285,000,000, and the average cost of a steam plant capable of producing 240,000 kilowatts is \$10,000,000—

The CHAIRMAN. May I offer a suggestion there? The estimates of cost that you have includes navigation as well as power, and also includes the \$8,000,000 lock at the Sault, and dredging the connecting channels of the Great Lakes.

Mr. BEITER. Well, of course, Mr. Chairman, that has to be taken into consideration, does it not?

The CHAIRMAN. I understand, but you are comparing the cost of steam with hydro plants, and you are taking all of these navigation projects, amounting to many millions of dollars, into the figures.

Mr. BEITER. Well, what is the cost, Mr. Chairman? I understand the estimated cost for power is about \$200,000,000.

The CHAIRMAN. For the power feature, I think—

Mr. BEITER. About \$200,000,000 for the power feature.

General ROBINS. No, sir; about \$116,000,000.

Mr. BEITER. \$116,000,000 for power alone?

General ROBINS. Yes, sir.

Mr. BEITER. How do you arrive at that figure?

General ROBINS. That is the figure for the works built primarily for power, solely for power.

Mr. BEITER. In your estimates you submitted to us yesterday, you had works, primarily for power, at \$116,000,000, and works common to navigation and power, and you have certainly got to tie that in somewhere; a certain amount has to be used.

General ROBINS. Certainly that has to be done.

Mr. BEITER. So that in order to obtain power there on the St. Lawrence seaway you have to take items B and C as listed on your estimates here, the total of which would be \$239,000,000.

General ROBINS. It only takes half of C.

Mr. BEITER. Takes what; what is that?

General ROBINS. One-half of C.

Mr. BEITER. One-half of C.

General ROBINS. Yes.

Mr. BEITER. Why?

General ROBINS. Because they are common both to navigation and power and you split them 50-50.

Mr. BEITER. But you would not be able to obtain the power you want without tying them together.

General ROBINS. Well, it is customary in allocating power costs in multiple-purpose projects where you have got works common to two purposes, for each purpose to share alike.

Mr. RANKIN. Will the gentleman yield?

Mr. BEITER. You have to have the dam as much for navigation as for power.

Mr. RANKIN. Will the gentleman from New York yield in order to clear that point up?

Mr. BEITER. Yes.

Mr. RANKIN. Do you mean if this were a power project divorced from the navigation project, you could build a power project and generate all of this electricity for \$116,000,000?

General ROBINS. No, sir.

Mr. RANKIN. I am just trying to get what your statement did mean.

General ROBINS. I say that the works in this project built solely for power purposes would cost or are estimated to cost \$116,000,000.

Mr. RANKIN. Now, suppose it were divorced from navigation, what would be the cost for constructing the power part?

General ROBINS. Well, it would be the cost of—

The CHAIRMAN (interposing). The cost of your dam, plus that?

General ROBINS. Your dam at the Sault, plus the control dam, leaving out all locks and canals.

Mr. RANKIN. About how much would that amount to? That is what I am trying to get at. I do not understand.

General ROBINS. About \$200,000,000. I would say, Mr. Rankin.

Mr. RANKIN. So then if they were separated it would only save about

\$85,000,000, as I understand it; that is, if you undertook to develop the power without the navigation.

Mr. VOORHIS. May I ask one question? General, how much would it cost to complete the project just for navigation without any power in it; how much would that cost if you did not include any power feature; how much would it cost just for the navigation works?

General ROBINS. I could not give that figure offhand, Mr. Voorhis, because we would have to estimate the cost of the dam to take the place of the powerhouse.

Mr. VOORHIS. Well, you have to have the dam anyway.

General ROBINS. But the powerhouse forms a part of the dam.

Mr. VOORHIS. That is right. You would have to have the dam there anyway if you were just going to have a navigation project?

General ROBINS. You would have to have the dam that is now proposed, and if the powerhouse were eliminated, a dam would have to be substituted for the powerhouse.

Mr. VOORHIS. So, Mr. Chairman, it seems to me that figure would be pertinent.

The CHAIRMAN. Yes. I suppose that it would require a good deal of calculations to arrive at it.

General ROBINS. I can insert it.

The CHAIRMAN. Let him insert it in the record in connection with his statement.

Estimate of cost to complete Great Lakes-St. Lawrence project for navigation only

Great Lakes section:		
New lock at Sault Ste. Marie.....		\$8,000,000
Connecting channels:		
St. Marys River.....	\$21,142,000	
Channel between Lakes Huron and Michigan...	625,000	
St. Clair River.....	6,028,000	
Lake St. Clair.....	1,968,000	
Detroit River.....	19,609,000	
		49,372,000
Welland Canal.....		1,100,000
St. Lawrence River:		
Thousand Islands section.....		68,000
International Rapids section:		
Channel excavation.....	\$44,291,000	
Ice cribs.....	514,000	
Control dam at Iroquois Point.....	11,071,000	
Canal and lock at Point Rockaway.....	10,967,000	
Dikes.....	6,210,000	
Supply channel and weir at Massena.....	2,085,000	
Dams at Long Sault Rapids.....	34,343,000	
Canal and locks opposite Barnhardt Island.....	37,890,000	
Alterations to Canadian 14-foot canal.....	4,753,000	
Railroad relocation.....	3,646,000	
Clearing pool.....	500,000	
Rehabilitation of levees of Morrisburg and Iroquois.....	8,403,000	
Acquisition of lands.....	20,211,000	
Highway relocation.....	2,660,000	
		187,544,000
Canadian section:		
St. Francis Lake Channel.....	1,330,000	
Soulanges Reach.....	25,785,000	
Lachine Reach.....	55,839,000	
		82,954,000
Total.....		329,038,000

Mr. BEITER. All right. Then you say that the cost of the developing of power there would be approximately \$200,000,000?

General ROBINS. That is a rough estimate.

Mr. BEITER. That is a rough estimate?

General ROBINS. Yes, sir.

Mr. BEITER. Now, the estimate of the cost of steam-generated power plants capable of producing the same amount of power that would be generated on the St. Lawrence would be about the same, would it not?

General ROBINS. I think it would be not any greater.

Mr. BEITER. So that we could build, then, 20 steam plants throughout the United States at a cost of \$10,000,000 apiece; we would be able to build that many plants.

General ROBINS. Yes, sir; for \$200,000,000 you could build 20 at \$10,000,000 each.

Mr. BEITER. Those plants could be located near the industries that need the power. In other words, you can build a steam plant in Florida, one in Arkansas, one in Georgia, and one in Mississippi; one in Wisconsin and one in Alabama, or any one of these States, could you not, where there was coal or transportation facilities available to get the coal to that plant?

General ROBINS. You could if Congress authorized it.

Mr. BEITER. All right. So that instead of having all your defense industries located along the eastern coast or along the Gulf coast or western coast we could spread some of this defense work into the interior. Is it possible to do that?

General ROBINS. You could put your power plants wherever you wanted them if you were going to build steam plants. That is right.

Mr. BEITER. So that in some of the larger cities where they have built huge airplane plants, large plants for the manufacture of bombs, machine guns, and so forth, employing thousands of men, they could also be employed in Arkansas, Missouri, Mississippi, and all of those other States, could they not?

The CHAIRMAN. Do not leave out Texas.

Mr. BEITER. And Texas, could they not?

General ROBINS. Well, they could be employed if they were there to be employed. There are some parts of the country where you will not find any men.

Mr. BEITER. Yes; that is true; but, on the other hand, defense industries at the present time are sending scouts into the various States and bringing workers out of those States into the defense areas, because there is a shortage of help in those States.

Now, instead of moving these people into the defense areas, why not permit them to remain where they have their homes and where their families are and build a power plant and a defense plant in that area? Would that not be far better?

General ROBINS. Well, I do not think that even if you want to do that, that that renders the prosecution of this St. Lawrence project inadvisable.

This St. Lawrence project is a project to develop a great national resource both for navigation and power, and the question that we have before us is whether that should be done and not the question of supplying blocks of power merely for special purposes.

Mr. BEITER. Of course, there are vast deposits of coal in our national resources, too.

General ROBINS. Yes, sir; but the coal should be conserved and the power that you generate by steam will cost a lot more than the power that you generate from the St. Lawrence River.

Mr. BEITER. I thought you said just a moment ago that the cost would be approximately the same?

General ROBINS. The cost of the plant might be approximately the same, but the cost of operation will be much greater for the steam plants than the hydro plants.

Mr. BEITER. How much greater; do you know? What is the cost; what does it cost to produce a kilowatt of power by steam as compared with a kilowatt produced by hydro?

General ROBINS. Well, the cost of a kilowatt produced by steam depends, of course, where the steam plant is. I think in the New York area the average cost is about 4 mills per kilowatt-hour. That is over and above fixed charges; just operating costs.

Mr. BEITER. Well, of course, they have to transport coal some distance.

Mr. CULKIN. Will the gentleman yield?

Mr. BEITER. Yes.

Mr. CULKIN. May I ask the gentleman now what is the cost per kilowatt by this St. Lawrence power station?

Mr. BEITER. I am talking about average costs, not the St. Lawrence—the average costs of steam plants and the average costs of hydro plants.

Mr. CULKIN. I do not mean to suggest that the gentleman is avoiding that question. I thought that it might be pertinent.

Mr. RANKIN. I will say to the gentleman from New York (Mr. Culkin), I expect to go into that question very thoroughly.

Mr. BEITER. Mr. Chairman, the gentleman from Missouri (Mr. Bell) is asking me to yield.

The CHAIRMAN. Yes.

Mr. BELL. I just want to ask the General one or two questions to clear up a matter in my mind.

General, on the schedule which was presented here headed "Estimated Cost of St. Lawrence Waterway" you have three headings, A, B, and C.

A, work primarily for navigation, \$48,000,000;

B, work primarily for power, \$116,000,000; and

C, work common to power and navigation, \$122,000,000.

I would like to ask this, General: Would it be possible to produce any of the power listed there unless you also did the work necessary to navigation? Is not the navigation, in other words, an integral part of the whole project?

General ROBINS. It is. You cannot have either power or navigation without the dam.

Mr. BELL. Unless you have the whole thing?

General ROBINS. You have to have the dam for the power as well as for navigation. If you left out navigation, you would not have to have canals or the locks or a lot of channel excavation.

The CHAIRMAN. It would not be the same type of dam, however, would it?

General ROBINS. The dam would be the same, except you would have to substitute a dam for the powerhouse as it is now planned.

Mr. BELL. But the cost would not differ very materially from the cost of the dam which would be constructed for navigation alone. Is that correct, General?

General ROBINS. The cost of the dam would be just the same.

Mr. BELL. Yes. So that in order to produce the power the dams are necessary.

Suppose that it were determined that there is no particular advantage in this additional navigation. I am not saying whether there is or not, but let us assume that the sole purpose of this entire project is power. In that event it would cost just about as much to produce that power as though we added the navigation feature to it, would it not?

General ROBINS. It would not cost as much. We have just been discussing that, and a rough estimate would be \$200,000,000.

Mr. BELL. You think that all the necessary dams and locks and works and whatever would be necessary to produce power in the manner in which you expect to produce it could be built for about \$200,000,000?

General ROBINS. Yes, sir.

Mr. BELL. As against how much for the entire project, including navigation?

General ROBINS. \$300,000,000.

Mr. BELL. So that about two-thirds of the expenditure would be necessary in any event if you threw the navigation overboard?

General ROBINS. That is correct.

Mr. BEITER. General, if my memory serves me correctly, I believe you stated yesterday that the generators that will be installed in these plants will number 36 all told; 18 for the United States and 18 for the Dominion of Canada.

In your estimates on works primarily for power I believe you stated that the amount \$37,950,000 in these estimates was primarily for generators and work inside the plant. Is that correct?

Mr. BELL. On the Canadian side?

Mr. BEITER. On the Canadian side; and on the American side how much?

General ROBINS. The same.

Mr. BEITER. The estimates—

General ROBINS. It is included in the \$78,000,000.

Mr. BEITER. Well, now, listed here you have \$37,950,000 for Canada and the United States \$78,550,000, and then the total would be \$116,500,000

General ROBINS. That is correct, sir. Under the pending agreement the United States builds the powerhouse completely, but the Canadians install their own machinery and equipment.

Mr. BEITER. So that we are paying for the construction of the powerhouse and we pay for 18 generators and obtain the power from the 18 generators, and they get the power from the 18 generators that they install.

General ROBINS. Yes, sir.

Mr. BEITER. Is that correct?

General ROBINS. Yes, sir.

Mr. BEITER. Now, in totaling the amounts that have been expended previously—and I believe that the gentleman from Washington, Congressman Smith, questioned you in this connection or in this regard, and you stated that the Dominion of Canada had been given credit

for works previously performed, such as the Welland Canal and the connecting channels, and so forth.

General ROBINS. They get credit for two items of work, the Welland Canal and the Thousand Islands section.

Mr. BEITER. What does that credit amount to?

General ROBINS. \$132,672,000.

Mr. BEITER. Have we been given credit for any work we have performed in the past on some other connecting canals?

General ROBINS. We have spent on the 27-foot channel over and above what we would spend under the authorized project on the Great Lakes the sum of \$17,105,485.

Mr. BEITER. And in addition to that we contemplate spending another \$74,000,000.

General ROBINS. Yes, sir.

Mr. BEITER. Are we going to be given credit for \$74,000,000 for the cost of the project?

General ROBINS. Well, the credit is here in the estimates. That is part of our share.

Mr. BEITER. It is figured as a cost, though, is it not?

General ROBINS. It is a part of the cost chargeable to the United States under the agreement.

Mr. BEITER. When is Canada, under its agreement with the United States, required to finish its part of the work to be done?

General ROBINS. Canada undertakes to finish its share of the work not later than 1948; but the agreement provides that if it is found advisable for any reason either to defer the completion or to expedite the completion that can be done by an interchange of notes between the two governments.

Mr. BEITER. What is meant by that; does that mean in the event Canada is not able to carry out its part of the agreement because of lack of funds that the United States will have to go in there and complete its portion or complete the project?

General ROBINS. No, sir; it means that the two countries will, by an interchange of notes modify the time of completion, either extend it or speed it up.

Mr. BEITER. There is nothing said in the agreement about financing?

General ROBINS. Under the agreement they are supposed to finance it.

Mr. BEITER. How is that?

General ROBINS. Under the agreement they undertake to do it.

Mr. BEITER. They undertake to do it. They have good intentions of doing it, but if they are not able to carry it out, do you have any assurance that they are going to carry it out?

General ROBINS. Not any more than the assurance of any nation to fulfill its treaty obligations.

Mr. BEITER. When the project is to be completed under the terms of the agreement in 1948, and we want power and Canada is not able to carry out its part of the agreement, do we have any assurance that they will go ahead with their portion? If we want power then we must put up the funds to complete the project. Is that right?

General ROBINS. No, sir. The work you are talking about has nothing whatever to do with the power.

Mr. BEITER. It has nothing to do with the power?

General ROBINS. No, sir.

Mr. BEITER. Merely navigation.

General ROBINS. That is all.

Mr. BEITER. Then if we have vessels constructed in the Great Lakes that are of vital importance to national defense and the Canadians are not able to carry out their part of the agreement, these ships will be bottled up or we will have to complete the project alone?

General ROBINS. They cannot get any further than Cornwall, unless the Canadians build their part of the navigation project.

Mr. BEITER. And if they are not able to build their part of the navigation they will stay there at Cornwall?

General ROBINS. If the Canadians do not do the work below that is where they will stay.

Mr. BEITER. That is where they will stay unless we complete it.

General ROBINS. Yes; unless somebody completes it.

Mr. BEITER. Unless somebody completes it.

General ROBINS. Yes.

Mr. BEITER. Well, that somebody will have to be the United States if they are not able to carry out their part of the agreement, and the work on Cornwall is due to be completed in 1948.

General ROBINS. Not Cornwall, sir; the Canadian section.

Mr. BEITER. When is the work at Cornwall due to be completed?

General ROBINS. As it stands now the Canadians agree to complete their part of the navigation facilities in the Canadian section of the river not later than 1948. They are committed to that definitely; but they agree to take under consideration speeding up.

Mr. BEITER. Or slowing down.

General ROBINS. Or slowing down, according to the situation. That does not mean that the United States—

Mr. BEITER. You must refer to the financial condition of the Dominion. If they are not able to raise their funds they can slow up the project; is that what you mean by the situation?

General ROBINS. Perhaps, Mr. Beiter, if I will read that part of the agreement and then you gentlemen can place your own—

Mr. BEITER. Interpretation on it?

General ROBINS. Interpretation on it.

Mr. BEITER. I want to decide for myself. I haven't determined in my own mind yet whether I am going to vote for this bill or not, and I want to get this information.

General, have you ever considered the separation of the seaway from the power project at any time—that is, figured the cost of the power project alone?

General ROBINS. No, sir.

Mr. BEITER. Have you ever figured the seaway project without the power project?

General ROBINS. No, sir; I have never looked at it as anything but a multiple-purpose project, because I think it would be a crime to look at it in any other way.

Mr. BEITER. What do you mean "to look at it in any other way"?

General ROBINS. You have two resources there to be developed—navigation, and power—and it would be a crime to build the project for either one or the other, because you would be wasting money.

Mr. BEITER. You remind me of the lady that has a dining-room suit, and because she has a dining-room suite, she wants to build a house around it.

General ROBINS. No, sir; not at all. That is not a parallel situation.

Mr. BEITER. Well, don't you think it would be advisable to construct just the power plant in that area?

General ROBINS. No, sir; because power would cost more to build alone than if it were built in combination with navigation, the same as would obtain if you built for navigation alone. The two purposes help each other.

Mr. BEITER. Well, we talked about the navigation feature of it, and it is this feature of it that we contend is harmful to the State of New York. It is the navigation feature that we are objecting to and not the power feature.

General ROBINS. Well, that is a matter of opinion as to whether it is harmful or will be harmful in the long run to the State of New York.

Mr. BEITER. In the State of New York it seems to be the consensus of industry and labor alike that it will be harmful to them, except, of course, a few residents of a small area up in the Oswego section. But you regard the opinions of all these people as of no consequence and not to be taken into consideration.

General ROBINS. It is not my place to pass on that, sir. I understood Governor Lehman to testify that in his opinion the majority of the people in New York State were overwhelmingly in favor of this project. He is about the best authority I know of on what the people of New York think. I don't know myself.

Mr. BEITER. Well, I don't agree, of course. As far as the power feature of it is concerned, probably Governor Lehman is right. But when it comes to the seaway proposal, Governor Lehman is not right, and I am not in accord with him on that.

General ROBINS. Well, I would rather not argue the question of whether the people of New York want it or don't want it.

Mr. GAVAGAN. I object to the question. I think it is unfair to the witness. He is being called upon to characterize the Governor of the State of New York and I object to it, and I insist upon a ruling.

Mr. CULKIN. It is a repeated summation of his statements in a question.

The CHAIRMAN. I think Mr. Beiter will withdraw the question.

Mr. BEITER. I will withdraw the question, certainly—I shall be glad to.

What I am trying to point out though, General, is this: It seems to be the consensus of the people of the State of New York and some of the other States on the Great Lakes, that if this seaway is to be built it would be detrimental not only to the Niagara frontier and many cities on the Great Lakes, but also to the city of New York, and all the cities located along the Erie Canal from Buffalo to Albany. It is for that reason that we have been opposing the seaway project.

I am just wondering whether it would be possible for us to obtain a figure for the cost of developing the power phase of this project alone, divorcing it from the seaway. If that figure were available, or a study had been made of it, I think it would be very helpful.

General ROBINS. We can supply that figure and will be very glad to do it.

Estimate of cost of developing the International Rapids Section of the St. Lawrence River for power only

Powerhouse, including head race and tailrace.....	\$40,600,000
Power machinery and equipment.....	75,900,000
Channel excavation.....	44,291,000
Ice cribs.....	514,000
Control dam at Iroquois Point.....	11,071,000
Dikes.....	6,210,000
Supply channel and weir at Massena.....	2,085,000
Diversion cut through Long Sault Island.....	2,217,000
Main dam at Long Sault Rapids.....	16,063,000
Guard gate, 14-foot lock and weir at Maple Grove.....	4,149,000
14-foot lock and dikes at Iroquois.....	604,000
Railroad relocation.....	3,646,000
Clearing pool.....	500,000
Rehabilitation of the town of Morrisburg.....	5,024,000
Rehabilitation of the town of Iroquois.....	3,379,000
Acquisition of land in United States.....	6,200,000
Acquisition of land in Canada.....	14,011,000
Highway relocation.....	2,660,000
Total.....	239,124,000

Mr. BETTER. That is all, Mr. Chairman.

Mr. PITTENGER. That was a good speech.

The CHAIRMAN. Mr. Angell.

Mr. ANGELL. General Robins, as I understand from your testimony, and I don't want to open up the question again, but I just want to be certain about it, the Corps of Army Engineers have not been requested either by this committee or the Congress to pass upon this project?

General ROBINS. That is correct, sir.

Mr. ANGELL. And the Corps of Engineers has not passed upon it?

General ROBINS. That is right.

Mr. ANGELL. It is customary, however, under all projects of this type that are referred to the Corps of Engineers for their examination and report and recommendation, it submits the facts and figures showing justification for a project and their recommendation and approval of it.

General ROBINS. That is customary, sir, for projects that are entirely within the limits of the United States. This project being an international project has been handled by joint boards and joint commissions of the two countries rather than by the Corps of Engineers.

Mr. ANGELL. If this project is approved and constructed, what will be the minimum depth in the connecting waterways between the Great Lakes?

General ROBINS. Twenty-seven feet.

Mr. ANGELL. So there will be a full 27-foot depth throughout the entire area of the waterway, from the mouth of the St. Lawrence to the Great Lakes—Lake Michigan and Lake Superior?

General ROBINS. Yes, sir.

The CHAIRMAN. Mr. Angell, if you will yield just a moment.

Mr. ANGELL. Certainly.

The CHAIRMAN. I will state for the members of the committee who were not members in 1935, that we adopted a 27-foot project on the St. Lawrence River, I should say Congress did through this committee, on the St. Lawrence River through Lake Ontario.

Previous to that the project there was 18.4 feet and we increased it to 27 feet in 1935 on that section of the river.

Mr. JOHNS. Mr. Chairman, was that ever accomplished?

The CHAIRMAN. Yes; that has been completed.

Mr. ANGELL. General Robins, which in your opinion is more essential in this project, navigation or power development, from the standpoint of national defense?

General ROBINS. Well, I should think they would be about the same, Mr. Angell. That is a pretty hard question to answer. I am really not in a position to know which is needed the most, the shipbuilding facilities on the Great Lakes or power in this particular area. I think they should be treated equally in the consideration of the project.

Mr. ANGELL. In your experience with the Corps of Engineers, have you gone on the assumption that power developed in these various projects on navigable streams by the Federal Government belongs to the Federal Government exclusively? Has that been the practice in your operations?

General ROBINS. That has been the practice and I think the Federal Government unquestionably has the right on any navigable stream, to develop the power if it cares to do so.

Mr. ANGELL. And having done so it owns the power exclusively, to the elimination of the State entirely in which the project is situated?

General ROBINS. Well, it owns it by possession. The courts have never passed on the question of the ownership of the water, so to speak. There is no question but what the United States can make use of the water whether it owns it or not. But whether taking the water is a taking of property is another question, the same question applies to the bed of streams. The States own the bed of the stream but the United States on any navigable waterway can go in and use that bed for anything it pleases.

Mr. ANGELL. Of course, my question goes to the ownership of the power that is being developed.

General ROBINS. If the Federal Government develops the power and sells it, it owns it until the States appeal to the courts.

Mr. ANGELL. Whatever rights the State would get would be through negotiations with the Federal Government.

General ROBINS. Either negotiations or on appeal to the courts.

Mr. ANGELL. I notice in the case of Ashwander versus Valley Authority, decided by the Supreme Court of the United States on February 17, 1936, which was reported in 297 U. S., page 288, the Court, speaking through Mr. Justice Hughes, said with reference to the Wilson Dam, the so-called Muscle Shoals Dam (built pursuant to the act of June 3, 1916, for national defense).

"The Government acquired full title to the dam site with all riparian rights."

Of course, the United States did that through purchase as it does in all of these projects where dams are built. Where the United States builds dams, of course, it acquires the fee to the land on which they are situated—when that land is taken from private owners.

General ROBINS. Yes, sir.

Mr. ANGELL. And continuing with the quotation:

The power of falling water was an inevitable incident of the construction of the dam. That waterpower came into the exclusive control of the Federal Government and mechanical energy was converted into electric energy and the right to convert it into electric energy and the electric energy thus produced constitutes property belonging to the United States.

And then later the Supreme Court, in quite a recent case that I called to your attention the other day, United States of America against Appalachian Electric Power Co., which was decided December 16, 1940, touched again on this same question, and said:

Flood protection, watershed development, recovery of the cost of improvements through utilization of power, are likewise parts of commerce control. As respondent soundly argues, the United States cannot by calling a project of its own "a multiple-purpose dam" give to itself additional powers; but equally true, respondent cannot, by seeking to use a navigable waterway for power generation alone, avoid the authority of the Government over the stream. That authority is as broad as the needs of commerce. Water-power development from dams in navigable streams is from the public's standpoint a byproduct of the general use of the rivers for commerce. To this general power, the respondent must submit its single purpose of electrical production. The fact that the commission is willing to give a license for a power dam only is of no significance in appraising the type of conditions allowable. It may well be that this portion of the river is not needed for navigation at this time, or that the dam proposed may function satisfactorily with others, contemplated or intended. It may fit in as a part of the river development. The point is that navigable waters are subject to national planning and control in the broad regulation of commerce granted the Federal Government. The license conditions to which objection is made have an obvious relationship to the exercise of the commerce power. Even if there were no such relationship, the plenary power of Congress over navigable waters would empower it to deny the privilege of constructing an obstruction in those waters. It may likewise grant the privilege on terms. It is no objection to the terms and to the exertion of the power that "its exercise is attended by the same incidents which attend the exercise of the police power of the States." The congressional authority under the commerce clause is complete unless limited by the fifth amendment.

It is now a question whether the Government in taking over the property may do so at less than a fair value. It has been shown that there is no private property in the flow of the stream. This has no assessable value to the riparian owner. If the Government were now to build the dam it would have to pay the fair value, judicially determined for the fast land; nothing for the water power.

Following that, the Court said:

Since the United States might erect a structure in these waters itself, even one equipped for electrical generation, it may constitutionally acquire one already built.

Such an acquisition or such an option to acquire is not an invasion of the sovereignty of a State. At the formation of the Union the States delegated to the Federal Government authority to regulate commerce among the States. So long as the things done within the States by the United States are valid under that power, there can be no interference with the sovereignty of the State.

In other words, as I view it from these decisions of the Supreme Court of the United States, this question has been definitely passed upon, and the law is that the electric energy developed through the commerce clause in improving navigable streams is property vested solely and entirely in the Federal Government to the exclusion of the State, and the State has absolutely nothing to do with it.

Mr. RANKIN. Will the gentleman yield?

Mr. ANGELL. I do.

Mr. RANKIN. All the lawyers in the United States already knew that except a few of the Power Trust lawyers who have been trying to harass the Tennessee Valley Authority.

Mr. ANGELL. Of course, my purpose, General, is merely to determine, if this project goes forward, if it receives approval of Congress and the President, to whom does the power developed through the project belong? Does it belong to the State of New York or does it belong to the United States Government?

General ROBINS. Well, it belongs to the United States Government, but whether the United States Government has taken a property right away from the State of New York and should reimburse the State of New York for that property right is another question.

Mr. ANGELL. According to these decisions of the Supreme Court, the State of New York has no property right in any of the hydroelectric power developed through the improvement of navigation on the St. Lawrence waterway. That is incidental to the development of the river for navigation under the commerce clause and belongs exclusively to the Federal Government; and also, as held in these cases, the Federal Government may then sell it, dispose of it, or use it as it sees fit, and the State in which the project is situated is not interested in any way in the matter of ownership.

General ROBINS. My personal opinion is that that would be the result, but in this case the Federal Government undertakes to turn the power over to the State of New York for use and sale for a consideration.

Mr. ANGELL. Oh, yes; that is quite logical. There is no question that the Federal Government having exclusive ownership in the power can do with it as it sees fit—it can grant it to New York, turn it over to private corporations or utility companies, or may use it itself.

Mr. CULKIN. Will the gentleman yield?

Mr. ANGELL. Yes.

Mr. CULKIN. What is the case where it says the Government can dispose of power any way it wishes to?

Mr. ANGELL. In the *Appalachian Electric Power Co. case*.

Mr. RANKIN. That was also decided in the recent case that came up from Oklahoma, was it not?

Mr. ANGELL. I think that is true; yes.

Mr. CULKIN. In other words, Mr. Angell, if the Government saw fit to sell the power to New York State, even with conditions, it could do so under the holdings of the Supreme Court?

Mr. ANGELL. Yes, sir; under the *Ashwander case* the Court said that the United States has authority to dispose of property, including hydroelectric power, belonging to the United States—the Government could dispose of it.

It is my contention we are plowing new ground. All the other electric hydro projects that we have developed, in no single instance—Bonneville, Grand Coulee, Boulder Dam, and right down through the category—in no single instance have we turned over the power developed to a State.

Mr. CULKIN. May I say it is possible that that view, from the standpoint of New York, is slightly different and perhaps distorted. That ignores the struggle of the State of New York in its effort to retain this resource and protect it from private interests.

Mr. ANGELL. That may be true, but my point in raising the issue—

Mr. CULKIN. I think that will be dealt with later on by Mr. Olds of the Federal Power Commission.

Mr. ANGELL. That may be quite true, but my point in raising the issue is to bring to the attention of the committee and Congress, if the

bill comes before the Congress, that there is a question of policy involved with reference to the disposition of power, and that we are taking a new position, and we are entering upon new ground here—

Mr. JOHNS. Will you yield, Mr. Angell?

Mr. ANGELL. Yes. I yield to my colleague.

Mr. JOHNS. I think Mr. Culkin brought out the point that I was going to inquire about, and that was this very recent case of the Supreme Court that was cited here, where they went much further than they have gone in any other previous case in the Government's power over the States.

Mr. ANGELL. I think you are perhaps referring to the *Appalachian case*.

Mr. JOHNS. It was a late case. I think it is the *Oklahoma case*, where the Court has gone further than it has ever gone before.

Mr. CULKIN. May I say that in this present bill the Government gets not only \$93,000,000 from the State of New York, but it absolutely controls the social and industrial uses of this power. It proposes to control this power and its uses for the benefit of the people.

Mr. PITTENGER. I would like to comment on this: New York is not stealing anything; she is paying \$93,000,000.

Mr. GAVAGAN. Yes; and the first time in the history of hydroelectric power development. In the prior instances other communities were benefited and gave nothing back to the Federal Government at all. As a matter of fact, there are three instances where they get 5 percent of the returns in perpetuity. New York doesn't get any of the benefits and pays, in addition, over \$93,000,000.

Mr. ANGELL. Apparently the gentleman from New York misses the whole point in the issue I am raising.

Mr. GAVAGAN. No; the gentleman doesn't. I am afraid my distinguished friend misses the whole point.

Mr. ANGELL. Mr. Chairman, who has the floor?

The CHAIRMAN. Mr. Angell has the floor.

Mr. RANKIN. Will you yield?

Mr. ANGELL. I yield to Mr. Rankin.

Mr. RANKIN. I think the gentleman from Oregon is crossing the bridge before we get to it.

Mr. ANGELL. I think that is a pretty good time to cross it, too.

Mr. RANKIN. It is not necessary to pass this bill in its present form to authorize the project.

Mr. ANGELL. Let us not establish a policy unless we know what we are establishing.

Mr. RANKIN. And we will discuss that in executive sessions.

Mr. ANGELL. Because there is an interest throughout the entire United States in all these projects, and if we are going to go away from a beaten trail that we have been following, we ought to know where we are going and read the signposts before we start off on the detour.

Mr. RANKIN. As I understand, General Robins is not interested in governmental policies.

Mr. ANGELL. I know that; I was just asking General Robins what the policy had been in the operation of these projects and in the construction of them, whether there was a single instance in our whole history where the water power developed from these hydroelectric

projects on navigable streams was turned over to the State, and he said he knew of none.

Mr. RANKIN. Will the gentleman yield?

Mr. ANGELL. Yes.

Mr. RANKIN. I will say that over my protest they turned over a large portion of the power developed at Boulder Dam to the Southern California Edison Co. That was done under Coolidge's administration.

Mr. ANGELL. The Southern California Edison Co. is not a State, as I remember my geography.

Mr. RANKIN. But that is going a step beyond. I would rather turn it over to a State than turn it over to a private power company with no restrictions as to the charges they should impose on the individual who has to use the electricity.

Mr. ANGELL. Of course, in this instance here you are not turning it over to the State of New York, either; you are turning it over to this authority, which is not the State of New York.

Mr. RANKIN. I will say this to the gentleman from Oregon, that we have the power even to strike that provision from the bill or to pass legislation requiring that this power be distributed to the ultimate consumers.

Mr. ANGELL. That is quite true.

Mr. RANKIN. And rates based upon the cost of generation, transmission, and distribution, and that is the policy I have always fought for here.

Mr. ANGELL. That is quite true; but before you start over Niagara Falls in a barrel you can turn back, but it is hard to turn back after you get halfway down the falls.

Mr. GREEN. Will the gentleman yield?

Mr. ANGELL. Yes.

Mr. GREEN. It is too late to lock the stable after the horse is stolen.

Mr. ANGELL. I am not suggesting that New York State is attempting to get anything improperly.

The CHAIRMAN. Will the gentleman yield?

Mr. ANGELL. Yes; I will be glad to.

The CHAIRMAN. I have here a report from the Committee on Interstate and Foreign Commerce made by Mr. Rayburn, when chairman of the House, and who is now Speaker, on April 20, 1933, where this matter of turning the power over to New York was under consideration at that time. I am just trying to find out what the results of the bill were. I am advised it passed the House, but it did not reach the Senate. It was along the same lines of this bill, but the amount was a little bit less.

Mr. CULKIN. That bill never passed the Senate.

Mr. ANGELL. General Robins, I must beg your pardon; I appreciate that these questions are rather unfair to ask you. They are questions, some of policy and some of legal import, but the thing I am particularly interested in was what the Corps of Engineers have done with these projects.

Now, pursuing another inquiry briefly: This power project that will be erected on the St. Lawrence under this law, if it is passed, will it be in two units or will it be one complete unit in which the Dominion of Canada will have a half interest and we will have a half interest?

General ROBINS. The power house may be considered as one structure. One half is on the Canadian side in Canada and one half of it in the United States.

After the power house is complete the half on the Canadian side will be turned over to Canada and they will install the machinery and operate that half of the power house.

Mr. ANGELL. Well, then, referring to its operation after completion—will it be so constructed that we can operate our half independently of the Canadian half?

General ROBINS. Yes, sir.

Mr. ANGELL. And if they were to close down or not operate for any reason we could operate our side?

General ROBINS. Yes, sir. There will be an arrangement for an interchange of power between the two countries.

Mr. ANGELL. Will there be one staff and set of employees operating the project?

General ROBINS. No, sir; the operating staff will be entirely different. The Canadians will operate their part of it and we will operate our part of it.

Mr. ANGELL. So it will be completely separated with the one exception that it is a common project on this river and each is entitled to half of the power generated, but we will generate our half and they will generate their half?

General ROBINS. Yes, sir.

Mr. ANGELL. And we will have complete control of the officials and authority of our own half and they will have the same control over their half?

General ROBINS. That is right, sir.

Mr. ANGELL. I think that is all, Mr. Chairman.

Mr. RANKIN. Mr. Chairman, it is now 5 minutes of 12, and I move we adjourn until 2 o'clock.

Mr. PITTEGER. I second the motion.

The CHAIRMAN. Very well; without objection, we will take a recess until 2 o'clock.

(Whereupon, at 12 o'clock noon, a recess was taken until 2 p. m. the same day.)

AFTER RECESS

The committee met, pursuant to the expiration of the recess, at 2 p. m.

STATEMENT OF HON. CHARLES POLETTI, LIEUTENANT GOVERNOR OF THE STATE OF NEW YORK, AND DEFENSE COORDINATOR

The CHAIRMAN. Governor Poletti, we will be glad to hear from you now, please, sir. We have not got a full committee here, but I suppose more will be coming in in a moment.

Mr. POLETTI. It is perfectly all right with me, Judge.

I appreciate this chance of being heard by this committee, and, inasmuch as experts have already testified or will testify, I shall avoid a discussion of technical aspects. I am also cognizant of the fact that

the Governor of the State of New York has appeared before your committee, and I am just a mere Lieutenant Governor, so I really do not count.

Now, the Governor has declared himself in support of this bill in the form that it is now, and I know that he would be in favor of a bill in that form and substance. I take the same position and wish to make it clear on the record, both on behalf of myself and of the chief executive, that our appearance in support of this bill is limited to this bill, and not to a seriously changed form of this bill that will injure what we believe are the just rights of the State of New York. I want that to appear on the record, so that there will be no mistake about it.

New York State has been actively promoting this project for years, and away back in 1907, the then Governor of the State of New York, Charles Evans Hughes, first urged the public development of this water-power resource. And Governors since then have advocated the same policy.

In 1930 the President of the United States, when Governor of New York, recommended the establishment of a special commission, and that commission was established, consisting of several fine men, engineers; and I had the privilege of serving as one of the legal advisers to that commission, and I have been intensely interested in this project ever since.

As the outgrowth of that commission in 1930, we passed in 1931 by unanimous vote of all the legislators of the Legislature of the State of New York the Power Act. That was a unanimous vote. And since then—

MR. BETTER. I did not get that, Governor. What was that statement?

MR. POLETTI. The Legislature of the State of New York, in 1931, by unanimous vote, passed the Power Authority Act, which provides for the development by a public agency of this water-power resource, and since then the Legislature of the State of New York has appropriated considerable sums of money to the power authority in order to promote this project and in order to protect the vast interests of the State of New York. Specifically, our appropriations to the power authority since its creation in 1931 have amounted to \$1,250,000, all devoted to the promotion of this project.

Now, I am not an engineer, but I think this project is a natural, and I think, furthermore, that it is going to be a great economic pick-up for New York State and the Northeastern States, the Middle West, and the entire country. It is a natural and it is an economic pick-up.

Now, I realize that genuinely public-spirited men in arguing against this project do so because they think it will hurt some particular industry or business or locality. We are aware of the fact that the Federal Government has been accused of advocating a philosophy of static economy. Well, in my opinion, the objections are predicated on a philosophy of a static economy. They are predicated on the belief that our economy is fixed and rigid, and we have an apple pie of a certain size and each interest in each locality has a cut out of that apple pie, and therefore, for heaven's sake, let us not disturb the cutting of that pie. Everyone loses sight of the fact that America

has been a growing concern, and the pie gets larger and everyone will get a bigger slice. That goes for every locality and every industry and every business group that have been opposing this project. That is my sincere and earnest thought.

Now, I do not believe in approaching this problem in a myopic way. I think that we do not gain by trying to apply a millimeter rule to see what will happen in this particular place or that particular place or in this group or that group. This is a common project. It is a natural project, and its completed results will be beneficial to our country.

Now, the prosperity of New York City, for instance, depends upon the prosperity of the Nation. New York City, despite what some New Yorkers may think, is a part of the Nation. And it prospers only because the Nation is prosperous. I, for one, as a public official, have never sympathized with the view taken by some New Yorkers that we pay all the taxes, and why should the Federal Government give a lot of money for this project in this part of the country and that part of the country. America is one, and what helps one part of the country helps the entire country. New York City could not exist and enjoy the prosperity it enjoys unless behind New York City were prosperous communities throughout the Nation. Now, there is no argument about that.

So I say that sectionalism, or any arguments predicated on sectionalism have no place in the consideration of this project. When I speak of sectionalism I refer to sectionalism among the States and I refer to sectionalism within a State, including the State of New York. Such an attitude is not sound.

I have mentioned New York City. I shall mention Buffalo. I know that there has been a lot of opposition from Buffalo. In my opinion, Buffalo will not be hurt by this project, but will be helped. Buffalo, like every other city, depends in countless ways on the prosperity of other communities and on the prosperity of the Nation. And Buffalo will profit from the economic pick-up, just as New York City will.

Now, sectionalism has no place. We might as well argue that Buffalo, for instance, should not have the privilege of the water power of Niagara Falls. We know that Buffalo now is having the privilege of the Niagara Falls water power that belongs to the people. We know also that for 15,000 cubic feet per second of that water the private utility company has developed, it does not pay the taxpayers one penny. We also know that only a few days ago Congress authorized the diversion of 5,000 cubic feet per second in addition.

Now, that is going to benefit Buffalo. But it would be terribly unsound for anybody to take the position that that should not be done because the predominating benefit is going to Buffalo. We want to help Buffalo. We want to help every other community. But at the same time the corollary to that would be that no community in this country ought to take a position against a project that is beneficial to the entire Nation because it believes that it may injure its own community.

Mr. GAVAGAN. Buffalo, you would assume, would be willing to help itself to get such a benefit?

Mr. POLETTI. I should think so. I think it will help Buffalo.

Then suppose it were to hurt Buffalo in certain respects. I say that this problem should be approached from a national point of view, and

if this project is beneficial to the Midwest, to the Great Lakes area, and to Watertown, Ogdensburg, and Syracuse, and to the farmers of northern New York—and we have 130,000 dairy farmers in the State—and if it is going to benefit millions of workers who will enjoy cheap electricity, I say that it is not sound for a community such as Buffalo to take a position against it, or its representatives to oppose it.

And, of course, I say all this most respectfully, because you and I are very good friends, Congressman; but I am here to express my opinions, and I know you always do, too.

Now, we hear that the workers on the railroads are opposed to this project. And it is contended that the workers on the railroads will be injured. Now, I appreciate any fear that might be in the minds and in the hearts of any of those men on the railroad. But then again, I say that any such fear is unfounded; and, furthermore, it is again based on this idea of a static economy, that benefits are not going to flow to everyone.

It is like throwing a stone in a still pool. You cannot make an economic analysis by only examining the splash and the first ripple. You have got to consider the whole group of concentric circles, and those benefits circle out and go back and forth and benefit all kinds of persons.

If you had an improvement up in the northern part of the State of industry, well, of course, the railroads would profit from that; there is no question about it.

I do not know how many workers on railroads are against this project. But I certainly know that the workers of New York State as a body are not opposed to this project. Now, just a few months ago in New York City a resolution was offered by an agency there appointed by Mayor LaGuardia to promote commerce in New York City. That body attempted to take up the question of opposing this project, and the representatives of both the Federation of Labor and the C. I. O. opposed such a resolution. And no one can doubt that they represent the workers of New York State.

Now, all the attempts that have been made in the Legislature of the State of New York to come out and put the State legislature on record in opposition to this project, have never been supported by organized labor in New York State. So I say that labor in New York State favors this project and that labor appreciates the significance of furnishing this tremendous amount of electric power at cheap rates. And the production figures that I have indicate a cost at the bus bar of 1 mill per kilowatt-hour.

Mr. RANKIN. Governor, how long would it take to amortize on that basis?

Mr. POLETTI. I have figured the amortization—do you want me to go into it now?

Mr. RANKIN. Yes; if you will.

Mr. POLETTI. All right. I figure the investment of \$93,375,000, and fixed charges of 5 percent; and that 5 percent includes 3 percent interest. Then I figure \$800,000 for operation, so that the total annual cost would be about \$5,500,000. And the output is 6,600,000,000 kilowatt-hours, and the cost would be less than 1 mill per kilowatt-hour. The depreciation is 1 percent and the amortization is 1 percent, and the interest, according to the bill, is 3 percent, making the total of 5 percent which I mentioned above.

Mr. RANKIN. You mean 6,600,000,000 kilowatt-hours for the American side of the project?

Mr. POLETTI. That is right.

Mr. RANKIN. If the people of New York—go ahead.

Mr. POLETTI. May I proceed with my statement?

Mr. RANKIN. Yes; go ahead.

Mr. POLETTI. I repeat again that in my opinion this project should be approached without any spirit of sectionalism. It is going to be beneficial to America, and that is our primary concern. As far as New York State is concerned, it is going to benefit industry and business and the farmers and labor in New York State. It will be a most wonderful economic pick-up.

Now, some question has arisen here as to whether the people of the State of New York favor this project. Now, not all the people favor the project, but I am sure that the majority of the people of the State of New York favor the project. I will cite the fact that when attempts were made to emasculate the Power Act of 1931 in the State legislature—and may I respectfully remind you gentlemen that we have this fight going on every year in New York State; and people are busy—we have defeated all attempts to emasculate the policy of the State for public development of this resource.

In 1940, a resolution came in which put the legislature on record in opposition to this project, and it was defeated. And in this year's session a resolution came in on the same thing, and as the Lieutenant Governor I have the privilege of presiding over the senate, and I was glad to see that the senate defeated that resolution in opposition to this project. And may I remind the members from New York State that every senator in the New York Legislature, both Republican and Democratic, voted against the resolution in opposition to the project.

I have the resolution here, and also the record of every senator's vote on that.

Mr. RANKIN. Will you insert it in the record, Governor?

Mr. POLETTI. I will be very glad to insert that in the record.

(The resolution and the roll call are in full as follows:)

District 46, Mr. Bechtold; District 47, Mr. Bewley; District 50, Mr. Burney; District 26, Mr. Condon; District 30, Mr. Corning; District 27, Mr. Desmond; District 42, Mr. Griffith; District 2, Mr. Halpern; District 41, Mr. Hammond; District 31, Mr. Hastings; District 45, Mr. Janes; District 24, Mr. Johnson; District 48, Mr. Mahoney; District 40, Mr. Page; District 51, Mr. Riley; District 39, Mr. Stokes; District 38, Mr. Wallace; District 43, Mr. Warner; District 29, Mr. Wicks; District 49, Mr. Wojtkowiak.

District 15, Mr. Buckley; District 17, Mr. Coudert; District 11, Mr. Crawford; District 23, Mr. Dunnigan; District 8, Mr. Esquirol; District 20, Mr. Falk; District 3, Mr. Farrell; District 33, Mr. Feinberg; District 34, Mrs. Graves; District 9, Mr. Gutman; District 36, Mr. Hampton; District 21, Mr. Joseph; District 5, Mr. Kirnan; District 4, Mr. Marasco; District 16, Mr. McCaffrey; District 37, Mr. Mitchell; District 14, Mr. Murray; District 18, Mr. Muzzicato; District 22, Mr. Pack; District 19, Mr. Perry; District 13, Mr. Phelps; District 12, Mr. Quinn; District 28, Mr. Ryan; District 7, Mr. Schwartzwald; District 35, Mr. Young.

Ayes, 20; Nays, 25.

ST. LAWRENCE DEEP WATERWAY—RESOLUTION IN ASSEMBLY, JANUARY 13, 1941

(By Mr. Caffery)

Whereas we are reliably informed that there will shortly be submitted to the United States Senate in the form of a proposed treaty, or to Congress in the form of an agreement between the United States and the Dominion of Canada a pro-

posal for the development of the St. Lawrence seaway and power project, as an essential link in the national-defense program; and

Whereas the necessity of this seaway and power development as a national or international defense measure has been challenged by numerous groups and persons, including the New York State Waterways Association, the National Coal Association, the Railroad Workers Protective League of Western New York, the Maritime Association of the Port of New York, the Niagara Frontier Planning Board, the New York State Chamber of Commerce, various brotherhoods of railway employees, and many other labor groups, governmental agencies, local chambers of commerce, and individuals who believe the step proposed by the proponents would be ruinous to New York State's economy and its seaboard and inland ports; and

Whereas opponents of the foregoing project take the position that no sound argument or evidence has been advanced to show that the St. Lawrence seaway and power plan is vital to the national defense of either the United States or Canada; and said opponents have charged that the proposed seaway dams and locks would be most vulnerable to air attacks and sabotage and that canalization of the St. Lawrence would be calamitous to the economic welfare of not only New York but the country at large; and have further charged that the spending of United States dollars to build a parallel and competitive route mostly in a foreign country to divert large tonnages from New York State ports and waterways is completely unsound and unjustifiable; and

Whereas this State owes much of its development to transportation and has invested upward of \$200,000,000 in the development and maintenance of the various canals of this State which are part of the Erie or Barge Canal connecting the Great Lakes with the Tidewater; and immense investments have been made by our citizens in docks, elevators, terminals, factories, and other business concerns which provide employment for our people; and

Whereas in Buffalo, Oswego, the port of Albany, and on the Atlantic seaboard are located docks, warehouses, elevators, railroad yards, and other expensive facilities, all privately owned and taxpaying, constructed to handle the commerce of this Nation; the Federal Government has expended vast sums to deepen channels and create harbors to aid the development of these ports; and since the St. Lawrence route can be open only part of each year, necessitating arrangements to maintain existing facilities to supplement this ice-bound channel, and no investigation has been made to determine the effect upon existing private investments or possible methods for continuing their efficiency through Federal loans or by public ownership or increased rates and charges; and

Whereas the program provides that the United States is to expend as its share the sum of \$250,000,000; of this sum the State of New York in connection with power development is to contribute about one-quarter; and

Whereas the record distinctly shows that the completion of the St. Lawrence deep waterways is intended to decrease the movement of traffic via United States rail lines, and, if successful, will be detrimental to the best interests of our national system of transportation and to the public in general; and

Whereas the railroads of this State employ a large number of workers, it is a matter of deep concern to the railroad centers of our State as to proposals to alter commercial routes and transfer of freight through Canadian outlets, subject to laws now in effect or proposed in Canada, whereby freight must be routed through that country; likewise for many years Buffalo has been the greatest flour-milling city in the world; thousands of people in that city as well as in the ports of Oswego, Albany, New York, and other parts of our State are directly or indirectly identified with the milling, feed, and elevator business, the immense investments in these lines constituting an important part of our taxpaying properties, so that immediate consideration should be given to the economic questions involved either in this country or in foreign nations and to the unemployment inevitably resulting if these changes occur; and

Whereas the construction of such a canal would mean a longer route to the sea than the construction of an all-American route in the State of New York; and

Whereas the ships now operating on the Great Lakes are designed for navigation on our Great Lakes and would not be adapted to ocean trade; and

Whereas the grain cargoes of these ships are but one of the important cargoes carried by them and the construction of this waterway would mean that the shippers of these other commodities would be obliged to pay higher rates to move them, and that this would be in the fact of competition from foreign ships carrying coal and other commodities into our Great Lakes ports as they have to our seaboard ports at ballast rates to the detriment of our American shipping; and

Whereas there is a surplus of rail transportation, including terminal facilities

in the United States, the very existence of which is dependent not only upon traffic now being handled which the waterway proponents contend would be diverted but is also dependent on increases from every available source; and

Whereas it has clearly been shown the preponderance of benefit derived from the completion of this waterway will inure to Canadian traffic and that the traffic changes contemplated, if successful, will divert from Buffalo and North Atlantic seaports the larger proportion of export grain products: Therefore be it

Resolved (if the senate concurs), That the people of the State of New York, represented in its legislature, is opposed to the ratification of any treaty or agreement designed to bring about development of the St. Lawrence deep waterway and power project.

Mr. GAVAGAN. Did the resolution pass the assembly, Governor?

Mr. POLETTI. The resolution passed the assembly in a—well, what shall we say?—in a very strange way. There was not a quorum there, but it was put through very quickly, and it came over to the senate. We are a little more deliberate in our consideration of the resolutions, and when it came to the senate we had a record vote on it, and the resolution was defeated.

Mr. BEITER. At that point, will you explain how it passed the senate?

Mr. POLETTI. How it passed the senate? It was defeated in the senate.

Mr. BEITER. I mean, how it was voted on in the senate; what combination of circumstances brought about its defeat?

Mr. POLETTI. Well, now, are we going to wander into that realm—you as a legislator, and I having been a legislator, feel that we ought to stay out of it. Now, I am not going to inquire as to what may motivate you, sir, and I do not think it is right for us now to reflect on the senators of the State of New York and attempt to find out what motivated them, or anybody else. The fact is their record vote is in opposition to the resolution, and that stands as the record and the vote of the senate of the State of New York.

Mr. CULKIN. Mr. Chairman, I regret to violate the rule that I have invoked.

I think it is pertinent right here to ask the Governor if it is not a fact that when the assembly vote came up, there were only 25 or 30 members of the lower house present?

Mr. POLETTI. Present.

Mr. CULKIN. Out of 150?

Mr. POLETTI. That is correct.

Mr. CULKIN. And it was brought on without notice?

Mr. POLETTI. That is correct.

Mr. GAVAGAN. Perhaps on a Friday morning.

Mr. CULKIN. Was it a record vote?

Mr. POLETTI. No; it was not a record vote, and it was passed in the way indicated by the Congressman from northern New York.

Mr. CULKIN. May I say, also, the Speaker is a Republican, and I do not think it reflects any particular credit on my own party.

Mr. GAVAGAN. He has to be in New York.

Mr. POLETTI. You have a privilege of expressing yourself that I do not possess. As a Democrat, I am reluctant to criticize the Republican Party, except during campaigns.

But while we are speaking about campaigns and whether the people of the State of New York are in favor of this project, well, some of us who get around the State and watch, are convinced that the people of the State of New York, the majority, favor this project.

The CHAIRMAN. If we are going into the realm of politics, Governor, how is it possible for a Republican to be elected Speaker of the Legislature, in fact?

Mr. POLETTI. That is a long story, because some people think that the Republican Party just perpetuates itself in power by the Constitution. In New York City one assemblyman may represent 300,000 people, and up-State one assemblyman may represent as few as 15,000 people; but when he gets to the legislature he has one vote, and that is the reason it is always very difficult for the Democratic Party to get the control of the assembly. That was done in 1935, but it had not been done for 25 years previously.

The CHAIRMAN. Just like a State with 100,000 population would have as many Representatives as New York State?

Mr. POLETTI. I am in favor of reapportioning the State.

Mr. JOHNS. Governor, I want to ask you one question—

Mr. RANKIN. Mr. Chairman, I think we ought to proceed in order on these questions. I would like to ask some questions when my time comes. If we continue to interrupt with questions, it will take all of the time.

Mr. POLETTI. I will be glad to proceed with my presentation. Is that all right?

We do not have to conjecture as to the fact that the large utility combination in New York State is not very keen about this project. We get the argument that it is better to have steam plants. Now, the fact is that we can produce this power at the bus bar for 1 mill, and even the most efficient steam plant such as the one at Oswego, costs 4 mills. Now, everyone has become interested in steam plants, but if you will look at the history of the struggle in New York State, the utility companies have been trying for years to get their hands onto this project, and they are still anxious to get their hands on it. And I say that surely they cannot be so interested in getting their hands on it if it is uneconomic and if they could do so much better by having steam plants.

Now, the fact is that the utility combination in New York State does not want the public development of this power, because it realizes that it will reduce the rates throughout the State. Public development has demonstrated what it can do in other parts of the country, and the utility combination in New York State—and some of the executives are my very good friends—are not very keen about this project because they know what will flow from it.

Mr. RANKIN. Governor, do you know what the saving has been in New York last year, of the people of the State of New York for the last year?

Mr. CARTER. Mr. Rankin, you were objecting because we were not proceeding in an orderly manner, and now you are proceeding with questions.

Mr. RANKIN. I have not asked as many questions in one time as the gentleman from California has. He has asked more questions at one time than I have during the whole hearing.

Mr. CARTER. I asked the questions in my turn. If you want to set the rule aside, let us all pitch in.

Mr. RANKIN. They don't want to hear what I want to ask, so I will proceed without any further interference.

Mr. POLETTI. I am proceeding. Of course, I enjoy very much the congenial atmosphere of this group.

Another attack that is made on this project in the press of New York State—and of course a lot of the press is opposed to it—is that this is not the time to build the project; this is not the time to build the project. Well, if you study the history of this fight to get this seaway and power project, it has never been the time. There is always some reason why it is not the time. Now, we have this reason that we are going to divert manpower and materials.

Now, this committee had the privilege of hearing the figures this morning from General Robins of the insignificant amount of labor and materials that will go into this entire project.

Now, I say that this project was sound 20 years ago; it was sound 15 years ago; it was sound 10 years ago; and 2 years ago, and it is sound today.

Now, I do not have any claim on special prescience, but I had the privilege in July 1939, to make a talk up in Watertown on the occasion of the one hundred and twenty-fifth year of harmonious relations between the Dominion of Canada and the United States. At that time I pointed out that this project would be helpful to national defense, in that it would permit us to produce more aluminum. I am convinced that the project will help defense, and not impede it.

Now, people talk about the time. When will it be completed? In 1944, 1945, or 1946? Who can be prescient enough to know what is going to happen in 1945 or 1946 or 1947? It is a sound project, and none of us can afford to take a gamble upon the future. We have got to develop all our resources and be prepared for the worst that may come. A Nation that did not follow that principle and that policy suffered and wept afterwards, and I, as an American, prefer seeing our country never getting into a position where we have to cry.

Now, as to the theory about the diversion of man power and also of material: Why, we have projects going on in the State of New York right now that have no relation to defense, and they are being built right now, very important public projects. We have a housing project over in Brooklyn of \$20,000,000. We just authorized another housing project in Brooklyn for \$15,000,000 and one on the lower East Side for \$13,000,000. And we have the Manhattan-Brooklyn-Battery tunnel going on.

All those expenditures I have named will require \$100,000,000. They require labor and they require material, and they do not have nearly the connection with national defense that this St. Lawrence seaway and power project has. We have not cut down on this, so I say that it is disingenuous to use the argument that this is not the time for this project because it may necessitate a few thousand workers and a few thousand tons of steel.

Now, the figures that the General gave were very small with respect to the total on the two items.

Now, we have another argument against this project, and that is, "I favor the power development, but I am against the seaway." Well, now, with all respect to the gentlemen who advance that, I say that it is not a sound argument. How can we have the development of the power and still build the dam without doing part of the seaway? You just cannot do it. You have got to have a dam there, and if you build a dam you have got to make provision at least for the 14-foot locks that you have now. And if you build the dam, that water

is going to back up and it is going to deepen the St. Lawrence River. We have the Welland Canal now down to 27 feet, and we know that this water is going to back up. Therefore, I believe that it is impossible in a sound way to say that you favor the power development but you are against the seaway. Nor do I think it is sound. If the power development is going to benefit the people of the State of New York and adjoining States, similarly, it is going to benefit other parts of the country. And no New Yorker ought to take the position that he is for what benefits New York State and not for what benefits the other States in the country.

So I repeat again—because that argument has been heard in New York State, “I favor the power project but I am against the seaway”—the two are intertwined and they cannot be separated; and the person who says he is for the power but against the seaway might as well say he is against the whole thing.

Now, I would like to turn briefly to a discussion of the terms of the bill insofar as they pertain to the public power project of the State of New York. As I said before, Governor Lehman and myself favor the plan provided in this bill, and neither of us makes any commitment as to any other bill that may be suggested.

This bill expressly refers, in section 2, to the Federal-State accord upon which we have relied since 1933 in advancing our public power program, and the bill provides for ownership and operation of the power project by the State upon payment of the cost of construction, definitely fixed by the bill at \$93,375,000. And it is a safe investment because, as I said before, the St. Lawrence power can, beyond doubt, be economically distributed to domestic and rural consumers by the Power Authority of New York. That is the underlying policy of the Power Authority Act, that the St. Lawrence power shall be utilized to increase the consumption of electricity at the lowest possible rates. With this cheap supply of hydroelectric power available and with an alert and vigilant State agency charged with the power to control by direct charges for transmitting and distributing this power, we will be able to pass on the benefits of this development to millions of consumers within transmission distance of the project, and also be able to still have blocks of this power for defense industries located nearby.

I referred to the fact that the Power Authority of the State of New York is an alert and vigilant State agency. The head of this Authority for several years was Mr. Frank P. Walsh, whom many of you undoubtedly knew as one of the most active protagonists of public power development. And now as chairman we have Dr. Bonbright. We have as a member Commissioner Davidson, former Commissioner of Water and Gas Supply of New York, in the LaGuardia administration, and we have the chairman of the executive committee of the National Grange, Mr. Fred Freestone, and we have a distinguished lawyer from the northern part of the State, Mr. Reed. And we have part of the staff on this Power Authority of the State of New York that has been working on this project ever since it was created in 1931. It is an alert and vigilant State agency.

I am sorry that Mr. Angell is not here, because he made reference to the fact that the Power Authority was not the State of New York. Well, no one can dispute that. Of course, it is not; no more than the Federal Power Commission is the Federal Government, or any

more than the T. V. A. is the Federal Government. The Power Authority is set up under legislative mandate of the Legislature of the State of New York. That is the only way you can make this a body corporate, such as the Tennessee Valley Authority. But its duties and its powers are prescribed by the legislature, and it acts for the people of the State of New York.

Mr. BENDER, Governor, for the purpose of the record, Mr. Angell is here now.

Mr. POLETTI. Mr. Angell, in your absence, I made reference to a statement you made this morning about the fact that the power authority was not the State of New York. And, of course, no one can dispute that the power authority is not the State of New York. I was pointing out that the power authority is no more the State of New York than the Federal Power Commission is the Federal Government or the Tennessee Valley Authority is the Federal Government. But the power authority represents the people of the State of New York. It is set up by legislative mandate of the legislature, which has its functions and duties prescribed by the legislature and under the complete power of the legislature, of course.

Mr. ANGELL. The point I was raising, Governor, was that it did not have authority to pledge the credit of the State of New York; New York is not behind the project financially. And under this bill the Federal Government would use its funds for the development of the power project and then would turn it over to New York and give to New York—that is, the power commission—then give the power authority 50 years to pay it back out of the funds produced by the very project the Federal Government has produced.

Mr. POLETTI. Well, I appreciate that point of view, and I think I will probably come to it as I develop my remarks.

Mr. ANGELL. It is quite a bit like in the early days out on the coast; they went and found the Indians digging clams, and they instantly entered into an agreement with them to give them half of all they could dig.

Mr. POLETTI. I think the remarks I will make later on will emphasize part of the question you have in mind, sir.

This act of 1931 of the State gives the power authority specific power to build transmission lines at or near the site of the project, and the act directs the power authority to supply a fair share of the St. Lawrence power at cost to municipalities throughout the State.

Now, that provision applies to anyone in the distribution of electricity. Under our Power Authority Act preference would be given to municipalities for municipal operation.

In 1934, when I was legal adviser to the chief executive, I had the privilege of preparing an act which passed the legislature, which authorized municipalities in the State of New York to get power from the St. Lawrence development and to distribute it in its communities. Now, it was passed hurriedly in 1934 to get ready for the St. Lawrence project that is now before you.

Now, the State agency also has ample authority under the present act to exercise the power of eminent domain and to condemn and to take over real property and facilities useful to the project. In addition to these powers, the power authority of New York State is directed by the act to fix the rates at which the St. Lawrence power

may be sold to the ultimate consumer, including transmission cost. In that connection it may arrange for the disposal of power to private utility corporations, and these rates are at all times to remain under the control and subject to revision by the power authority, and not to be governed by the regulatory provisions of the public service commission of the State. That is the law now.

Now, Governor Roosevelt, in signing the Power Authority Act in 1931, emphasized his belief that the public agency of the people must control not only the generation of St. Lawrence power but must fix the resale rates to the consumer and the cost of transmission in order to protect the public interest fully. We believe it would be entirely unfair to the people of New York to now divest the State agency of such control and to permit the private utility monopoly to run its transmission lines to the site of the project and purchase St. Lawrence power at prices dictated on its own terms; and the people of New York, I am convinced, would never tolerate such a change.

Now, there are public power projects now owned and controlled by State agencies. In Nebraska, in Texas, and in South Carolina—those I know of—power projects are now owned and controlled and run by State agencies. And these power projects have been constructed with the use of loans and grants from Federal public works funds appropriated by the Congress of the United States. And when I mention grants, the grants were for the amount of 45 percent. We have such projects in the country now, and if this project were put through with the understanding that the New York State Power Authority could control it and run it, we would not be establishing a precedent.

The Power Authority Act of 1931 provides that before we can enter into any contracts, the authority shall advertise its intention to negotiate the same; that it shall hold public hearings and that it shall submit the proposed contracts to the Governor before they are formally executed; and then the act explicitly appropriates \$25,000 for the use of the Governor to check up on any contract that is proposed.

So, under these public safeguards, and considering the alert and intelligent public officials of the State, I cannot conceive of any board of trustees of the power authority or of any chief executive of the State of New York entering into any improper contracts with the private power companies that directly or indirectly serve to cheat the public of the just benefits of this great natural resource.

Now, in the St. Lawrence power resolution which passed the House on April 26, 1933, House Joint Resolution 157, Seventy-third Congress, forming the Federal-State accord, the House laid down the principle, and expressly provided that—and I quote:

That no part of the United States' share of the water in the International Rapids section of the Saint Lawrence River shall be diverted for the benefit of any person or private corporation, nor shall the use of any part of said water or the rights pertaining to said water be sold, leased, or otherwise alienated to any person or private corporation for the generation of hydroelectric power.

Now, this wholesome provision is also already contained in the Power Authority Act of the State of New York. We provide in our act that the St. Lawrence power shall remain forever inalienable to the people and shall be utilized for the benefit of the people.

Now, if the Congress wishes to set forth in the bill an explicit condition as a basis for the conduct of the power project by the State power authority, such action would be consistent with our own legislative act of 1931 and consistent with the executive policy of the State of New York, as well as being consistent with the Federal act. We have no objection to the bill containing an explicit provision safeguarding it against alienation which our own act has provided for since 1931.

The bill before this committee expresses the clear intent that the President shall, before January 1942, submit for the approval of the Congress an agreement not unlike the Federal-State accord jointly recommended by the United States engineers and the New York Power Authority, and approved by the President and House of Representatives in 1933.

I have here the joint resolution, No. 157, dated April 20, 1933, introduced by Mr. McReynolds. That joint resolution I shall not undertake to read in full, but it follows this bill and provides that the power shall go to the Power Authority of the State of New York. I would like to put that resolution in the record. It was passed by the House, and establishes the very policy that is contained in the bill before this committee; and that was done in 1933.

(The resolution, H. J. Res. 157, 73d Cong., 1st sess., is in full as follows:)

[H. J. Res. 157, 73d Cong., 1st sess.]

JOINT RESOLUTION Providing for the use of the water of the Saint Lawrence River for the generation of power by the State of New York under and in accordance with the provisions of the Great Lakes-Saint Lawrence Deep Waterway Treaty between the United States and Canada

Whereas the Great Lakes-Saint Lawrence Deep Waterway Treaty between the United States and Canada, signed at Washington, July 18, 1932, has been favorably reported by the Committee on Foreign Relations and is now before the Senate of the United States for ratification; and

Whereas the treaty provides for the improvement of navigation from the interior of the continent of North America through the Great Lakes and the Saint Lawrence River to the sea, with the development of the waterpower incidental thereto; and

Whereas it is desirable that, prior to the ratification of said treaty, there should be a definite allocation of the power to be developed on the United States side of the international rapids section of the Saint Lawrence River and a determination of the division of the cost of the works in that section for navigation and power; and

Whereas the State of New York, recognizing the superior rights and authority of the Federal Government with respect to navigation, has presented substantial claims to the power to be developed by the flow of the water of the Saint Lawrence River within its boundaries and, by act of its legislature, has created the Power Authority of the State of New York as a corporate, municipal instrumentality charged with the development and control of the power for the benefit of domestic and rural consumers through distribution at the lowest possible rates; and

Whereas the Committee on Foreign Relations, in reporting the treaty to the Senate, has recommended that the State of New York should be accorded the power upon the payment of so much of the total cost of the improvement therein as is justly allocatable to power development; and

Whereas the United States engineers and the Power Authority of the State of New York have, as a result of a series of conferences, entered into a joint recommendation with respect to the allocation of cost of the works in the international rapids section of the Saint Lawrence River for power and navigation, which is embodied in a memorandum dated February 7, 1933: Therefore be it

Resolved by the Senate and the House of Representatives of the United States of America in Congress assembled, That the prior use of all the waters of the

Saint Lawrence River within the boundaries of the United States is necessary for the proper regulation of commerce and the improvement of navigation; and be it further

Resolved, That in the event of the ratification of the Great Lakes-Saint Lawrence Deep Waterway Treaty and the construction of the works provided therein, the Power Authority of the State of New York, as the accredited agency of the State and in accordance with the policy set forth in the act creating said Power Authority, shall be entitled to use for the generation of hydroelectric power all of the United States' share of the flow of the water in the international rapids section of the Saint Lawrence River, subject to the prior use of such water under the treaty for the purposes of navigation and the operation of reservoirs, canals, and locks, and shall have title to the power houses and works appurtenant thereto upon the United States side, together with the lands upon which they are situated, in consideration of the payment of its share of the cost as determined in the joint memorandum above referred to: *Provided*, That no part of the United States' share of the water in the international rapids section of the Saint Lawrence River shall be diverted for the benefit of any person or private corporation, nor shall the use of any part of said water or the rights pertaining to said water be sold, leased, or otherwise alienated to any person or private corporation for the generation of hydroelectric power.

MR. POLETTI. I would like, also, to refer to the report that came to the House from the Committee on Interstate and Foreign Commerce, by Mr. Rayburn, Report No. 49, accompanying House Joint Resolution 157, which I have referred to, and which passed the House on April 26, 1933. In that report reference is made to the agreement reached between the Army engineers and the Power Authority of the State of New York, providing for an allocation of cost between the Federal Government and the State of New York; and also providing that the State of New York shall have the use of the power. I quote:

The above recommendations are based upon the assumption that the State of New York shall have the right to utilize for power all the flow of the St. Lawrence River in the International Rapids section allocated to the United States by the treaty, other than that required for navigation, together with title to the power works and the lands upon which they are situated and which may be necessary and convenient for their operation.

Under the arrangement embodied in the joint resolution, the power authority would assume the cost of all the works for power on the American side and, in addition, its proportionate share of the works common to power and navigation. The Federal Government would be responsible for the construction of all the navigation works and the proportionate share of the common works.

This appears to be an equitable arrangement which is fair to both the State and Federal Governments.

That is contained in the report of the Committee on Interstate and Foreign Commerce, and I would like to have that entire report included in my remarks as establishing the fact that the State of New York and the Federal Government reached in 1933 an agreement that is now contained in the bill before this committee.

(The report, No. 49, 73d Cong., 1st sess., is in full as follows:)

[H. Rept. No. 49, 73d Cong., 1st sess.]

The Committee on Interstate and Foreign Commerce, to whom was referred the joint resolution (H. J. Res. 157) providing for the use of the water of the St. Lawrence River for the generation of power by the State of New York under and in accordance with the provisions of the Great Lakes-St. Lawrence Deep Waterway Treaty between the United States and Canada, having considered the same, report thereon with a recommendation that it do pass.

The bill has the approval of the State and War Departments.

The purpose of the joint resolution is to allocate the power to be developed in the International Rapids section of the St. Lawrence River and to fix the division of cost of the works for navigation and power, in the event of the ratification of

the Great Lakes-St. Lawrence Deep Waterway Treaty, signed by the United States and Canada, under date of July 18, 1932.

This section of the St. Lawrence River forms the international boundary between the United States and Canada and, on the American side, lies wholly within the boundaries of the State of New York.

In order to insure the development of this water-power resource for the public benefit the State of New York has created the Power Authority by an act unanimously adopted by both branches of the New York Legislature and approved by Governor Roosevelt on April 27, 1931. Under this act the State set up the Power Authority as a "corporate, municipal instrumentality of the State," charged with the development and control of St. Lawrence power for the benefit of domestic and rural consumers through distribution of hydroelectric energy at the lowest possible rates. The Power Authority exercises governmental and public powers, is perpetual in duration, capable of suing and being sued, and is vested with the power of eminent domain.

Pursuant to this act, directing it to cooperate with the Federal Government in the development of the St. Lawrence for navigation and power, the Power Authority has for more than 2 years been in conference and correspondence with the appropriate executive officials of the United States Government to effect an understanding on the division of the costs of the works in the International Rapids section of the river.

While the Great Lakes-St. Lawrence Deep Waterway Treaty was under consideration by the Senate Committee on Foreign Relations, the late Senator Thomas J. Walsh, of Montana, with the approval of the subcommittee of which he was a member, arranged for a conference between the United States engineers and representatives of the Power Authority to report to the committee a joint recommendation on the allocation of costs. The purpose of this joint recommendation was to determine the next cost of the project to the Federal Government.

The results of these conferences were embodied in a joint memorandum, signed by the United States engineers and the Power Authority, under date of February 7, 1933. This memorandum was presented in the form of a joint recommendation to the Senate Committee on Foreign Relations, which in reporting the treaty to the Senate recommended that the State should be accorded the power to be developed within its boundaries upon assumption of its proportionate share of the cost of the works.

The joint recommendation of the United States engineers and the Power Authority, dated February 7, 1933, which is given effect by the joint resolution, allocates the costs of the St. Lawrence project as between the United States and the State of New York, as follows:

"(1) The United States assumes responsibility for the cost of all works for navigation.

"(2) The State assumes \$23,500,000 as its share of the cost of all works common to navigation and power, the State to receive its proportionate share of any saving if the actual cost of construction is less than the estimated cost.

"(3) The State assumes responsibility for \$29,295,500 for power-house substructures, head and tail races, excavations, etc., this amount to be reduced by the amount of the saving.

"(4) The State assumes responsibility for the actual cost of its power-house superstructures and equipment, estimated at \$36,930,500, and may construct these works through its own agencies or by agreement have them installed at actual cost by the United States.

"(5) In the event that the State of New York elects, the United States assumes responsibility for the construction of the works in their entirety at a cost to New York representing the sum of the costs above set forth, or a total of \$89,726,000, provided that if the actual cost be less than this amount, the State of New York will receive the benefit of the said savings."

The memorandum concludes:

"The above recommendations are based upon the assumption that the State of New York shall have the right to utilize for power all the flow of the St. Lawrence River in the International Rapids section allocated to the United States by the treaty, other than that required for navigation, together with title to the power works and the lands upon which they are situated and which may be necessary and convenient for their operation."

Under the arrangement embodied in the joint resolution the Power Authority would assume the cost of all the works for power on the American side and in addition its proportionate share of the works common to power and navigation.

The Federal Government would be responsible for the construction of all the navigation works and its proportionate share of the common works.

This appears to be an equitable arrangement which is fair to both the State and Federal Governments. It is conceded that the simultaneous development of the river for both navigation and power will afford superior navigation facilities and maximum development of available water power at a large saving in costs of construction, when undertaken as a joint project.

The committee has held public hearings at which representatives of the State Department and the United States Engineers appeared on behalf of the Federal administration in support of the joint resolution. The State of New York was represented by the vice chairman of the Power Authority.

Your committee is of the opinion that it is both logical and highly advantageous to the Federal Government to determine the net amount of the financial responsibilities to be assumed by the Federal Treasury in advance of the consideration of the treaty by the Senate.

It is also desirable, we believe, to determine in advance of the ratification of the treaty the policy of the Federal Government in respect to the water power and to utilize the agency of a sovereign State, in which the power sites themselves are located, to develop the power for the public benefit.

The joint resolution simply gives effect to the recommendation of the engineers approved under both the preceding and present administrations and, contingent upon ratification of the treaty, erects safeguards against the private exploitation of this great natural resource which is to be developed by the use of public funds.

Now, at that time when that agreement of 1933 was made, the Army engineers did participate, and the person that represented New York State was Mr. Leland Olds, who is now Chairman of the Federal Power Commission, and I am sure that Mr. Leland Olds has not changed his mind on the fairness and the equity of this arrangement between the Federal Government and the State of New York, and that he is still in favor of the arrangement that is embodied in this bill, as an equitable and fair one.

Now, the Federal-State accord of 1933 has been given recognition in an unbroken line of official reports and recommendations by the agencies of both the Federal and State Governments over the last 8 years, relying upon the equity and the soundness of this arrangement as initiated by the President and as set forth in the report of the committee.

The State of New York, as I said before, has already appropriated \$1,200,000, and has spent that money to complete the necessary engineering plans and economic studies upon which the State public power project in the St. Lawrence is based. And in confirming a Federal-State accord whereby the public agency of the State of New York undertakes the payment of the estimated construction costs and the ownership, operation, and control of the St. Lawrence power project, neither the Federal Government nor the State waives or surrenders any of its rights.

The accord which was already approved by the House of Representatives in 1933 and contemplated in this bill, completely avoids all legal technicalities and conflicts by setting up a basis for a practical plan for the development and use of the resources of the St. Lawrence as a cooperative, joint enterprise of the Federal Government and the State, and I don't believe that it will be to the advantage of any of us to provoke litigation between the United States and the State of New York; and there may be added there has never been any decision by any court, not by the Supreme Court, in a case between two sovereign powers, the Federal Government and a State Government, and I repeat that I don't think it is in the interest of those who wish to see the success of this project to discard the accord reached in 1933 and

create confusion and disagreement and disharmony between the Federal Government and the State of New York.

Now, the State of New York undertakes in this practical business arrangement provided for in the bill, to pay the estimated cost of the power works to be erected in the State and to assume ownership and operation of those works. The locks and the dams and the channels and other navigational facilities remain in the hands of the Federal Government, to be owned, operated, and controlled by the appropriate Federal agencies, and similarly this plan of 1933, embodied in the bill, avoids conflict or confusion over the waters of the St. Lawrence River by providing that the Federal Government shall enjoy the prior use of the United States' share of such waters for navigation purposes, while the State shall be accorded the right to use this water in connection with the power rights for the generation of hydroelectricity.

May I also point out that under the Federal Power Act of 1920, as amended in 1935, the Federal Government also has full power over the electricity, insofar as it may be needed for defense projects. That is already in the law. And the Federal Government has that power with respect to any public power project and would have the power with respect to the St. Lawrence.

Now, the accord of 1933 is based upon principles of equity and practical considerations.

Congress, after these many years of reliance on the 1933 accord by New York State, I believe will not want to ignore New York State as a sovereign power. And may I point out that the Dominion of Canada has not ignored the Province of Ontario and an arrangement has been made between the Dominion of Canada and the Province of Ontario whereby the Province of Ontario will operate and run the power part of the project.

This accord of 1933, approved by the House of Representatives and embodied in this bill, follows the same policy of permitting the State of New York to develop the power just as in Canada the Province of Ontario will do it.

Now, the Power Authority of the State of New York does not assert on behalf of the State exclusive jurisdiction over the control of the waters of the river. On the contrary we in New York State have always recognized that the development of this great international stream necessarily required the reconciliation of the interests of four Governments directly involved—the United States, the State of New York; the Dominion of Canada and the Province of Ontario. And the supremacy of the Federal Government of the United States and Canada over all matters relating to navigation in the St. Lawrence is conceded in the terms of the Power Authority Act. Nor does the power policy of the State of New York conflict in any degree with the Federal-power policy that the United States has expressed in acts of Congress or interpreted by the Supreme Court.

Be it noted that the Federal Power Water Act of 1920, as amended by Congress in 1935, gives preference and priority to public agencies of the States, and that Federal Water Power Act seeks to encourage the creation of public bodies such as the New York Power Authority, to provide for the public development and use of our public power resources, and we have had that Authority since 1931.

With the passage of this bill and the Federal-State accord that it contemplates, the State of New York will acquire no rights not

already freely enjoyed and exercised by other States in respect to the ownership, operation and control of public power projects.

In previous enactments Congress has authorized executive agencies of the Federal Government to enter into arrangements with State public power authorities, set up by State laws under which State agencies in South Carolina, Texas, Nebraska, and in other States are today exercising the responsibility of ownership and control over useful private projects, constructed with the use of Federal Works funds.

If any State is competent to conduct a public-power project with fidelity to the public needs and with benefit to the people of the Nation, I believe that the New York Power Authority is worthy of that trust.

Under Governor Roosevelt, New York was the first State in the Union to establish a power authority, and through the administration of Governor Lehman, we have kept that public-power program intact on the statute books.

No one familiar with the record of progressive legislation affecting the general welfare of the people along the lines of economic and social betterments during the administrations of Governors Smith, Roosevelt, and Lehman will doubt that New York will continue to guard the St. Lawrence power resources against private exploitation and will utilize those resources for the benefit of all the people.

Now, when all is said and done New York State is not asking for anything here. New York State is not getting a W. P. A. grant of 45 percent as was given to these other projects, and I don't criticize that. We are asking for the privilege of paying 100 percent of the cost and at 3 percent interest, which will be more interest than the Federal Government will have to pay.

Now, New York State would have gone ahead alone with this project if it had the power but it could not. It is a boundary water. You have to have action by the Federal Government and it would just be impossible for the State of New York to float its own bonds, whether the bonds pledged the credit of the State of New York or whether they were revenue bonds of the power authority. It can't do it without joint action of the Federal Government. But the State of New York is not asking for any grant or any gift. It is asking for the privilege of adhering to the 1933 accord and paying the cost of power 100 percent, and interest at 3 percent and selling that power to the people at cost, without making 1 penny profit.

The power authority of the State of New York will not make 1 penny profit and will run the project in complete consonance with the principles that Congress has enumerated and included in bills.

Now, the public-power policy of the State has not been established and maintained without many a valiant struggle.

For 35 years we in New York State have had to resist the efforts of private-power interests to get control of this resource, and at every stage in the development of the State's plans for the public use of the St. Lawrence power, we have had to overcome the obstacles placed in the path of that program by private-utility corporations.

We have had to fight and defeat them in the State legislature, at the polls, in gubernatorial elections, and in every forum where the issue now before you gentlemen has been discussed.

Now, in his appearance before you the Governor of the State has expressed the aspiration of the vast majority of the people of the State, and he has ably interpreted the public-power policy of our State.

I say we have waged a very long struggle in New York State to prevent the private utilities from harnessing the St. Lawrence River and to preserve the St. Lawrence River to serve all the people of the Nation and the great Dominion to the north, and we now submit this project to your honorable committee and through you to the Members of Congress for your support of the public-power policy of the State of New York.

Gentlemen, that concludes my remarks.

Mr. GAVAGAN (acting chairman). I think you have made a very comprehensive statement and the committee appreciates it and I, acting as chairman, have no questions. I assume some of the other members of the committee may wish to ask a few questions. Mr. Carter.

Mr. CARTER. Yes. Governor, you heard the testimony of General Robins here this morning, did you?

Mr. POLETTI. I heard it this morning; yes, sir.

Mr. CARTER. I understood that he testified that the funds allocated directly to power amounted to \$116,000,000.

Mr. POLETTI. That is in addition to New York. That includes the other side of the river.

The report that I referred to as of 1933 contains all the items set out in detail, and the total in 1933 was \$89,000,000 and now it is \$93,375,000. The figure he gave you includes the cost of the power facilities on both sides. I heard him give that figure. I didn't see his memorandum. If I could have a copy of the report of the House of 1933.

Mr. CARTER. We will pass that, Governor.

Mr. POLETTI. I am not asking to pass it.

Mr. CARTER. Well, momentarily, until you can get the proper notes to testify from.

I presume that you share the views of Governor Lehman as he expressed them here the other day in regard to the ownership of that power?

Mr. POLETTI. Yes, I do, sir; and I have undertaken to sketch the background to indicate that this bill does not set a new pattern, but that this accord was reached in 1933 and approved by the House in 1933, and I have also undertaken to show that there are instances in other States where public-power projects have been constructed with Federal funds and are being operated by State agencies similar to the Power Authority of the State of New York.

Mr. CARTER. You are convinced that this power belongs to the State of New York. I understand that was the attitude of Governor Lehman also.

Mr. POLETTI. Well, that has been the attitude taken by the State all the time and my feeling is that there is no point of fighting it out and litigating it. This is a practical solution of the whole problem reached after 2 years of conferences between the Army engineers and the power authority, which at that time was represented by Mr. Leland Olds, who is now Chairman of the Federal Power Commission, and as the report of Mr. Rayburn says, it is a fair and equitable and practical arrangement.

Now, the State of New York under the decisions is the owner of the bed of the river and we contend it is also the owner of the power, but why have a fight about it.

Mr. CARTER. Do you contend that you can control the river out to the center of the bed of the river? That the State of New York can control that? You say the State of New York owns the bed of the river?

Mr. POLETTI. Yes.

Mr. CARTER. And you can control that absolutely, can you?

Mr. POLETTI. In what way, sir?

Mr. CARTER. Well, in any way the State of New York might want to control it.

Mr. POLETTI. Without joint action by the Federal Government?

Mr. CARTER. Yes.

Mr. POLETTI. No, sir; I do not contend that. I contend that action by the Federal Government is necessary.

Mr. CARTER. Is any Federal action necessary in reference to the development of power?

Mr. POLETTI. You mean—well, you can't have a power project without getting Federal authority, no, sir.

Mr. CARTER. But you are still firm in your conviction that the State of New York owns that power?

Mr. POLETTI. That has been the policy.

Mr. CARTER. If it should develop that you are in error in reference to that, would you be willing then to concede that a greater sum than \$93,375,000 should be paid by the State of New York to the Federal Government?

Mr. POLETTI. You mean the State of New York is not to get the power—whether the State of New York should pay more than \$93,000,000?

Mr. CARTER. No; just a moment, Governor. I am not talking about who is going to pay for it; I am talking about the ownership of the power. I say if it should develop that the State of New York does not own that power and it is the Federal Government's power, would you then be willing to concede that a greater sum than the \$93,375,000, which you are agreeable to pay now, should be paid to the Federal Government?

Mr. POLETTI. By the State?

Mr. CARTER. Yes; by the Authority, because the Federal Government—it might be decreed that the Federal Government owns that power.

Mr. POLETTI. Well, it seems to me that is a pretty hard bargain. Now, you are saying if the Federal Government—

Mr. CARTER. No; here is the situation—

Mr. POLETTI. Then I misunderstood your question, sir.

Mr. CARTER. All right. You are saying the State of New York owns that power, and as the State of New York owns that power it is fair and just that the State of New York should pay \$93,375,000 for the buildings that the Federal Government is going to put up there.

Now, suppose it develops the Federal Government puts up the buildings, the Federal Government owns the power too, wouldn't you

concede that the State of New York should pay more under those conditions?

Mr. POLETTI. Why should we be paying more? We would be getting less.

Mr. CARTER. No; you wouldn't be getting less.

Mr. POLETTI. Well, what would we be getting?

Mr. CARTER. You would be getting the power that you say now you own but which in the future it might be said that the Federal Government owns.

Mr. GAVAGAN. It would be the same power, wouldn't it?

Mr. POLETTI. It would be the same power under any circumstance.

Mr. PITTINGER. And they are paying for it.

Mr. CARTER. It certainly would be the same power, but if it is your power, of course, the value of that power is not written into this sum, but if it is somebody else's power that you are getting the value of that power should be written into the sum that you should pay.

Mr. POLETTI. Well, I think that I have explained our position in the State of New York. We contend that we own the bed of the St. Lawrence River, but we have never contended that it is possible for the State of New York to proceed with the power development without Federal action.

This plan that was worked out is an equitable solution by which we pay back all the amounts of money that are invested in the power development. We are paying it back 100 percent.

Mr. CARTER. But you agreed to that amount on the assumption that the State of New York owned the power.

Mr. POLETTI. Yes; but we are not making any profit from it. You know the State of New York is not going to make any profit from it—not a penny.

Mr. CARTER. What I am getting at is, if the Federal Government gives you something more than you say now that they are giving you, shouldn't you pay them something more for it? That is all there is to the question.

Mr. POLETTI. I don't agree with that. Let me point out this situation: At Niagara Falls you are treating a private utility company better than you would want to treat the State of New York, the sovereign power, I mean, when you give a license up there at Niagara Falls, as you did just a few days ago, for an additional diversion of 5,000 cubic feet per second.

The Federal Government doesn't charge for that additional diversion but the State steps in and charges for the use of that water. That being true it is another recognition on the part of the Federal Government as to the ownership by the people of the State of that water power at Niagara and at St. Lawrence. All you do is give a license for the diversion of an additional 5,000 cubic feet per second and then the State through its water power and control commission steps in and charges a rental for the use of the water.

Mr. CARTER. Governor, do you know anything about the transmission lines in the vicinity of the main power plant? Are there lines already established there?

Mr. POLETTI. No; there would have to be transmission lines built.

Mr. CARTER. How many miles of transmission lines would have to be constructed, do you suppose?

Mr. POLETTI. I couldn't give you the exact figure. I couldn't give you that answer and I wouldn't presume to do it; no, sir.

Mr. CARTER. You are not familiar with that?

Mr. POLETTI. I am very generally familiar but I wouldn't undertake to give you the figures; no, sir.

Mr. CARTER. Have you information that would permit you to answer this question: Do you know whether or not there is a power shortage up there?

Mr. POLETTI. The figures that have been developed by our Power Authority will indicate a power shortage by 1944 and 1945.

Mr. CARTER. But none at the present time?

Mr. POLETTI. That is correct, sir.

Mr. CARTER. That is all.

Mr. SMITH. Mr. Chairman, I have a few questions.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Governor, you made a very fine and very informative statement. I think you have given the committee a great deal of information but I would like to direct your attention to section 2 of the proposed act from which I read:

The President is hereby authorized and directed to negotiate and arrange with the Power Authority of the State of New York—

and then we go to line 10 on the next page of the bill and read as follows:

The arrangement shall include provisions protecting the interests of the United States—

And then we come down to line 17, the final sentence of that section:

The arrangements negotiated pursuant to this section shall be reported to Congress upon the convening of its next session and shall become effective when ratified by Congress and the State of New York.

Mr. POLETTI. Yes, sir.

Mr. SMITH. Now, my interpretation of that is that many of these matters that we have been discussing here this afternoon, and properly so, I think, but nevertheless they are matters which will finally be incorporated in that "arrangement," and that arrangement when it is made pursuant to this section of the act of Congress, would be submitted—resubmitted to Congress, come back to Congress and we would have the opportunity to pass upon it.

Mr. POLETTI. That is correct. I overlooked mentioning that. I think that is absolutely true.

Mr. SMITH. And therefore I do not share entirely the views of some of my colleagues on the committee, because I think that all those details as to the final disposition of the power and safeguarding the interests of the Federal Government will certainly be incorporated in that agreement and we will have a chance to pass upon them finally; isn't that correct?

Mr. POLETTI. That is correct; yes.

Mr. SMITH. And the State of New York concedes that to be the fact.

Mr. POLETTI. That is true.

Mr. SMITH. And you do not dispute that at all?

Mr. POLETTI. No, sir; we do not dispute it. That is what the bill contemplates.

The CHAIRMAN. If I understand you correctly, you don't care to cross the bridge until you get to it?

Mr. SMITH. That is the position I take, Mr. Chairman.

I just want to ask one question regarding the rates. The Bonneville project out on the Columbia River, which happens to be in my district, interests me in the matter of rates. It is your opinion, as I understand it, Governor, that you would establish a rate of 1 mill per kilowatt hour at the bus bar. What do you think the rate would be after you had taken into account the cost of transmission?

Mr. POLETTI. Well, that varies with the location and destination of the power.

Mr. SMITH. And, of course, the distance you have to transport it?

Mr. POLETTI. Yes, sir. Some of our estimates indicate getting that power into pretty large cities at 2½ mills, including the transmission.

Mr. SMITH. That would include the cost of transmission?

Mr. POLETTI. Yes. The production cost would be less at the bus bar—would be less than a mill.

Mr. SMITH. That is all, Mr. Chairman.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. Mr. Chairman. Governor, I don't suppose you are very familiar with the working principles of the Republican Party, are you?

Mr. POLETTI. Well, I have seen a little bit of them up in Albany. Is that a fair testing ground?

Mr. CULKIN. No, I don't think so. I think the Republican Party here is on an infinitely higher plane.

In the case before us the State gets the power subject to the provisions that were just read by my colleague, Mr. Smith. Hasn't it generally been, and I am putting this now in the role of an expert on the Republican Party, hasn't it been the assertion of the Republican Party that all these facilities and these activities do belong in the State and not in the hands of the Federal Government—that is, for example, the power distribution? We were through that in the Bonneville project to some extent, and W. P. A. relief moneys.

The Republican Party has always contended those matters could best be handled by the State. Isn't that your recollection?

Mr. POLETTI. Well, I have a recollection of a few campaign speeches that I have heard along that line—talking about decentralization and that the New Deal is terrible because it has centralized things in Washington—yes; I have.

Mr. CULKIN. And today as a wholesome Democrat, you are endorsing that principle yourself—to wit, that is that this power developed by the National Government should be turned over to the State under a given compensation and I want to hail you as a potential Republican.

Mr. POLETTI. Well, I appreciate your generosity, sir, but I would appreciate it even more if you continued to recognize me as a liberal Democrat.

Mr. CULKIN. Well, I also do that and I think you have done some very wholesome things in public life.

Mr. POLETTI. Thank you.

Mr. CULKIN. Bug-a-boo has been raised here with reference to the credit of the State of New York being pledged. Now, as a matter of

fact the honor and credit and solvency of the State of New York is at stake in this issue, is it not?

Mr. POLETTI. Well, I would like to answer that question in this way, that all the obligations of these authorities that we have in the State of New York, which have issued millions of dollars of bonds, don't become State bonds and the State credit is not pledged.

Mr. CULKIN. I understand that.

Mr. POLETTI. If you will let me go ahead I think I will anticipate what is in your mind.

Mr. CULKIN. Go ahead.

Mr. POLETTI. It has never been decided by any court as to whether a bond put out by an authority established as a State body corporate, becomes an obligation of the State. There has never been a decision on that. Some people contend that there is a moral obligation on the part of the State and therefore, in effect, it is the same. Others contend that those bonds are bonds that must be paid only out of the revenue of the particular project and do not involve the credit of the State.

By applying those observations to this situation, the State of New York does not get anything until it completes the payment of \$93,375,000 at 3 percent interest. We don't get this project until we complete paying for it.

Mr. CULKIN. Then there is a recapture by the State?

Mr. POLETTI. Well, there is no recapture. We get it when we complete payment.

Mr. CULKIN. Yes; that is it.

Mr. POLETTI. And under this bill we don't put out any bonds, State bonds, or authority bonds.

Mr. CULKIN. I want to develop this thought as bearing on the effect of these bonds and the procedure. I will ask you to give us a concrete illustration, reaching into the question of disbursement and public convenience in connection with the Port Authority of the city of New York, I don't know which it is.

Mr. POLETTI. New York Port Authority.

Mr. CULKIN. Can you tell me definitely what they have done along the lines of public construction?

Mr. POLETTI. They have constructed the George Washington Bridge, and the Holland Tunnel.

Mr. CULKIN. What was the cost of the George Washington Bridge?

Mr. POLETTI. My recollection is it was around \$45,000,000 or \$50,000,000.

Mr. CULKIN. And that serves whom?

Mr. POLETTI. Serves the people of New York and New Jersey and the transients from other States whom we are always very happy to welcome in Manhattan.

Mr. CULKIN. Will you give us another illustration?

Mr. POLETTI. Well, the Tri-Borough Bridge which has constructed the bridges between Manhattan and Queens. I think that was 50 or 60 million dollars. It was a pretty substantial project and the Mid-Hudson Bridge and the Rip Van Winkle Bridge across the Hudson, extending from the George Washington Bridge up to Albany, and the bridges up at Grand Isle near Buffalo.

You see New York State, on account of the Port Authority, was the pioneer in this mechanism of an authority as a body corporate and therefore New York has pushed the agency.

Mr. CULKIN. It has worked successfully as an agency of the State in creating self-liquidating projects?

Mr. POLETTI. We have had no difficulty with any of them.

Mr. CULKIN. And the public investors haven't lost a cent?

Mr. POLETTI. No, sir.

Mr. CULKIN. And the bonds generally have been taken by the people of New York State?

Mr. POLETTI. They have.

Mr. CULKIN. At what rates of interest?

Mr. POLETTI. Well, different rates.

Mr. CULKIN. But their credit is high, isn't it?

Mr. POLETTI. Yes.

Mr. CULKIN. I think Governor Lehman said the rate of interest was about 2½ percent.

Mr. POLETTI. That is right.

Mr. CULKIN. And they have no difficulty in marketing those bonds.

Mr. POLETTI. No, sir. But, of course, we don't have to market any bonds for the payment of this project because the Federal Government is making us pay it back at 3 percent, so we are not putting out our bonds for this. But we have authority under the Power Authority to put out bonds.

Mr. CULKIN. As I said before, the citizens of New York gladly take these bonds, do they not?

Mr. POLETTI. Well, they have in the past taken Authority bonds; yes, sir.

Mr. CULKIN. And there have been no failures in any project?

Mr. POLETTI. No, sir.

Mr. CULKIN. Now, as I understand it, and I am not too well advised on it, there is a contingency in the distribution of this power that if proper contracts and arrangements can be made with the present going utilities, that they may be used for the transmission of this power. Isn't that one of the provisions of your present law?

Mr. POLETTI. That is correct, sir. That is in the Power Authority Act.

Mr. CULKIN. Did you see the statement in the press the other day that Mr. Floyd Carlyle, the representative of J. P. Morgan & Co. in the utility field, said that his companies, which includes Niagara-Hudson and some other outfits, would be very glad to distribute the power? Did you see that statement?

Mr. POLETTI. I did not see it, no.

Mr. CULKIN. That was at a general meeting of the Niagara-Hudson Co.

Mr. POLETTI. Well, all I know is that the Niagara-Hudson hasn't made itself heard in Albany in favor of the project.

Mr. CULKIN. But they are willing to distribute the power and, of course, that gets down to the question of its effect upon rates, doesn't it—what they are willing to do it for?

Mr. POLETTI. Yes. The Power Authority plan is to distribute this power at no profit at all and to pump it in so that rate reductions will accrue to all users.

Mr. CULKIN. What I am trying to get across is this, that if proper arrangements can be made with the going utilities for the distribution of this power, no transmission lines will be necessary.

Mr. POLETTI. Well, there will have to be transmission lines. You mean to say that the transmission lines would be constructed by the private utility company?

Mr. CULKIN. Yes—they already have them, don't they?

Mr. POLETTI. They haven't got enough to carry this amount of power.

Mr. CULKIN. I understood they were pretty well organized in that respect.

Mr. POLETTI. I don't think that is correct, sir. I think they would have to have new lines.

Mr. CULKIN. But there is not going to be any outstanding outlay for transmission lines, assuming that contracts can be made with the utilities, isn't that right?

Mr. POLETTI. That is right, yes, sir.

Mr. RANKIN. Will the gentleman yield?

Mr. CULKIN. Yes.

Mr. RANKIN. We are not going to build this and turn it over to the utilities.

Mr. CULKIN. I am not suggesting that we do that. But assuming they do it at the proper cost—at the proper figure, it may save the construction of a great many miles of transmission lines.

Mr. RANKIN. If they will distribute it at the rate fixed by the Federal Government.

Mr. CULKIN. Exactly, I agree with that. One of the things I want to make clear to the gentleman from Mississippi, whom I admire, sometimes disagree with him, too, that I am in favor, and I think the power authority would be absolutely traitorous to its obligation if it failed to make complete savings possible on the distribution of this power—

Mr. POLETTI. Well, Mr. Congressman, the bill contemplates an arrangement which will be submitted to Congress, and in that arrangement will be provisions that will be consonant with the philosophy of the Power Authority Act of New York and with the Federal power policy enunciated by Congress. And you can achieve the result that way.

Mr. CULKIN. Well, now, right at that point, I want to say this for the benefit of my colleagues who have not seen this fight. I have greatly admired the brave fight that New York State has made from Governor Hughes' time down, and I think even earlier than that, to save this power for the people. I think it would have gone unless there were some brave, spirited public men in New York who led the fight. That includes both Democrats and Republicans.

I think that is all, Mr. Chairman. I congratulate you on your statement.

Mr. POLETTI. Thank you.

The CHAIRMAN. Mr. Green.

Mr. GREEN. Governor, there is nothing in the act or in anticipation that the State may hope to exercise any State control over navigation, is there?

Mr. POLETTI. None whatever.

Mr. GREEN. That is all.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTENGER. I was interested in your reference to the utilities. Now, we know there is powerful opposition to this project, and am I correct in the assumption that one of the hidden obstacles that this development has to meet and has had to meet through all the years is what we call "promoters" who like to buy a power site for \$1,000,000 and then pump \$29,000,000 worth of water into it, just as a chance illustration, and then sell \$29,000,000 worth of that water to the public and put the money in their pockets—isn't that one of the elements and one of the outfits that has consistently and powerfully fought this, because they wanted to steal the dam sites.

Mr. POLETTI. Well, the history in New York State will indicate that the public-utility companies have been very anxious to get their hands on this power resource.

In 1907 they managed to pass an act which granted them in the Long Sault region complete ownership of the bed of the river and everything else, for the very large and munificent sum of \$25,000. That was battled out, and it went to the courts and the Court of Appeals, which is our highest court, held that act unconstitutional because it was a grant of sovereign power on the part of the people of the State, and that couldn't be done.

Then later on we had power commissions that gave them licenses. There was the organization of the Frontier Corporation which was dominated by the Aluminum Co.

Mr. PITTENGER. Was that at Niagara?

Mr. POLETTI. No; this was up the St. Lawrence. The Frontier Corporation, it was called, and the powers behind that were the Aluminum Co. and General Electric and Du Pont, and the power commission of the State of New York was all ready to give a license, but there was a gentleman up there called the "happy warrior" that went out on the stump and he was elected Governor for taking a vigorous position against that attempt on the part of those interests to take away from the people those water-power resources.

And in 1938 at the constitutional convention I was a delegate at large and had a proposal to write in the constitution of the State of New York a provision that the water-power resources could never get into the hands of private utility companies but must be publicly developed for the use and benefit of the people, and the utility companies didn't try to help me at all on it.

Mr. PITTENGER. Do you know of any utility company that is favoring the St. Lawrence seaway project?

Mr. POLETTI. I do not.

Mr. PITTENGER. I have no further questions.

The CHAIRMAN. Mr. Bell.

Mr. BELL. No questions.

The CHAIRMAN. Mr. Rodgers.

Mr. RODGERS. I pass.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Governor, if my memory serves me correctly, you stated that you are for this bill or any similar bill in substantially the same form?

Mr. POLETTI. Yes, sir.

Mr. BEITER. Do you speak for the people of the State of New York or as an individual?

Mr. POLETTI. Well, Mr. Congressman, I will allow you to answer that question.

Mr. BEITER. I am asking you the question.

Mr. POLETTI. Well, I mean how can I answer it. You know my position. I am Lieutenant Governor of the State of New York.

Mr. BEITER. Well, did you ever then receive any resolutions from the Common Council of the City of Corning, for instance, the Common Council of Oswego, the Common Council of the City of Albany; the Brotherhood of Locomotive Firemen and Enginemen in the State of New York, the Brotherhood of Railroad Trainmen in the State of New York; the International Longshoremen's Association of the State of New York? Those are all labor organizations, and by the way, you said organized labor was for this project.

Mr. POLETTI. That is right, and I repeat it.

Mr. BEITER. I refer to resolutions passed by the organizations mentioned in opposition to the project and I wondered if you have ever seen copies of them.

Mr. POLETTI. I know about those, but those people are not all organized labor, and when I say "organized labor," I mean the majority of organized labor. And I cited the fact that only a few weeks ago when an attempt was made before the council appointed by Mayor LaGuardia to pass a resolution in opposition to this project, Mr. Thomas Lyons, president of the New York State Federation of Labor, and Mr. Gustave Strobel, president of the C. I. O. of the State of New York, opposed it, and Mr. David Dubinsky of the International Ladies' Garment Workers' Union. And I say and I repeat again most respectfully, that it is my humble opinion that the majority of the organized labor of New York State is in favor of this project.

Mr. BEITER. Would you change your opinion if, for instance, the president of the C. I. O. appeared here before this committee and testified in opposition to it?

Mr. POLETTI. Which president?

Mr. BEITER. Either the State or National.

Mr. POLETTI. Well, I think as far as the position of the C. I. O. in New York State—

Mr. BEITER. Or A. F. of L.?

Mr. POLETTI. I would want to hear from the State president.

Mr. BEITER. Or the A. F. of L.?

Mr. POLETTI. Yes; from the State president of the A. F. of L. Can you cite, Mr. Congressman, any resolution passed by the State federation of labor or the State C. I. O. in opposition to this project?

Mr. BEITER. I have copies of a number of resolutions here, passed by various organizations in the State of New York, including A. F. of L. organizations, and they will be inserted in the record at the proper time.

Mr. POLETTI. Well, those are particular unions. I am talking about the State Federation of Labor and the State C. I. O. I know that there is opposition by some railroad workers and longshoremen. I indicated that in my remarks.

Mr. BEITER. This is a State organization, this Brotherhood of Locomotive Firemen and Enginemen; it is an organization of the State of New York; and the Brotherhood of Railroad Trainmen is an organization of the State of New York.

Mr. POLETTI. There is no dispute on that—nothing I said conflicts with that, sir.

Mr. BEITER. Well, I point out that they were not unanimous, as you tried to indicate to the members of this committee, in support of this.

Mr. POLETTI. Well, I am awfully sorry.

Mr. BEITER. They are not in favor of this project.

Mr. POLETTI. I am awfully sorry if I gave you the impression that my statement had implicitly in it an assertion of unanimity. I had no such intention.

Mr. BEITER. You said if the citizens of Buffalo could be broad-minded, they would sacrifice their local advantages for the benefits of the country as a whole. If that is so, then why shouldn't the State of New York be similarly broad-minded and concede that the power should go to the Nation as a whole?

Mr. POLETTI. Go to the Nation as a whole?

Mr. BEITER. Yes. You want the city of Buffalo to forego all the advantages it has and take it on the chin.

Mr. POLETTI. Forego the disadvantages, you mean; alleged disadvantages.

Mr. BEITER. No; not alleged disadvantages—advantages. Yet you say all this power should go to the State of New York. You want to be broad-minded on that score, do you not?

Mr. POLETTI. Well, I will be very glad to answer that question, sir. In the first place, I don't think Buffalo is "taking it on the chin." I made the statement that, in my opinion, Buffalo will be benefited by this project, and I think the State of New York will be benefited by it, and I think the Nation will be benefited by it.

Now, when it comes to the operation, the distribution, and the management of this, the choice is between having the Power Authority of New York State, which has been set up since 1931, and which has been relying upon an accord of 1933, to do it or whether you are going to bring in the Federal agency—call it "X Authority"—to do it. Now, it is just a question of mechanism as to who will handle the power.

Mr. BEITER. How did you determine, Governor, that the vast majority of the people of New York favor the seaway development? How d'd you determine that?

Mr. POLETTI. Well, one way I determined it was by citing to you that in the last session of the legislature a resolution was introduced by an assemblyman from Buffalo to place the Legislature of the State of New York on record in opposition to this project.

Mr. BEITER. And it did?

Mr. POLETTI. And it was defeated.

Mr. BEITER. In the assembly? No. It passed the assembly. You said it was sponsored by an assemblyman from Buffalo, and I repeat that it passed the assembly.

Mr. POLETTI. Of course it did. I went all through it, and I told you it passed the assembly with about 25 present. There was no advance notice, and I suppose, if you want to be technical, it was illegally passed. There wasn't a quorum in the house.

When it came to the Senate, notice was given by the Republican leaders that it was to be taken up, and the resolution was defeated. And I also added that every senator from New York City, Republican and Democrat, voted against the resolution, and that the resolution

was defeated. I therefore cited that as one of the indications of the fact that the people of the State of New York, speaking through their representatives in the legislature, are in favor of this project.

Mr. BEITER. Did I understand you to say that the resolution passed the Senate unanimously?

Mr. POLETTI. No. You are probably referring, I think, to the fact that the Power Authority Act of 1931 was passed unanimously. No; the resolution was defeated in the senate, but it was not defeated unanimously; no. I said that every senator from New York City voted against it—that the vote of the representatives from New York City was unanimous.

The CHAIRMAN. Does that constitute a majority of the senate or assembly?

Mr. POLETTI. No; it does not. The representatives from New York City do not constitute a majority of the senate. There were votes from up-State against the resolution, quite a few votes from up-State—Republican senators who voted against that resolution to put the legislature of the State of New York on record in opposition to this project. And we had the same thing in 1940 and the resolution was defeated in 1940 too, and—I don't want to get into the question of the gubernatorial campaigns that have been fought on the issue. I alluded briefly to Governor Smith's fight—

Mr. BEITER. Governor Smith's fight was solely a power fight and not a seaway fight. He never advocated the seaway in his campaign.

Mr. POLETTI. Well, he talked about the St. Lawrence project.

Mr. BEITER. He never advocated the seaway because I cited to the Governor yesterday a statement he had made, to the effect that he was opposed to the seaway in 1933.

Mr. PITTINGER. I don't think these are fair questions.

Mr. POLETTI. That is all right.

Mr. BEITER. If the State is so anxious to develop this power, why hasn't the power authority so far acted to take over the facilities at Niagara Falls?

Mr. POLETTI. That is a long story. I was up in the Appellate Division only a few months ago fighting the Niagara Falls Power Co. in an attempt to obtain for the treasury of the State of New York some money for the use of the power which the Niagara Falls Power Co. has had for many years. They have been fighting the State every step and we are in litigation now and 15,000 cubic feet per second of water has been used by the Niagara Falls Power Co. and we haven't received 1 penny for it and we had to litigate in order to make them pay some money for the 5,000 cubic feet per second that they diverted during the last war as a result of action taken in Congress.

And now that we have learned our lesson, we are busy right now with respect to the 5,000 cubic feet that was authorized only a few days ago by Congress, so we can get some money for the treasury of the State of New York.

Mr. BEITER. How much were you able to get from the power companies?

Mr. POLETTI. You mean financially?

Mr. BEITER. Yes.

Mr. POLETTI. Well, this authorization that was given in 1918 for 5,000 in addition to the 15,000 and the 15,000 we have never gotten

1 penny for and for the 5,000, we had to wait until a few years ago when we started getting \$400,000 per year.

Mr. BEITER. \$400,000 per year?

Mr. POLETTI. That is right.

Mr. BEITER. And how much taxes do these same companies pay, State taxes, do they pay in addition to that during this period?

Mr. POLETTI. Well, Mr. Congressman, I don't want to start going into the *Niagara Falls Power case*. I will be very glad to send you a copy of my brief in that case and a copy of my reply brief and I am sure you would find them very interesting.

Mr. BEITER. I was just wondering whether you had in round figures, the amount of taxes that they do pay, because that is revenue to the State of New York—not only revenue to the State of New York but it is revenue to the various municipalities along the entire frontier.

Mr. POLETTI. I don't want to argue with you but I am not shedding any tears for the Niagara Falls Power Co.

Mr. BEITER. I am not shedding any tears for the Niagara Falls Power Co. either. I don't own a dollar's worth of stock in their company and never did, and I don't own anything in the railroad companies for that matter, and I think that, personally, the power companies would be glad if we could develop the St. Lawrence seaway so that they could purchase the power developed there, but we are opposed to the seaway development.

Mr. POLETTI. Has this committee been advised that Mr. Floyd Carlyle would like to appear before the committee and enthusiastically support the development of the water-power resources of the St. Lawrence by the people and for the people?

Mr. BEITER. I don't know whether Mr. Carlyle has asked to appear or not. Mr. Rankin wants to know who Mr. Carlyle is.

Mr. POLETTI. Mr. Floyd Carlyle is a very distinguished gentleman, a fine gentleman who is president of the Niagara-Hudson Co.—I am advised he is the chairman of the board, but he is the directing head of it, and that is the largest utility in the State of New York.

Mr. RANKIN. Will the gentleman yield?

Mr. BEITER. Yes.

Mr. RANKIN. If the people of the State of New York had got their power last year at the same rate paid on the Ontario side, they would have saved \$201,000,000 on their light and power bills.

Mr. POLETTI. They would have saved a lot of money.

Mr. BEITER. The Governor just stated they have paid \$400,000,000 to the State of New York last year.

The CHAIRMAN. \$400,000,000?

Mr. POLETTI. Mr. Congressman, your arithmetic is very quick indeed; I said, \$400,000 and now you make it \$400,000,000. Our total State budget is only \$385,000,000 and if that were so we wouldn't have to have any income tax or cigarette tax or gas sales tax or motor-vehicle tax and it would be wonderful.

Mr. BEITER. \$400,000?

Mr. POLETTI. Yes.

Mr. BEITER. Why doesn't New York State offer to finance the power project so as to save the Federal Government \$93,000,000 if they are so anxious for it?

Mr. POLETTI. Well, this is the bill that was prepared by the gentleman who introduced it and New York State has never taken any position on it.

Mr. BEITER. Do you have any assurances that the New York Power Authority will handle that power?

Mr. POLETTI. Have I any assurances they will handle it ably and alertly in the public interest?

Mr. BEITER. No; that they will handle it after the project has been developed?

Mr. POLETTI. I don't know what you mean "will handle it." They are established. They are set up under the Power Authority Act of 1931 and they are an operating agency and, as I said, the State has already appropriated \$1,250,000 to this agency to do all the preliminary work that is required for them to handle the power project.

Mr. BEITER. What was the preliminary work that they had to do?

Mr. POLETTI. Well, I couldn't give it to you in detail. I know that members of the Power Authority are going to testify and I am sure that they would appreciate your directing that question to them.

Mr. BEITER. I know that they were out through the Middle West advocating the seaway to the farmers, claiming as you have that it would help that area.

Mr. POLETTI. Well, the Power Authority of the State of New York has been very vigorous in promoting this project. There is no question about that. They have been very anxious to see it go through.

Oh, yes; they know a good thing when they see it.

Mr. SCHULTZ. You are talking now about the Power Authority as distinguished from the representative from Buffalo?

Mr. PITTENGER. That is right.

Mr. BEITER. Now, with reference to the Middle West, I happen to have here an advertisement that was clipped from the Atchison, Kans., paper this week, and I also have in my hand here a paper that was published in Washington, D. C.

It contains the ad of one of the large chain stores here and I made a comparison of some of the prices the people pay for their merchandise through the Middle West as compared with those in the East—in the Washington area.

I find in Atchison, Kans., a 24-pound sack of flour cost 59 cents, in Washington, D. C., a 10-pound sack costs 48 cents; veal roast in Atchison, Kans., is 12½ cents a pound, in Washington, D. C., it is 25 cents a pound; crackers, 2 pounds for 14 cents in Atchison, Kans., in Washington, D. C., 2 pounds for 19 cents; cheese, 1 pound for 15 cents, a half pound in Washington for 17 cents; oranges, 2 dozen for 25 cents in Atchison, Kans., in Washington, D. C., 19 cents a dozen; bacon, 15 cents a pound in Atchison, Kans., and bacon in Washington, D. C., is 25 cents; lemons, 19 cents in Atchison, Kans., and 23 cents here.

Now, if this seaway is going to improve or pick up—

Mr. PITTENGER. Will you yield?

Mr. BEITER. No; not for the present. If this seaway is going to prove to be such a boon to the people in the Midwest, how much lower do you expect their prices to be than at present, as compared with those along the seaboard?

Mr. POLETTI. That is a question; but, of course—

Mr. BEITER. Where will the economic pick-up occur?

Mr. POLETTI. Well, I was going to undertake to make an observation about your question. I said that what you propounded was a question when you read from a newspaper some figures about cheese and lemons and so forth.

Well, now, those figures don't prove anything. You don't contend they prove anything. I mean I can go into one city and I can pick out an advertisement from one store that will tell you about veal roast and your turkeys and lemons and oranges at one price and I will pick up an advertisement of another store at another price. I don't know what you can draw from those figures.

Mr. SCHULTE. Will you yield for just a minute?

Mr. BEITER. I have the floor.

Mr. SCHULTE. I am just wondering what cheese had to do with electricity and the St. Lawrence waterway.

Mr. BEITER. It has this much to do with it: We are talking about the economic pick-up through that section of the country, and because of the construction of the seaway we are told it will be still more improved.

Mr. PITTINGER. Will the gentleman yield?

Mr. BEITER. No; I refuse to yield.

Mr. POLETTI. Mr. Congressman, you cannot disprove that this will be an economic pick-up for the Middle West by citing a few veal-roast prices out of a couple of newspapers. That is all I am saying. If you wish some proof you will have to go to some other source. I mean that doesn't seem to me to establish anything except that a couple of stores sell goods at different prices, and I say that I can find those same figures in any community.

Mr. BEITER. I was making the comparison of the same items in different cities. I was not quoting one commodity as against another commodity.

Mr. POLETTI. Congressman, you know that you can buy oranges at all kinds of prices right in New York City.

Mr. BEITER. You can, depending on the size; but the prices out West are very much lower.

Mr. POLETTI. How can you tell from the advertisement what the size is?

Mr. BEITER. They are described in the advertisement.

You stated a few moments ago that 10,000 men would be employed at the site, and that is a mere drop in the bucket; just a few men, or 8,000 skilled laborers, I believe was the testimony. I think that General Robins testified this morning that 8,000 skilled men would be employed and 2,000 unskilled men.

The Department of Labor in a study made for the Public Works Administration pointed out that for every man that was employed directly on the site 2½ men are employed indirectly. In other words, there will be 35,000 men employed, both directly and indirectly, on this particular site.

Do you believe that to be to the best interest and safety of our country to take 35,000 men away from industries that are now engaged in the manufacture of war materials and supplies, and have them working on a project that will not be completed until 1948?

Mr. POLETTI. Well, I will be very glad to answer that.

In the first place, I do not think that your question is a proper question, because the issue is not whether you are going to take

18,000, or 10,000, or 35,000 men who are now employed in vital defense industries. That is not a fact.

In New York State there are plenty of people there who are unemployed right today, and there are millions of people that are not working in vital defense industries.

So that your question is, do I favor taking people out of a vital defense industry, such as at the Bell Aircraft Corporation right up in Buffalo, and sending them out to build the seaway. That is not the question.

Mr. BEITER. Governor—

The CHAIRMAN. Mr. Beiter—

Mr. BEITER. The men who will be employed on the seaway project, as I understand—

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Mr. Chairman.

The CHAIRMAN. Mr. Rankin is ahead of you on the committee, and he has not been recognized.

Mr. BEITER. I am sorry.

Mr. RANKIN. I am going to ask to be excused. I have an engagement that I have to fill, but I want these names rearranged here. The gentleman from New York [Mr. Beiter] is below me and the gentleman from Arkansas both. He has taken up the time that we should have, in part, at least.

Mr. BEITER. Getting back to the question—I am sorry, Mr. Rankin.

Mr. RANKIN. That is all right.

Mr. BEITER. The arrangement here is not my fault.

Mr. RANKIN. That is all right.

Mr. BEITER. This morning General Robins stated that 8,000 skilled men would be employed. Now, the men who are employed in the State of New York are—

Mr. CULKIN. I think he said, Mr. Chairman, if the gentleman will yield, skilled and semiskilled.

Mr. BEITER. Skilled and semiskilled.

Mr. CULKIN. Put the "semiskilled" in there.

Mr. BEITER. Skilled and semiskilled, and 2,000 laborers would be employed on the project.

Now, the men who are unemployed in the State of New York are not skilled workers. They are the unskilled men, and these workers are still unemployed. It is not the skilled men who are unemployed in the State.

Mr. POLETTI. Are you asking me a question, because I do not agree with your analysis of the labor conditions in New York State.

Mr. BEITER. If you have any other figures or figures to the contrary, I will be glad to have them.

Mr. POLETTI. I will be glad to give them.

Mr. BEITER. I will be very glad to have you give them to me, because I know this—

Mr. POLETTI. Do you think that every working man, skilled working man in New York State is working today?

Mr. BEITER. I know this—

Mr. POLETTI. Let alone the unskilled.

Mr. BEITER. I know this, that they are going as far south as Tennessee to secure skilled workmen.

Mr. POLETTI. All of them are not employed in New York.

Mr. BEITER (continuing). And bringing them into Buffalo. Only yesterday I heard there were eleven families from Oklahoma who moved into the Buffalo area to work in defense industry, so it indicates there is no unemployed skilled labor available in that defense area.

Mr. POLETTI. That is not accurate. That is not true at all.

Mr. BEITER. Well, it is true that these people have come in. I know that to be a fact.

Mr. POLETTI. That I will concede, sir, and I will concede that what you say about those specific instances is true. I do not know whether they are or not, but I will not concede that in the State of New York all skilled workers are now employed, let alone being employed in vital defense industries.

Now, there are many workers in New York State, skilled and semi-skilled, and unskilled that are not working.

Mr. CULKIN. Will the gentleman yield?

Mr. BEITER. Yes.

Mr. CULKIN. Let me illustrate the Governor's point. Pine Camp, in Northern New York, was built last winter. There were a thousand buildings in that cantonment, and there were over 7,500 men employed there.

Mr. BEITER. Mostly carpenters.

Mr. CULKIN. Carpenters to some extent, but the great bulk of them were laborers. The carpenters were largely recruited from the immediate section. They were not all highly skilled carpenters, but they joined the union and they qualified as carpenters sufficient to do that work.

Now, those 7,500 men are within striking distance of this construction and they have gone back to employment certainly less attractive and are getting lower wages, and there is, I would say, probably 7,000 men that are practically in that vicinity that would be available for this work.

Mr. BEITER. Of course, a great many of those carpenters came from all sections of the State and worked on that project and have gone back to the areas from when they came.

Mr. CULKIN. The great bulk of them came from the immediate section. A good many of them, as a matter of fact, were off the farms, and that kind of thing.

Mr. BEITER. Of course, they are going back to their farms and working their farms, because it is just as important for them to stay there as to produce the materials that are manufactured in defense plants.

Mr. CULKIN. The gentleman is so conclusive on it. I will not take up any more of his time. I do not think that I could convince him. He does not listen to what I say.

Mr. BEITER. All right.

The CHAIRMAN. Governor, I do not believe that you can reach New York by 4 o'clock.

Mr. POLETTI. No, Mr. Chairman.

The CHAIRMAN. It is 10 minutes after 4 now.

Mr. POLETTI. I am here at the services of the committee. This is a project in which I have been most deeply interested, and I want to do all I can to answer any questions that the members of the committee may have.

The CHAIRMAN. Yes, sir. We appreciate that.

Mr. POLETTI. I have been working on the St. Lawrence project since 1930, when I was a young lawyer working for a very distinguished lawyer, John W. Davis, and I got a leave of absence so that I could go out and do some legal research in favor of the St. Lawrence project.

Mr. BEYER. Well, I know that the Governor has done a very splendid job as Lieutenant Governor of the State.

The CHAIRMAN. Are there any further questions?

Mr. ANGELL. If my colleague has concluded.

Mr. BEYER. I have finished, as I said a few moments ago.

Mr. ANGELL. Governor, the questions that I shall propound are not based on opposition to the project, necessarily; but certain features of it in the event the project is approved by the Congress and is entered into, that we may have the benefit of your judgment before we reach a conclusion here.

Referring to the bill itself, H. R. 4927, section 2, as you know, has to do with the transfers of these facilities to the New York Power Authority. Let me read just a short provision from that, beginning with, first, section 2, page 2, of the bill:

SEC. 2. The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said power Authority of the power facilities constructed pursuant to this authorization and the right to use the United States share of the waters at the project for hydroelectric power purposes upon such terms and conditions as may be agreed upon, including provision for payment of \$93,374,000, which represents the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers, United States Army, and the Power Authority of the State of New York dated February 7, 1933, such payment to be made by the Power Authority over a period of fifty years with interest at the rate of 3 per centum compounded annually.

That is the first sentence in the section.

Now, the first part of that, Governor, I call your attention to the fact that there is a transfer and there is a transfer of two subject matters, one, the power facilities which may be erected by the Federal Government under the provisions of this act, if adopted, and the other is the right to use the United States share of the water at the project for hydroelectric power purposes.

Now, is it your understanding that by that transfer, the title, not alone of the facilities, but also of the hydroelectric power generated through those facilities is to be transferred to the State of New York Power Authority?

Mr. POLETTI. Well, I do not think it says anything about title, and I do not know where the title would be. The bill would transfer the physical structures and the right to use the water and that is a practical, equitable, fair arrangement. Where the title is, I do not know.

Mr. ANGELL. Do you mean to say, as a lawyer, by the use of the word "transfer" in a document of this sort that it does not pass the title?

Mr. POLETTI. Well, sir, the "transfer" is followed by the words "power facilities," which means physical structure, I think.

Mr. ANGELL. Yes. Yes; and is it not contemplated that those shall be transferred to New York?

Mr. POLETTI. Yes; but you asked me—

Mr. ANGELL. And that includes the title?

Mr. POLETTI. Yes; but you asked me about the title to the water.

Mr. ANGELL. I asked you both.

Mr. POLETTI. I understood—

Mr. ANGELL. I asked you about both—the transfer of the facilities first.

Mr. POLETTI. Yes; the transfer of the physical property.

Mr. ANGELL. Physical property.

Mr. POLETTI. The transfer of the physical property.

Mr. ANGELL. The word "transfer" also refers to water. It says transfers of facilities, and the water.

Mr. POLETTI. Well, it says "transfer," and transfer is followed with the phrase "the right to use." It does not say anything about title.

Mr. ANGELL. Well, is that right to use in perpetuity?

Mr. POLETTI. Well, I do not know. I suppose—

Mr. ANGELL. What is your opinion as a lawyer?

Mr. POLETTI. I could not express any opinion, because a lot depends on this phrase at the beginning, at the top of page 3, which says "upon such terms and conditions as may be agreed upon."

I do not know what terms and conditions will be agreed upon between the Federal Government and the State of New York and what the terms and conditions will be as approved by the Congress, because it has got to come back to Congress.

Mr. ANGELL. If you will excuse me, I will read it, because it says to transfer the physical facilities and the right to use the waters, and, in my judgment, in perpetuity. The language of the act is as follows:

* * * transfer to said power authority of the power facilities constructed pursuant to this authorization and the right to use the United States' share of the waters at the project for hydroelectric power purposes * * *

Now, the terms and conditions upon which they shall be transferred, it is true, are reserved, but there is no reservation as to the transfer. They are transferred under this language. Under this language they will be transferred if the conditions are met.

Mr. POLETTI. But Mr. Congressman—I am not trying to be evasive, quite the contrary—but it seems to me if you transfer the right to use upon terms and conditions—I mean, suppose that you put in a condition that a member of the power authority should not have red hair, and that if an appointment is made of a red-headed man to the power authority, that the right to use shall terminate and that it shall go back to the Federal Government, or something else. It is no longer perpetuity. I mean, it could be taken back.

Mr. ANGELL. I am not interested in red hair at the present time, but I am interested in whether the transfer here transfers title, and whether the transfer of title is in perpetuity, and you are a lawyer, and you are appearing here now in behalf of the State of New York to give the committee the best judgment you have, and we want it.

Mr. POLETTI. Yes.

Mr. ANGELL. Because we have to pass upon a bill which will transfer this property. If we do that, we want to know what we are transferring.

Mr. POLETTI. That is right.

Mr. ANGELL. And you come here as a spokesman—

Mr. POLETTI (interposing). That is right.

Mr. ANGELL (continuing). And the second in authority in the State. We want to know what your best considered judgment is as to what we are transferring.

Mr. POLETTI. My best, considered judgment—and I try to be most respectful, sir—is that this bill transfers the physical power equipment.

Mr. ANGELL. The title.

Mr. POLETTI. And that would be the title.

I would construe that as meaning the title.

Mr. ANGELL. And a transfer of the title to the right to use the water?

Mr. POLETTI. And then the right to use the water.

Mr. ANGELL. Transfer of that?

Mr. POLETTI. And the transfer of that upon such terms and conditions as may be agreed upon.

All I am saying is, I do not know what the terms and conditions would be. So that I cannot answer the question.

Mr. ANGELL. So you—as the representative of New York—you are not saying, then, that under this authority that New York expects to get the right in perpetuity to use these waters?

Mr. POLETTI. Well, I am not expressing any opinion on it at all, because I think all those questions will have to be discussed when this arrangement is made between the Federal Government and the United States; the terms and conditions.

Mr. ANGELL. Yes; but under this, we authorize the President to negotiate with the State of New York on terms and conditions for this transfer, and before we give that right, of course, we want to know what sort of transfer it is. For instance, if we were authorizing the President to transfer the title to the Capitol Building here, we would want to know something about what sort of transfer it was, whether the title transferred reserved the right to the United States to recapture it or what it was, I am asking you for your opinion as to whether it is your understanding, as the representative of New York, that the Federal Government is alienating the right to use these waters in perpetuity to the State of New York, under such terms and conditions, of course, as the President and the State of New York may arrive at?

Mr. POLETTI. Well, Mr. Congressman, all I am saying is that I do not think I can express an opinion one way or the other as to the right to use, because a lot depends upon what the terms and conditions will be, and as to those, I do not know, and those terms and conditions will have to come back to Congress for their approval. I do not know what Congress will wish to place in them—what terms and conditions Congress will wish to place on the State of New York.

Mr. ANGELL. All right; pursuing the matter a little further, there is an item of \$93,375,000 fixed as the purchase price.

Now, that is the fixed price not subject to change either way, is it, up or down?

Mr. POLETTI. That is my impression; yes.

Mr. ANGELL. Well. General Robins, who gave the estimates as to what would be the cost of this entire project, and gave the segregation and allocations, stated in this estimate, was rather indefinite, and they had added to the original estimates so as to

provide for changes in prices under existing conditions, and he also testified that there was a possibility that there might be an increase even of 25 percent more.

Do you not think that if the Federal Government is advancing this money, all of it—I mean advancing the money to build the project—and then, when it is constructed, turns it over to the State of New York, only requiring repayment over a term of 50 years out of receipts from the project, that the Federal Government ought to be reimbursed for their full outlay rather than the fixed estimate in the beginning. Should there not be some leeway, so that if prices go up, the Government will be protected? On some of our cantonments we find that they are costing twice as much as it was estimated that they were going to cost?

Mr. POLETTI. I have no quarrel with you on that.

Mr. ANGELL. In other words, it ought not to be at a fixed price.

Mr. POLETTI. I have no quarrel on that.

I know in 1933, according to the prices, it was about \$89,000,000 and that report was approved by the House, and this figure is \$93,375,000.

Of course, the project itself as contemplated by this bill under the present engineering plans is much cheaper than the project that was contemplated under the 1933 accord, so that this price of \$93,000,000 is substantially higher than the price that was embodied in the report of 1933 that I made reference to.

Mr. ANGELL. Under the figures submitted to us by General Robins; under heading "D," \$78,550,000 is allocated as the cost primarily for power to the United States; and in addition, under "C. Works common to navigation and power," another \$100,000,000 plus, which would indicate, and he has so stated, as I recall, a 50-50 basis for power and navigation.

I may be wrong on that, but at any rate, this whole set-up seems to be more or less subject to change.

Mr. POLETTI. I have no quarrel with you on that.

Mr. ANGELL. And these are only estimates.

Mr. POLETTI. I have no quarrel with you on that, and I cannot justify the \$93,000,000 or the \$85,000,000. I do not know much about it, but whoever prepared this bill apparently must have consulted the Army engineers and got some estimates from the Army engineers that \$93,375,000 was the figure. New York does not contend that if the just allocation of cost is \$95,000,000 that it should not pay \$95,000,000. I mean, there is no contention of that kind. The State of New York is coming in with the proposal of paying the just costs allocated to power, and if that is \$85,000,000 or \$95,000,000, the State would pay it, 100 percent, and 3 percent interest.

Mr. ANGELL. It would seem then a more proper provision would be the requirement that the State of New York pay the cost properly chargeable to power, regardless of what the amount may be. The method of arriving at it, of course, could be determined and specified in the agreement with the power commission.

Mr. POLETTI. I am sure that the Army engineers could furnish to this committee a proper price that would be fair and still protect the Federal Government, and I think that this figure of \$93,375,000 meets with the approval of the Army engineers and will amply protect the Federal Government. That is my information.

Mr. CULKIN. Will the gentleman yield?

Mr. ANGELL. Yes.

Mr. CULKIN. Do I understand that the general is coming back?

Mr. ANGELL. I just wanted the Governor's views.

Mr. CULKIN. I think that General Robins agrees with that.

Mr. ANGELL. Do you believe that the Federal Government has domination over the water power inherent in the flowing streams, navigable waters?

Mr. POLETTI. I am sorry, but I could not hear the question.

Mr. ANGELL. Do you believe the Federal Government has domination over the waters in flowing streams that are navigable, within the United States?

Mr. POLETTI. Well, all I can say to that, sir, is that this case is different from any other case that has arisen. It is the sovereign power of the State of New York that owns the bed of the river, and what the rights are of the Federal Government as against a sovereign State has not been decided by the Supreme Court, so far as I know. And the purpose of this accord of 1933, and which is embodied in this bill, is to avoid litigation and dispute as to legal technicalities and arrive at an equitable, practical solution.

Mr. ANGELL. Let me read you this pronouncement of the Supreme Court, a decision delivered by Mr. Justice Read in the case of the *United States v. Appalachian Electric Power Company*, decided December 16, 1940:

The State and respondent alike, however, hold the waters and the lands under them subject to the power of Congress to control the waters for the purpose of commerce. The power flows from the grant to regulate; i. e., to "prescribe the rule by which commerce is to be governed." This includes the protection of navigable waters in capacity as well as use. This power of Congress to regulate commerce is so unfettered that its judgment as to whether a structure is or is not a hindrance is conclusive. Its determination is legislative in character. The Federal Government has domination over the water power inherent in the flowing stream. It is liable to no one for its use or nonuse. The flow of a navigable stream is in no sense private property; "that the running water in a great navigable stream is capable of private ownership is inconceivable." Exclusion of riparian owners from its benefits without compensation is entirely within the Government's discretion.

Possessing this plenary power to exclude structures from navigable waters and dominion over fivage and its product, energy, the United States may make the erection or maintenance of a structure in a navigable water dependent upon a license.

I may say before you give your answer that when this question arose in this case 41 States of the Federal Union appeared in the case as friends of the Court opposing the position which later was taken by the Court, namely, their upholding the contention that I think you are upholding now that the States owned this power in flowing streams, and it was a matter of right in the State, and could not be taken away, and that a license given by the State, as was done in this case, to a private concern superseded the right of the Federal Government.

Now, do you believe that that opinion is the law?

Mr. POLETTI. Mr. Congressman, as I said, I am a lawyer, and, of course, any pronouncement by the Supreme Court of the United States is the law, and so that I agree with that law.

All I tried to point out was that that decision speaks of private rights, and in this case—

Mr. ANGELL. If I may interject, those private rights were acquired, however, through the State, and the only question here was not only the

rights of the private owner, but whether the State had the right to the flowage in the stream, and if it did have it, of course, it could pass it along by license to a private owner.

Mr. POLETTI. It is just a question of the application of that case to this set of circumstances. I say this set of circumstances is one that has never been decided by the Supreme Court. In this case the State of New York owns the bed of the river and is a sovereign power, and that sovereign power wishes to proceed with the public development of that waterpower, and what rights the Federal Government will have as against a sovereign State that owns the bed and wishes to proceed has never been decided upon, that I know of, by the Supreme Court.

Mr. ANGELL. With all due respect to you, that seems to be the same point raised here, the question of the rights of a sovereign State, and I am frank to say if you get to the Supreme Court with it you will have quite a hurdle getting over that case, in my judgment.

Here is another very short excerpt from an opinion that I would like to call your attention to; *Ashwander v. Tennessee Valley Authority* (297 U. S., 287), at page 330. It is an older case. It was decided several years ago, but it is quite an important case, because it goes very thoroughly into the subject and in this case the opinion was written by Mr. Chief Justice Hughes, the decision being rendered February 17, 1936, and here is what the Court says, on page 330:

The Government acquired full title to the dam site, with all riparian rights. The power of falling water was an inevitable incident to the construction of the dam. That water power came into the exclusive control of the Federal Government. The mechanical energy was convertible into electric energy, and the water power, the right to convert it into electric energy, and the electric energy thus produced constitutes property belonging to the United States.

Now, in that case, the State had not alienated any rights it might have had in the property, so its position is practically parallel with that before us in the consideration of this bill.

Do you believe that that is a sound holding?

Mr. POLETTI. Well, it is controlling law. There is no question about it, if you read from the decision.

Mr. ANGELL. The Supreme Court has not overruled that decision. It may overrule it later. It has overruled a great many decisions.

Mr. POLETTI. I presume that you are citing it as law that is still applicable, and, of course, it would control if there had been no decision overriding it.

Mr. ANGELL. Well, it holds, as does the later case that I referred to, in my judgment, that the Federal Government has dominion over navigable streams, over the water flow, and over the electric energy produced. Hydroelectric plants utilizing the water flow are exclusively within the dominion of the Federal Government, and no State can deny the right of the Federal Government or intervene in the right of the Federal Government in its control, as 41 States tried to do in this Appalachian case.

I am raising those questions, Governor, because we have in the West a large number of these hydroelectric projects. Forty percent of the potential hydro power in the United States is in the Northwest area. The Columbia River itself produces the larger portion of that. And it is the river which has the largest potential hydroelectric power in the United States, and we are vitally concerned as to where the title

rests—and we want to know if the Federal Government is going to plow new fields and enter on new trails they have not taken before, we want to get the facts, and I think the Congress itself certainly would want all of these facts, and that is the reason I am going into this question with you as to who owns the flowage in these streams and what rights the State of New York has, if any.

Mr. POLETTI. Well, I think that I pointed out instances where the Government has authorized State authorities similar to the Power Authority of the State of New York to operate and control public-power development—

Mr. ANGELL. It does that right along; certainly that is within its province of holding dominion, holding supreme power, and the Federal Government can license that to New York, as you request here; it can issue a license to a private individual if it wishes; but that is clearly aside from the position that New York is taking here that it owns this power, that it does not have to confer with the Federal Government.

Mr. POLETTI. Oh, no; we are not taking the position we do not have to confer with the Federal Government. Quite the contrary. Our position has been all of the time one of working out a joint arrangement with the Federal Government. We realize that the State cannot proceed alone. We have never taken the position that we could go ahead by ourselves ignoring the Federal Government.

Mr. ANGELL. I appreciate that you certainly would admit you cannot interfere with a navigable stream without getting Federal consent, but I have referred to and am referring now only to the use of the power here generated on this river in the improvement of a navigable river.

Mr. POLETTI. That is the attitude taken by all of the chief executives including the President, when he was Governor of the State of New York, and that has been the consistent executive and legislative policy of the State of New York; yes, sir.

Mr. ANGELL. When I came into the committee sessions this afternoon you were then citing certain projects which you seemed to take as being parallel. It did not seem to me that they were. They were not cases in which the Federal Government through its own funds had developed power on navigable streams and then surrendered that power to local States in perpetuity, as this bill seeks to do. Those were projects where the Federal Government issued licenses to private enterprises or a State to construct hydroelectric plants on navigable streams, which they have always done, in advancing loans in this critical period. We have advanced loans to everybody, but that has no bearing on the case here.

Mr. POLETTI. Mr. Congressman, I thought they were parallel cases in those instances I cited in South Carolina and Texas and Nebraska. The funds were advanced by the Federal Government.

Mr. ANGELL. They were loans.

Mr. POLETTI. Loans. Well, the effect of this is a loan. I mean we are paying it back.

Mr. ANGELL. No; we are transferring title here. This is not a loan. We are transferring title in perpetuity to the hydroelectric development.

Mr. POLETTI. But these other projects are now being owned and controlled by these State authorities in South Carolina, Texas, and Ne-

braska, and the money was advanced by the Federal Government, and those authorities are paying it back. Not only did they get loans, but they got 45 percent grants from the Federal Government, and we are asking for no grants from the Federal Government. We are taking the position that we will pay every cent that can justly be allocated to the power development.

I do not see any difference between those projects and this project.

Mr. ANGELL. Whatever you pay must come out of the revenues from the very property that the Federal Government turns over.

Mr. POLETTI. So is the other, from the projects I mentioned. There is no difference that I can see between them.

Mr. ANGELL. I would be quite happy to get a proposition of that sort and quit this job, because you are not obligating your State for a thin dime, not a single penny. Your Governor said that under your constitution that you could not do it without a vote of the people. The New York Power Authority cannot pledge the credit of the State. The only way is to create a power authority, and the United States to transfer to the power authority in perpetuity the rights to this water flow and hydroelectric power generated, giving the Authority 50 years to pay for it out of the revenues you receive from the sale of power.

Mr. POLETTI. Yes; but this power authority has been organized since 1931, and the Power Authority of New York State is no different from these others.

Mr. ANGELL. I know. We have all kinds of authorities out West, too.

Mr. POLETTI. I see no difference between it and these authorities in South Carolina, Texas, and Nebraska that got loans of Federal funds and the projects were constructed with Federal funds; they not only got loans but also 45-percent grants, and those authorities are paying it back over a long period of years, and those authorities will own and operate the property.

Mr. ANGELL. There is no transfer in those cases. I think if you examine the underlying documents of every single one of those cases you will find that there is not a single instance where there is any language like that used here where you transfer not alone the physical property but the right in perpetuity to use the hydroelectric power generated.

Mr. POLETTI. In those cases, they were given the right to generate, erect generating plants on the river, and utilize the power under such conditions as the Federal Government may impose from time to time, and the Government made them a loan.

Mr. CULKIN. May I make this observation. I wish the States involved in these enterprises, including the gentleman's own State, had adopted the procedure of taking over these properties, with title, if need be, if they would return some revenue to the Federal Treasury.

Mr. ANGELL. I think my State would be very happy indeed to take them over. They are very fine plants.

Mr. CULKIN. I would work with you on that.

Mr. ANGELL. Governor, I neglected to call your attention to the provisions of the Federal Power Commission Act. That is Public, No. 280, passed by the Sixty-sixth Congress, in which it is provided, as you know, of course, that the Federal Power Commission can issue these licenses that you had reference to earlier in your testimony, and

it provides they may be issued to any individual or to a corporation or to a State, and then it is provided further in section 6 of the act, that licenses under this act shall be issued for a period not exceeding 50 years.

Now, why should not this project be controlled the same as all other projects are being controlled under the general law, limiting the licensing to 50 years?

Mr. POLETTI. What provisions will be included in the final arrangement, as I said before, I do not know. It says on terms and conditions. I do not know what those terms and conditions will be.

Mr. ANGELL. You have no objection to limiting it—

Mr. POLETTI. I am not expressing myself on that.

Mr. ANGELL. You have no objection to limiting it—

Mr. POLETTI. I am not expressing myself on that.

Mr. ANGELL. You are here testifying in behalf of your State and of course I am trying to get what the views are of your State.

Mr. POLETTI. I feel that I am not prepared to express myself on that at this point.

Mr. ANGELL. Do you not think it would be a matter of good policy, congressional policy, to follow the general law with reference to your State the same as we have with all of the other 47 States in the Union?

Mr. POLETTI. I would not express an opinion as to what Congress wishes to do in the situation.

Mr. ANGELL. That is all.

Mr. JOHNS. Governor, I know that you are getting tired. I have been very much interested in the testimony of both the Governor and yourself, because we in the Middle West have been left with the impression that all interests in the State of New York are opposed to it, and that is one reason that the St. Lawrence project was never built.

Now, I know that you are familiar, of course, with the views of public officials, or know about the views of those running for office in the State of New York, as well as those running for office in the United States, and you are familiar, I think, with the fact that when Thomas E. Dewey was running for the nomination for President of the United States that he favored the St. Lawrence seaway. Is that not true?

Mr. POLETTI. Yes, sir; and when he ran for Governor, the Democratic candidate took a position in favor of the St. Lawrence and he likewise, in a speech came out in favor of the St. Lawrence.

Mr. JOHNS. Now, you said a few moments ago that you had figures on the amount of the rates, or the differences for the different cities now and also after this had been constructed.

You are also familiar with the amount now charged for electricity that is consumed in your State, and have you figured out what the average would actually be after it is constructed?

Mr. POLETTI. Well, the savings that the Power Authority figures out is a yearly saving of \$26,000,000 in electric-light bills.

Mr. JOHNS. The reason I am asking you that was that the statement was made here by my colleague from Mississippi [Mr. Rankin] that there would be a saving of \$201,000,000, so there is a considerable difference between your figures on that.

Mr. POLETTI. Our Power Authority figures \$26,000,000.

Mr. JOHNS. Well, that is considerable money saved.

I was going to say that if it was \$201,000,000, you said that your budget was \$285,000,000 or \$385,000,000.

Mr. POLETTI. \$385,000,000.

Mr. JOHNS. You can save almost half of it, or more than half of it.

Now, you claim title, I believe, to the power developed, do you not, up here in the State?

Mr. POLETTI. Well, we have always taken that position; yes, sir; the State has.

Mr. JOHNS. At least you are going to claim it until some court says you cannot have it?

Mr. POLETTI. That is right. The State has always asserted that position and its representative, the senior Senator, Senator Wagner, has also taken that position.

Mr. JOHNS. How much of the watershed is in New York State; do you know?

Mr. POLETTI. You mean in miles?

Mr. JOHNS. Yes.

Mr. POLETTI. Well, I do not know what you mean by watershed. Lake Erie and Lake Ontario, of course, border on New York State.

Mr. JOHNS. Of course. Well, suppose we use the drainage basin itself.

Mr. POLETTI. The what?

Mr. JOHNS. The drainage basin; what portion of that is in New York State?

Mr. POLETTI. I could not give you a figure on the drainage basin.

Mr. JOHNS. About 10 percent?

Mr. POLETTI. How much?

Mr. JOHNS. About 10 percent?

Mr. POLETTI. I do not know.

Mr. CULKIN. Will the gentleman yield?

Mr. JOHNS. Yes.

Mr. CULKIN. You mean the distances, the distance or length of the shore line adjacent to New York?

I will try to get at it. I will say that up on Lake Ontario from St. Lawrence to the site of the power development, proposed dam.

Mr. POLETTI. Yes.

Mr. CULKIN. I would say—

The CHAIRMAN. He is talking about the drainage basin. A part of that would be in Canada.

Mr. JOHNS. No; the State of New York.

Mr. CULKIN. I would say that the north shore line, of course, is in Canada all the way. I should say, 225 miles in New York State.

Mr. POLETTI. Do you mean by that, estimate as to the shore line, that is, the number of miles that the State of New York borders on the Lakes or what percentage of the drainage basin is covered by the territory of New York State?

Mr. JOHNS. The percentage of the drainage basin.

Mr. POLETTI. I do not know. I could not give you an estimate, because I presume that the drainage basin would include parts of Canada, as well as the United States.

Mr. JOHNS. New York City, of course, is the largest city in the State of New York. How far is New York City from the source of supply, the source of the generation of this electricity?

Mr. POLETTI. About 330 miles.

Mr. JOHNS. About 330 miles?

Mr. POLETTI. Yes.

Mr. JOHNS. What is your next largest city?

Mr. POLETTI. The next largest city is Buffalo.

Mr. JOHNS. Well, of course, that is very near. Then, the next largest city?

Mr. POLETTI. The next largest city is Rochester.

Mr. JOHNS. How far is that away?

Mr. POLETTI. Well, Rochester is right below Lake Ontario.

Mr. JOHNS. How far is it away from the point where the power is developed?

The CHAIRMAN. You mean Massena?

Mr. JOHNS. Massena. The source of supply.

Mr. POLETTI. About 250 miles, I should say, to Rochester.

Mr. JOHNS. How far is Buffalo from this powerhouse?

Mr. POLETTI. Buffalo is about 50 miles beyond Rochester.

Mr. JOHNS. It would be further away than Rochester, would it not?

Mr. POLETTI. That is right.

The CHAIRMAN. And it is about 300 miles from Massena.

Mr. POLETTI. That is right.

Mr. JOHNS. Now, it has been testified here that there would be 8,000 skilled laborers here employed and possibly 2,000 nonskilled.

Mr. POLETTI. Semiskilled; skilled and semiskilled, I think.

Mr. JOHNS. Skilled and semiskilled; that is correct.

Now, they will be employed about 7 months in the year, I think the General's testimony shows, does it not?

Mr. POLETTI. Well, I understood his testimony to indicate that, and I am sort of invading an engineering field, but I understood him to say that once the cofferdams were built that work could continue throughout the year.

Mr. JOHNS. That is quite important.

Mr. POLETTI. That is what he said; at least that is what I understood him to say this morning, when the cofferdams were built that work could be continued throughout the year.

Mr. JOHNS. I just did not understand his testimony to be entirely to that effect; but if the cofferdams were built, that they could start the work on the project. Just how much you could do would be a question, in the wintertime. I was wondering if you had that many men on hand and you could not keep them employed during the whole year just what would be the result on unemployment during the other 5 months. I wonder if anybody has thought about that?

Mr. POLETTI. I imagine that will all be worked out all right.

Mr. JOHNS. That is a good way to put it, but I am afraid that it will take more study than that to do it.

Mr. POLETTI. I am sure that the Army engineers must have some plans for it. I do not know what they are.

Mr. JOHNS. Does any member of the committee remember asking the engineers anything about that?

Mr. CULKIN. What is that?

Mr. JOHNS. Whether there was continuous employment or whether there was employment for 7 months, or 5 months idleness.

Mr. CULKIN. I think it is partly broken, although we have got a sturdy rugged manhood there in that north country. They have to be, and they built Pine Camp when it was 20° below zero. I think that the work would continue. I think this project would continue.

Mr. PITTENGER. He testified that some of it would go on for 12 months.

Mr. POLETTI. I understood General Robins to say that work would go on right along. I mean, dredging and things like that certainly could not be done; but a substantial part of the work, I understood from his testimony this morning, would be continued right through.

Mr. JOHNS. Well, of course, out in the West we, especially on the Fox River, which I am familiar with, we have there a working season which is only about 8 months. For the other 4 months the men are unemployed, unless they can get employment in private industry, and private industry does not want to give them employment, because they do not want men who will work only 4 months. They want them to work the year around. So I thought that that was a problem to be considered.

I believe that is all, Mr. Chairman.

The CHAIRMAN. Well, we thank you.

Governor, I want to thank you, sir, very much indeed.

Mr. POLETTI. And I want to express my appreciation to you, as chairman of the committee, and to each member of the committee for the opportunity that was extended to me to come here. I thank you very, very much.

The CHAIRMAN. The committee will adjourn until Monday morning at 10 o'clock.

(Thereupon, at 5:10 o'clock p. m., the committee adjourned until 10 o'clock Monday, June 23, 1941.)

GREAT LAKES-ST. LAWRENCE BASIN

MONDAY, JUNE 23, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., Hon. Joseph J. Mansfield (chairman) presiding.

Mr. RANKIN. Mr. Chairman, when we adjourned last Friday, it was understood that I was to examine the witness next. Since then, as you know, Senator Harrison passed away yesterday, and I have to make some arrangements in the House and some other arrangements, and will be unable to be with you this morning. I wonder if it will be all right to let some other witness go ahead now and let me continue with my questioning of General Robins and the other witnesses when I return Friday?

The CHAIRMAN. I anticipated that, Mr. Rankin, and I had already made arrangements for other witnesses to go ahead.

Mr. RANKIN. That is all right.

The CHAIRMAN. Yes.

Mr. RANKIN. Perfectly all right.

The CHAIRMAN. I knew the circumstances under which you were placed, and I told General Robins we would just postpone him until later on when we had the opportunity.

Mr. BEITER. Will the gentleman yield?

Mr. RANKIN. Yes.

The CHAIRMAN. All right.

Mr. BEITER. Mr. Chairman, my colleague here said General Robins had been called for Friday. Is General Robins scheduled to appear on Friday?

The CHAIRMAN. The opponents are to go on tomorrow.

Mr. RANKIN. I am not requesting any specific date, Mr. Chairman, because I may not get back here until Sunday?

The CHAIRMAN. Yes.

Mr. RANKIN. I am going to have to go with the remains to Gulfport.

The CHAIRMAN. I understand.

Mr. RANKIN. Perhaps you better just continue with the other witnesses throughout the week, if that is satisfactory.

The CHAIRMAN. Well, the opponents will take all the rest of the week, from tomorrow on; no doubt about that.

Mr. RANKIN. All right. I reserve the right to recall them for cross-examination.

The CHAIRMAN. Yes.

Mr. BEITER. Then following, Mr. Chairman, will the proponents again be called to the stand?

The CHAIRMAN. We will call both sides from time to time, so they can answer each other.

Mr. BEITER. From that point on?

The CHAIRMAN. Yes; we will give them all a fair show.

Mr. BEITER. The following week has not been definitely scheduled?

The CHAIRMAN. Not definitely set for anything. We will take either side and let them answer each other, as we go along.

Mr. BEITER. All right.

Mr. DONDERO. However, Mr. Chairman, it is not to be indefinite?

The CHAIRMAN. No; until we get through.

STATEMENT OF HON. JESSE H. JONES, SECRETARY OF COMMERCE

The CHAIRMAN. Now, gentlemen, we have Mr. Secretary Jones here this morning and, due to his position as Cabinet officer and his great ability, we will take him first. Mr. Jones, we will be glad to hear from you.

Secretary JONES. I have put my testimony in the form of a letter addressed to you, in reply to your letter of June 3, enclosing copy of the bill and asking the opinion of the Department:

At the request of the President, the Department of Commerce has been engaged for over a year in an extensive study of the St. Lawrence navigation and power project. The findings of this survey have been issued from time to time. In conducting this investigation the Department has had the cooperation of many agencies of the Government, among others, the United States Maritime Commission, the Board of Engineers for Rivers and Harbors of the War Department, the Bureau of Ships of the Navy Department, the Department of State, the Department of Agriculture, and the Department of Labor. The survey has considered the navigational aspects, the economic and commercial phases, the shipbuilding facilities of the Great Lakes, and the relationship of industrial development to low-cost electric power.

As a result of these studies, the experts of the Department of Commerce have found that extensive commercial navigation through the proposed St. Lawrence route is wholly feasible. The only serious limitation upon free navigation over this channel is the closed season during the winter months, but this condition is no different from that existing in the Great Lakes and the port of Montreal. There is, of course, extensive utilization of the excellent port facilities in these areas.

Studies of the Department show that the canal would reduce transportation costs to the Atlantic Ocean of certain agricultural and other commodities for a substantial section of the country.

The Department's investigation of shipbuilding facilities in the Great Lakes area, which the Canal would make accessible to the open seas, shows that there are extensive shipyards, some of which are equipped to construct ocean-going vessels, and some even naval vessels of the cruiser class. These facilities could, with the canal, be utilized in building ocean-going ships, and have the advantage of being far inland.

The survey of the power requirements in the New York State area indicates that the power is needed and would in any event soon be absorbed in the industrial progress of this region. Power to meet

defense needs at this time and for any possible recurring emergency is of course vital.

As a means of commercial intercourse, just as the Panama Canal linked the east and west coasts, the St. Lawrence route would link the Middle West with the Atlantic, the Gulf, and the west coasts.

This enterprise, in my opinion, should be considered in relation to its importance to the Nation as a whole, just as power dams and other waterways have been considered. We develop and maintain inland waterways and intercoastal canals. We provide navigation on the Hudson, Potomac, Delaware, James, Savannah, Warrior, Mississippi, Missouri, Illinois, Ohio, Monongahela, Kanawha, Cumberland, San Joaquin, Columbia, and Willamette Rivers, all for the benefit of agriculture and commerce. While each of these is of importance to its particular locality, they are also important to the Nation as a whole.

One development with which I am especially familiar is the Houston Ship Channel, which cost very little and which has been of inestimable benefit to agriculture and industry in the Middle West and Southwest, bringing the sea 50 miles inland, and providing another rail-and-water connection for intercoastal and foreign shipping.

We cannot have too many inland waterways, both in the interests of agriculture, trade and industry, and for national defense. The value of the St. Lawrence project as a defense measure cannot be too strongly stressed, and I am not thinking just of the immediate emergency, although that of course is vital. Regrettable as the thought of war is, recent developments make it imperative that we be prepared to meet it on any basis at any time. And no time should be lost.

It is the Department's conclusion, therefore, that the project should be undertaken. If thought advisable, it should easily be financed through the issuance and sale of revenue bonds payable from toll charges and the sale of power, with no cost to the taxpayers. Sincerely yours.

That, gentlemen, is my prepared testimony. I shall be glad to answer any questions I am able to answer if any wish to ask me any.

The CHAIRMAN. Thank you, Mr. Jones, very much indeed. I was particularly interested in your reference to the Houston Ship Channel, the project with which you have been connected from its incipiency. That project before war conditions prevailed was handling nearly 30,000,000 tons of commerce a year, and it has only been in operation how long; about 20 years?

Secretary JONES. About 20 years.

The CHAIRMAN. About 20 years. Twenty years ago there was no port there at all, and now it is one of the leading ports of the Nation.

I would like to have your view on this point: Since we adjourned last week the war situation is very different from what it was at that time. I notice from the press reports and from radio announcements that it is considered that Germany anticipates a long war by going into Russia and getting possession of the wheat fields of the Ukraine country and the oil fields, and other natural resources of Russia, evidently preparing for a long struggle. Now, if that be correct, then

the completion of this project within about 4 years, as estimated by the engineers, might be in ample time for the present great emergency; don't you think so?

Secretary JONES. I had that in mind, Mr. Chairman. Regardless of what happens in the immediate war, if we do not make up our minds that war is apt to recur at any time, then I do not think we are smart. I can see nothing except a future, in the lifetime of those of us who are now living, and probably further on, than a war-torn country or at least a country in a world susceptible to war at any time, and there is no time to lose, in my view by not preparing for war conditions and to meet war conditions at any time and doing everything, not just completing this canal, but doing everything else that will make our country impervious to invasion and able to meet any situation that might arise.

The CHAIRMAN. Yes, sir. Gentlemen, any questions?

Mr. DONDERO. I would like to ask a question or two, Mr. Chairman.

Mr. Secretary, you have brought up a question that has not been given much consideration, and that is the question of tolls.

Secretary JONES. Of what?

Mr. DONDERO. The question of tolls on the St. Lawrence seaway. Is it not quite obvious that if tolls were charged, and if this canal was used mostly by the United States, because of the vast difference in the population between this Nation and Canada, we would be paying most of the tolls; and, as such, we might lose the benefit of the low-cost water transportation. Don't you think that point of view ought to be considered before we take up the question of tolls?

Secretary JONES. Well, of course, I introduced the question of tolls and charges that I do not think has been discussed before your committee before. At least, I have not seen it.

Mr. DONDERO. That is correct; that is why I asked you the question.

Secretary JONES. That is because I have been dealing with self-liquidating projects for 8 years, and because I see that things can be done, and where they are useful they pay for themselves, and people that use them pay for them. For instance, we have financed this water project in southern California carrying water 250 miles at a cost of \$225,000,000, and it is self-liquidating; it pays for itself. The big bridges, and many, many things that have been financed by our self-liquidating loans pay for themselves. You take the big highway up in Pennsylvania, that I went over for the first time last week; I think we should build more of those projects when this emergency is over and we have got to find employment for people. I think we should be building more of those through congested areas. And I think that the traffic that uses any convenience should pay for it.

Mr. DONDERO. I want to say that your ideas meet with a sympathetic response from me. I am glad to hear you mention the idea that if the canal is built you would like to see it a self-liquidating project.

Secretary JONES. That would be my way of doing it. But I am not the originator of the bill, and I have not read it in its entirety, but it could easily be done that way, and not cost the taxpayer a dime.

Mr. DONDERO. That is all, Mr. Chairman.

Mr. CULKIN. Mr. Chairman.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. Historically, waterways have been built in the United States free from tolls, as I understand it?

Mr. JONES. I did not quite hear you.

Mr. CULKIN. I say, historically, waterways have been built free from tolls, the theory being that the savings are of equal benefit to the people, and it occurs to me that the international use of this project, as suggested by my distinguished friend from Michigan, present another question by reason of the international use of the project. I just make that as an observation.

From your brief examination of the bill, Mr. Secretary, you, of course, find that New York State participates in the cost of this project to an amount of \$93,375,000. You have viewed the national picture from an economic standpoint more closely, I think, than any man in the country. And may I state that I think you have done it very ably, and with the great service to the Nation.

Secretary JONES. Thank you.

Mr. CULKIN. I speak as a humble Republican, by the way.

Secretary JONES. I did not know they were humble.

Mr. CULKIN. What I wish to inquire of you, Mr. Secretary, was as to the present financial status of New York State and its ability to carry out any of its promises.

Secretary JONES. Is that a question?

Mr. CULKIN. Yes.

Secretary JONES. You mean, what do I think of the ability of New York State to carry it out?

Mr. CULKIN. Yes.

Secretary JONES. I think it is ample.

Mr. CULKIN. That is all.

Mr. SMITH. Mr. Chairman?

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Mr. Secretary, I understand it to be your opinion that the national-defense program on which we have embarked is apt to be one that will continue for quite a number of years, probably 6 or 7 or 8 or 10 years, even, and if we are wise, in view of world conditions, we should desire to place ourselves in a position where we will be secure and safe.

Right in that connection my attention has been called to the fact that there might develop a condition where it would be difficult for the railroads to carry the tremendous transportation load which might result from this national-defense program. Have you given any consideration to that possibility, at all?

Secretary JONES. We have given a great deal of consideration to it. With all the shipping, the ocean-going shipping having been taken away for special service, we are having to consider relying upon the railroads to bring materials and carry materials across the continent, probably saving as much as 25 or 30 days in some cases from the Far East, by unloading in California and, instead of going around through the Canal, to New York or some of the other ports; we are considering all of those factors, and we are unloading where we can unload on the Pacific and transshipping by rail. And that will be done the other way, too. We will have to load those ships for their return voyages by calling upon the railroads to carry the tonnage now in the intracoastal trade from the Pacific Northwest to the

East; that is being reduced and we have got to rely upon the railroads for some of that.

The railroads think they will be able to take care of whatever demands are placed upon them, and I think they will, reasonably so. There might be a little congestion in the harvesttime. You may recall, some of you that are old enough, that in the last war we used boxcars for storage purposes, and there was a shortage. But if we do not use railroad cars for storage, I think the railroads will be able pretty well to meet the situation.

Now, as conditions in ocean shipping get worse, of course the demands upon the railroads will be greater.

We cannot, of course, get this particular assistance within a period of 4 years, but I have stressed the point, it comes from my own heart, that I think we have got to be prepared for any eventuality at any time.

Mr. SMITH. And if we pursue that policy, Mr. Secretary, then it is evident, is it not, that the more we go ahead with it, the greater are our transportation facilities going to be taxed; and that would be true particularly, would it not, in the industrial region in the East, as well as the Middle West, those facilities are going to be taxed to a greater extent—

Secretary JONES. As time goes on.

Mr. SMITH. The more we extend the national-defense program?

Secretary JONES. As times goes on, there will be.

Mr. SMITH. What I particularly had in mind was whether the time might come when the region that would be served by this project would be taxed for transportation facilities which the railroads might not themselves be able to furnish; is that a possibility?

Secretary JONES. I should think you might; yes.

Mr. SMITH. The reason why I asked you about this is the fact that a speech was made Saturday by a prominent member of the Interstate Commerce Committee of the House in which he expresses that thought, that the more we extended our national-defense program the stronger became the possibility, and he even said "probability," that the railroads might not be able to carry the load. That was why I made the inquiry of you.

Secretary JONES. Yes.

Mr. SMITH. Thank you.

The CHAIRMAN. Any further questions?

Mr. VOORHIS. I have one: Mr. Jones, I was interested, also, in your suggestion also as to how this project might be financed. I wondered if you had made any estimates of how much of the cost of the project could reasonably be expected to be paid out of the power revenues first, and as to what the tolls would have to be in order to finance it by revenue bonds as you suggested?

Secretary JONES. I have made no studies whatever. That statement is from my experience over a good many years that anything that you do, any facility that is provided for the use of the public if it is a good facility they will use it and they will pay for using it.

Mr. VOORHIS. It seems to me it might be valuable information to the committee if we could have such a break-down as that?

Secretary JONES. The figures could easily be gotten, the estimates, but, after all, in all of the projects that we have financed as self-

liquidating, the revenue has exceeded, I should say, in 99 times out of a hundred, it greatly exceeded the estimated revenues. For instance, in building the Oakland Bay Bridge, at a cost of some \$77,000,000, I think it was estimated originally it would take a 65-cent fare 30 to 35 years to amortize the loan. They gradually have reduced that toll from 65 cents, and now it is 25 cents, and I think the bonds will be amortized in a shorter time, even at that rate, and that is not the exception. These facilities that are well done, and are where there are people that use them, pay for themselves.

Mr. PITTINGER. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. PITTINGER. Well, if I understand the situation correctly, the State Department and the Canadian authorities have not approached this project from the angle of any tolls, at all.

Secretary JONES. You are right.

Mr. PITTINGER. So that this agreement which is now in the shape of a bill for ratification by Congress contemplates the Canadians paying so much money, the United States so much money, and New York so much money, and we will have toll-free locks all the way down.

Secretary JONES. I have no desire to change the bill, but bills are sometimes altered a little bit in going through Congress.

Mr. PITTINGER. That is right.

Secretary JONES. And in the closing of my prepared testimony I make the statement, "if thought advisable."

Mr. PITTINGER. Now, one more question: If the treaty had been ratified in 1934 and this project completed and in working order now, you could make a great deal of use of it, could you not?

Secretary JONES. I did not get that last; you could do what?

Mr. PITTINGER. If the treaty had been ratified and we had not been delayed in 1934 with the opponents, the way we are continually delayed now, you would have a project that would be of great benefit to the national defense, would you not?

Secretary JONES. Undoubtedly.

Mr. PITTINGER. That is all.

The CHAIRMAN. Any further questions?

Mr. RODGERS. I just wanted to state, Mr. Secretary, I was glad you raised that question of tolls. I raised it last week, I believe, when General Robins was on the stand, as to whether or not any consideration had been given to the charging of tolls, and the general advised that we could not give consideration to that under the law as we have it now.

Therefore, if the facility is not to be opened free to the commerce of the world, it would be advisable, in your opinion, to have a study made as to the feasibility of charging or of not charging tolls. And if it was decided that it was feasible to have tolls, then we could proceed with the necessary specific legislation to empower the imposing of tolls. Am I right in that?

Secretary JONES. Well, I should not care to comment on that, because the bill does not come before my Department. It comes from other departments of the Government, and it is not for me to say how they shall proceed. I am just talking about the practical way,

if I were doing it; but I am not. If throwing it out on the table is worth anything, O. K.; and if not, why, O. K., too.

Mr. RODGERS. All right, Mr. Chairman.

The CHAIRMAN. Any further questions?

Mr. ANGELL. Mr. Secretary, we have a pretty good precedent, do we not, in requiring tolls in the Panama Canal? While it is true navigation on our waterways within the United States is free as a general policy, as stated by General Robins, we do impose tolls in the Panama Canal, which is outside the United States, and this waterway, of course, is on the boundary between the United States and Canada; so there might be the precedent for your suggestion of imposing tolls?

Secretary JONES. That is a very profitable operation.

Mr. ANGELL. That is all.

The CHAIRMAN. Mr. Johns?

Mr. JOHNS. I was very much interested in your statement, Mr. Secretary, with reference to the highway up in Pennsylvania which is self-liquidating, as you stated. The public generally, as I have observed, are very well satisfied with the highway and the charging of tolls which is necessary to travel over that road. That is your information, too, is it not?

Secretary JONES. Correct.

Mr. JOHNS. There is a great discussion, or has been in the past, and it is quite live now in Congress and outside, to build some superhighways from the East to the West. I would like to know whether you would care to comment on that, and whether you would feel that would be feasible or not and that the public would support it sufficiently to liquidate a project of that kind?

Secretary JONES. Well, I would feel my way about it. I would build in the congested areas first. Then, as I say, I would kind of go from there.

Mr. JOHNS. When you say "congested areas," you mean the large cities you have to pass through?

Secretary JONES. Well, the congested area means the environs of the large cities, too. With the tremendous amount of traffic between certain towns, I think you can promote such highways between congested centers of large population that will pay for themselves.

Now, when you start to cross the prairie, I am not so certain about that; it would take longer.

Mr. JOHNS. Well, of course it would be much more expensive to build in the cities and in the congested areas than out in the West?

Secretary JONES. Well, you can go around them.

Mr. JOHNS. And it is proposed now to build around the congested area.

Secretary JONES. It is, and have the feeders in.

Mr. BEITER. Mr. Chairman, I would like to ask the Secretary some questions?

The CHAIRMAN. Yes.

Mr. BEITER. Mr. Secretary, in advocating the construction of the seaway, were your findings based upon your recommendations that tolls would be charged? In other words, if this project were to be constructed and no tolls charged for the project, would you still advocate the construction of the project of the seaway?

Secretary JONES. I would advocate the construction of the seaway, in any event.

Mr. BEITER. Whether the tolls are charged or not? Two other Cabinet officers have appeared before this committee, the Secretary of the Navy, Mr. Knox, who refused to term the seaway "necessary and vital," and the Secretary of War, Mr. Stimson, who volunteered the fact that consideration must be given to the priorities of other great matters of national construction which are of immediate importance. Do you consider the seaway vital and of immediate necessity for national defense?

Secretary JONES. Now and in the future; yes.

Mr. BEITER. You do? What was that, "now and in the future"?

Secretary JONES. And in the future.

Mr. BEITER. Of course, at the present time, that is it would be 4 or 5 years before the seaway could be constructed so that in the future it would be of vital importance to the national defense?

Secretary JONES. I do not think any of us can tell how long the present war will last.

Mr. BEITER. Well, I think the chairman just a moment ago stated because of recent developments that the war would probably be prolonged to some great length. One of the columnists this morning stated that he thought that Russia would fall within 30 days. You do not agree with him, then?

Secretary JONES. I would not want to comment on a columnist.

Mr. BEITER. Well, we commented on a press release just a few moments ago that war would be of a prolonged duration.

Mr. Secretary, you made a comparison or referred to the Houston Ship Channel. Do you believe the St. Lawrence seaway compares in any way with the Houston Ship Channel?

Secretary JONES. Well, they are both canals, and they carry the sea that much inland.

Mr. BEITER. And they both have water in them?

Secretary JONES. They both have water in them. It seems to me this is highly desirable to get oceangoing shipping up through the Great Lakes. It takes in a lot of territory.

Mr. BEITER. Yes. Well, are there any States located along the ship canal that would be affected by the development of the Houston Canal; that is, does Houston suffer in any way, or do you believe it would suffer in any way if there were a number of cities located along that canal? Or the reverse, would the cities be affected in any way?

Secretary JONES. Well, as I tried to bring out, I treat it as good for the Nation as a whole, and not to some particular locality. Each of these waterways we contend is beneficial and helpful to certain localities, but that is not the reason they are built, or should not be; they ought to be helpful to the Nation as a whole, that is the way I think they ought to be considered.

Mr. BEITER. How many months of the year is the Houston Ship Canal closed because of ice?

Secretary JONES. None.

Mr. BEITER. So it does not compare with the St. Lawrence seaway, then, in that respect, at least?

Secretary JONES. No; but I think the St. Lawrence would be open most of the months.

Mr. BEITER. Well, the records of the Department show—

Secretary JONES. It is a pretty active community, a pretty active section of the country.

Mr. BEITER. Yes; but the records of the Department show that for at least 5 months of the year the channel is ice-bound, and this year the port of Montreal, the navigation was not open until May 15, and it is closed usually on December 1. So that the channel is ice-bound for 5 months of the year.

Mr. CULKIN. Will the gentleman yield for a question?

Secretary JONES. You can do a great deal in 7 months.

Mr. BEITER. What is that?

Secretary JONES. You can do a great deal in 7 months.

Mr. BEITER. That is true.

Secretary JONES. You can do more in 9.

Mr. BEITER. You have in the past made some loans to railroads. Do you believe that the construction of this seaway will affect the loans in any way?

Secretary JONES. No.

Mr. BEITER. It will not affect the revenues of the railroads in any way so that they will not meet the payments?

Secretary JONES. I think not that much.

Mr. BEITER. You are jeopardizing your loan, then, to a certain extent in recommending the construction of the seaway, are you not?

Secretary JONES. No; I do not think it would hurt the loan we have got.

Mr. BEITER. Well, you are taking some of the assets away from the railroads?

Secretary JONES. I do not think so, much. Besides, that is a transportation, and with that I think you can go all the way along; the railroads have got to take care of themselves.

Mr. BEITER. Well, then, you believe that the railroads would be content to lie idle for 5 months while the seaway reaped the so-called "golden harvest"?

Secretary JONES. I do not think many of them would be idle. I do not think this will seriously affect the railroads.

Mr. BEITER. Where do you expect all of these commodities to come from that will be shipped over this great seaway, if it is not going to affect the railroads in any way?

The CHAIRMAN. Mr. Beiter, it is going there now.

Mr. BEITER. Yes.

The CHAIRMAN. Over 100,000,000 tons.

Mr. BEITER. That is true, but if the seaway were constructed and all of these commodities were shipped through the seaway, in bottoms rather than over the railroads, is not that going to affect that in some way?

Secretary JONES. Most of it, most of the traffic will be carried to the ships by the railroads, that part that trucks do not carry, whether they deliver it at one point or at another.

Mr. BEITER. Well, I know, but if it delivers to the ship and has only a short haul, of course the revenues are not nearly as great as if it has a long haul.

Secretary JONES. That is sometimes true, sometimes not. Depends upon the Interstate Commerce Commission.

Mr. CULKIN. Will the gentleman yield?

Mr. BEITER. I will be glad to yield.

Secretary JONES. I doubt if the railroads would advocate this improvement.

Mr. BEITER. I doubt that, Mr. Secretary.

What I have in mind is the loans you have made to the railroads, whether or not it will affect their revenues?

Secretary JONES. No.

Mr. BEITER. And the definite commitments that they have made to you that they are going to make these repayments in a certain number of years.

Secretary JONES. I do not think it will affect our collateral.

Mr. BEITER. It will not affect your collateral in any way?

Secretary JONES. Not enough that you can tell it.

The CHAIRMAN. Any further questions?

Mr. BEITER. If the amount of money necessary to build this waterway was enough that we could build more than 100 destroyers, which would you say would be most essential?

Secretary JONES. Well, I would not know. That is going into a phase of the situation that I would not know about.

Mr. BEITER. Well, the most optimistic estimate is that the waterway would not be completed until 1946, and possibly before 1949. With that in mind, would you think that the American people can stand for these large expenditures, or are they in a mood to take on more of these large expenditures, when the emphasis is being placed now on national defense?

Secretary JONES. Well, if I get your question as to what I think people are prepared to do in the way of spending money, the amount of money involved here is relatively small compared to what we are spending every day. And as for the funds between destroyers and the canal, I think you can do both. I think we ought to do both, and if we need destroyers, I think we ought to build them as fast as we can.

Mr. BENDER. Of course, I was home over the week-end, and they read some of the stories, my constituents read some of the different stories on the Ways and Means Committee report now in the tax bill.

Secretary JONES. Yes.

Mr. BENDER. The folks are very much concerned and disturbed. And I am wondering just how much more of this they will stand for, or how much more of this those of us who are here should vote, knowing how concerned they are, not only about their boys being drafted into the Army and that they are giving liberally, as they desire to do, for defense, but how much more are our people going to put up with in the way of expenditures on a long-range basis, rather than for immediate defense purposes?

Do you not think the public has about reached the limit in the matter of long-range expenditure of questionable value?

Secretary JONES. I would not know about that. I would not think so, if the expenditures are for useful things.

Mr. BENDER. One of the gentlemen on the other side asked about the railroads, and you indicated that you thought that the railroads were opposed to this project?

Secretary JONES. Well, I did not suppose that the railroads in that immediate vicinity would advocate it.

Mr. BENDER. Would you give me the reason why you feel that way?

Secretary JONES. They might be afraid they would lose a car of freight.

Mr. BENDER. That is just it. Now, will this competition dislocate a lot of business in transportation that is now established, not only in that immediate vicinity but everywhere throughout the country?

Secretary JONES. I am not certain I got the last question, the last part of it.

Mr. BENDER. I am asking what effect this project, the completion of this project, will have on business generally throughout the country?

Secretary JONES. I do not think it will affect business generally throughout the country beyond the assistance to agriculture and industry in the section that is served by this waterway.

Mr. BENDER. You feel that this project will be helpful rather than hurtful to agriculture in this country?

Secretary JONES. I do; yes, sir.

Mr. BENDER. What do you base that on?

Secretary JONES. Lower rates.

Mr. BENDER. On exports, or only on traffic within our country?

Secretary JONES. Well, I would say lower rates. I would not undertake to go into the technical side of it. I suppose if they are lower one way they would be lower the other. I don't know.

Mr. BENDER. You feel that it will help to make for greater business, that is not domestic, but business outside of this country? What I want to say is this: Do you think that the farmers through exports would benefit as a result of the development of this canal?

Secretary JONES. The buyers through export?

Mr. BENDER. Yes; that our farmers would benefit, the American farmers?

Secretary JONES. I think it would benefit the farmers, in the area that is affected.

Mr. BENDER. You are familiar with the Argentine beef problem?

Secretary JONES. Not much. I know we have got one.

Mr. BENDER. You know that Argentine beef can be purchased at the average butcher shop in any area, I suppose, at less than American beef can be purchased for, prepared in the same manner?

Secretary JONES. It can be now?

Mr. BENDER. Yes.

Secretary JONES. Can you buy it?

Mr. BENDER. Yes.

Secretary JONES. Much?

Mr. BENDER. Yes.

Secretary JONES. I did not know.

Mr. BENDER. The stores are full of it.

Secretary JONES. How is that?

Mr. BENDER. The stores are full of it.

Secretary JONES. Canned beef?

Mr. BENDER. Canned beef; yes.

Secretary JONES. Oh, yes.

Mr. BENDER. I saw it on display, myself, when I was back home Saturday. In fact, a whole bunch of them, and the price asked for that was so much lower; in fact, they featured it as compared with the price of meats. The prices of meats in this country have gone up anywhere from 10 to 18 percent in recent months, I should say in the last 4 months.

Do you think this project would create greater competition?

Secretary JONES. I would not want to comment on that point, if you don't mind.

Mr. BENDER. That is all.

Secretary JONES. My reason for that is that it is in another department, and I would not want to comment.

Mr. JOHNS. I know you are as familiar with the finance of the country, probably, as any other man outside of possibly the Secretary of the Treasury. I am interested in knowing about how much you feel this country can go into debt without being damaged in any great extent in its credit?

Secretary JONES. The last time I said anything about that I got a good deal of publicity on it.

Mr. JOHNS. Well, of course, I am not to blame for that. I would like to know, myself. I believe you said 90 billions at that time?

Secretary JONES. I believe generally I said it might be double that amount.

Mr. JOHNS. Might be double 90 billion?

Secretary JONES. No; double 45.

Mr. JOHNS. Oh, yes.

Secretary JONES. Congress had a good deal of trouble to go over 45 billion at the time, and when I mentioned it might be double that, I am still getting panned for it. But I think this country can stand anything it has to stand, debtwise or otherwise.

The CHAIRMAN. Especially if national defense is involved.

Mr. JOHNS. You would not want to place any limit for any possibility, if national defense is involved, you would not want to place any limit on the amount the Government might expend?

Secretary JONES. My reason for that is that conditions change. None of us would have thought 15 or 20 years ago we could spend \$45,000,000,000 and have a debt of that much; isn't that true? We are today, and we are going beyond that every day. So when your debt is increased, income will be increased. Therefore, I think the country can spend whatever it has to spend, debtwise.

Mr. JOHNS. Well, do you not think that the time is arriving when the public will not absorb these loans of the Government, unless the Government takes money away from the people?

Secretary JONES. I did not get that last question.

Mr. JOHNS. I say, do you not believe that the time is coming when the public will not absorb these large loans of the Government, and it may be necessary to go to the people and take the money away from them?

Secretary JONES. I do not think so.

Mr. JOHNS. You don't think so?

Secretary JONES. What are they going to do with the money? The banks are full of it, and what are they going to do with it? You can borrow money at ridiculously low rates now, for private purposes, let alone the Government. So while the banks holler about debts, some of them, they keep putting it out at the low rates; and people do, too.

Mr. JOHNS. And that is about all they can do?

Secretary JONES. That is the only thing they have got to do with it. They have to pay their rent, at least, and clerks' hire, and a little bit of a dividend; and the only thing that they can do is to buy Government bonds. And it was the same 2 years ago, due to the business program.

Mr. JOHNS. You still have some \$5,000,000,000 in surplus in the banks, if necessary?

Secretary JONES. A tremendous amount of it, and every time the Government borrows it out and spends it, it goes right back in the bank.

Mr. JOHNS. Yes. Well, I was very much interested in it. Thank you very much.

Mr. BENDER. Mr. Jones, I am interested in what you say about the banks being loaded with money and know not what to do with it. Is it not a fact we are not paying the debt, but just continuing that debt, and that the banks are loaded with Government I O U's?

Secretary JONES. Is not that what? I did not catch that?

Mr. BENDER. Is it not a fact that the reason why the banks are full of Government I O U's is that we are not paying the debt, but just continuing the debt—that is, the national debt?

Secretary JONES. You cannot pay it unless you levy taxes that the country cannot stand.

Mr. BENDER. When are we going to tell the taxpayer the whole story, be frank with him and tell him about the cost of all of these things that we are undertaking, such as this project?

Secretary JONES. You are telling him every day, by increasing the taxes.

Mr. BENDER. I mean, when is the administration going to pass the burden on as they make the assessment?

Secretary JONES. They are doing it every day.

Mr. BENDER. As they spend the money?

Secretary JONES. You do it every day as you levy, as you increase the taxes.

Mr. BENDER. You know we are not levying the taxes in proportion to the money that we are spending?

Secretary JONES. You could not, because the country would not stand it. It would break up the game.

Mr. BENDER. Well, the game would be broken up if the people really knew the truth, wouldn't it?

Secretary JONES. I don't think so. I think the people know the truth. I don't think you can fool them, long.

Mr. BENDER. I repeat what I said to you, that I heard from some of the bewildered taxpayers back home, in considering such a bill as this, and they do not believe it to be immediately essential to defense, and they are very much disturbed and incensed about it.

Secretary JONES. Well, my experience has been that when a fellow is opposed to something he can find many reasons for opposing

it, and when he is in favor of it he can find many reasons for favoring it. I think we are all alike in that respect. We will understand what the taxpayer's bill is after 1941, when we get our bill on next March 15, and then we will really begin to squirm, because it is going to be high, and it may be higher the next year. But I am unwilling to trade, and I am sure you are, anything we have for any other part of the world.

Mr. BENDER. Of course, we are unwilling to. You are a very successful businessman and everybody respects you and recognizes your ability.

Secretary JONES. Thank you.

Mr. BENDER. Folks have a high regard for you and your judgment. You, in your own business, Mr. Jones, would not carry on your affairs in the same manner as the United States Government is carrying on our affairs today, would you?

Secretary JONES. I think I can answer that by saying that in carrying on the operations of the R. F. C. that I have tried to do exactly as though it was my own funds. Every time I make a loan or an investment I expect it to always come back. The ten or twelve or fourteen billions we have used, and have operated with, the money comes back, and we will make an actual profit to the Treasury. I have never been afraid of debt. It does not bother me if I have got something to pay it with, some income.

Mr. BENDER. We are calling, Mr. Chairman, for an added expenditure of at least a quarter of a billion dollars and possibly a billion dollars. Of course, these questions are pertinent, because the people are concerned with the way we are spending the money.

Secretary JONES. I am glad to discuss that with you.

Mr. BENDER. You say you are not bothered about it as long as there is an income?

Secretary JONES. Correct.

Mr. BENDER. Where is the income? What is happening to our income? What is happening to the stock, for instance, some of these large enterprises with large Government orders?

Secretary JONES. Well, it should not go up.

Mr. BENDER. The reason it is not going up is because of the tremendous tax burden?

Secretary JONES. That is correct; and these big corporations or anyone else should not be permitted to make a big profit out of the emergency at the expense of the Government. I am against all of that.

Mr. BENDER. You are taking all of it away from them.

Secretary JONES. The only way you can take it is to take it away in taxes.

Mr. BENDER. But they are taking more away in taxes than they are getting in income; isn't that true?

Secretary JONES. I doubt that. I think we will have the biggest income this year the country has probably ever known.

Mr. BENDER. How about the R. F. C. two billion charged off by Congress in 1938?

Secretary JONES. That was appropriated by Congress. We did not lose the money. You appropriated that money, and we asked you to

put it back. We did not authorize it. You directed us to give the money away, and we had no choice about it.

Mr. BENDER. Was there a profit in the two billion?

Secretary JONES. There was no profit to the R. F. C., but you simply used us as a funnel, you directed us to give the money for certain things. You did not give us authority with discretion.

Mr. BENDER. Then Congress' judgment was not so good?

Secretary JONES. What?

Mr. BENDER. Congress' judgment was not so good in that respect?

Secretary JONES. I think it was. It used that method, instead of appropriating it, and appropriated it later.

Mr. BENDER. We made no profit on that investment, however?

Secretary JONES. No; we did not, and no loss.

Mr. BENDER. So Congress' performance was not so good.

Secretary JONES. Well, Congress does pretty well.

Mr. BENDER. Thank you very much.

Mr. BELL. Mr. Chairman.

The CHAIRMAN. Mr. Bell.

Mr. BELL. Mr. Secretary, in order that we may have a meeting of minds, as to what is in my mind on this canal project, I would like to say I view it from two angles: One a question of its necessity as a part of our national defense; and the other feature, its effect upon the country at large, and inasmuch as I represent a district in Missouri, the effect that it will have upon that part of the country also.

Secretary JONES. What is your district?

Mr. BELL. I represent the Fourth Missouri District.

The CHAIRMAN. Kansas City.

Mr. BELL. Kansas City.

I would like to ask you, Mr. Jones—because I do think you are a man of very wide experience in observing the effect of things of this kind upon the commercial life and activities of the country—I would like to ask you what, in your opinion, will be the effect upon the imports and exports coming from a market located as far away as Kansas City. It is about 400 miles, as you know, south of Chicago.

Secretary JONES. I would think it would not affect Kansas City at all. There might be a little effect, a little here and there.

Mr. BELL. You do not think that Kansas City will particularly benefit by freight rates or by a mere access to the sea?

Secretary JONES. It might get some benefit in going to the Great Lakes, at the closest point.

Mr. BELL. Of course, at the present time Kansas City has access to the Gulf of Mexico.

Secretary JONES. Yes.

Mr. BELL. By going down the Mississippi River to the various ports upon the Gulf. I think that perhaps we ship some grain that way and other heavy commodities. Are you familiar with that situation?

Secretary JONES. I am not familiar with it, but I do not suppose that you ship a great deal that way.

Mr. BELL. Do you think that we would ship any materially larger quantity of grain to Chicago and out the St. Lawrence Canal than we are shipping south now?

Secretary JONES. Most of it goes over the railroads. You might on some of your grain get it out that way.

Mr. BELL. My understanding is that the bulk of our grain and the things that are heavy freight go by rail to the east coast at the present time. Is that your understanding?

Secretary JONES. Your stuff goes to the east coast?

Mr. BELL. By rail to the east coast.

Secretary JONES. A great deal of it comes to Houston and Galveston and New Orleans?

Mr. BELL. Do you know, Mr. Jones, of any particular advantage that the Middle West—and when I say “the Middle West,” I am talking about the West, halfway between Chicago and Houston, we will say—would have by reason of the construction of this canal?

Secretary JONES. What was the question?

Mr. BELL. Do you know of any particular advantage that the Middle West—and when I say “the Middle West,” I mean that part of the country midway between Chicago and Houston, or those Gulf ports—would have by reason of the construction of the St. Lawrence waterway?

Secretary JONES. Well, I have made no estimate about where a dividing line would be, which particular city or side of that line would be benefited locally. I base my testimony, and my opinion, and my conclusion, on the good of the country as a whole, and I think from that standpoint that it is desirable.

Mr. BELL. Do you think that there would be no particular benefit coming from that section of the country?

Secretary JONES. I do not see why there would not be.

Mr. BELL. In other words, to take a carload of grain to Chicago and unload it, and reload it on a boat would be perhaps more expensive than to ship it direct to the eastern markets by rail; the loading and unloading process would absorb whatever difference there would be in the cost of transportation.

Secretary JONES. I do not get the point. Where do you start from, Kansas City?

Mr. BELL. Well, we will say Kansas City.

Secretary JONES. And then ship it to Chicago and put it on a boat?

Mr. BELL. And put it on a boat.

Secretary JONES. I think that would be cheaper than an all-rail route.

Mr. BELL. It would have to be unloaded at Chicago.

Secretary JONES. Well, there is not much expense to that.

Mr. BELL. And then it would either leave the Lakes at one of the lake ports and head in toward New York, or the eastern seaboard, which would mean another unloading or else go on up to Newfoundland and down the coast.

Secretary JONES. I think you would get a lower rate by water. At least there would be lower costs in transporting it, because the loading and unloading of the ship is not a big job. They do that with machinery.

Mr. BELL. Let me ask you this, Mr. Jones: Do you think there would be any great advantage in shipping north through the St.

Lawrence waterway over and above shipping south toward Houston and New Orleans?

Secretary JONES. There might be some advantage. I would not know the figures. I would not know.

Mr. BELL. You would not know what the advantage would be?

Secretary JONES. I would not, and there might not be any, but I imagine there would be some advantage.

Mr. BELL. Let me ask you your opinion on this phase of the problem, Mr. Jones: It has been testified here that 25 percent of the population of the United States is located in the area around New York, and within three or four hundred miles of New York.

The reason why that population is located there is because of certain advantages of transportation of power or some commercial advantage. That is true, of course, is it not?

Secretary JONES. Did you ask me if that were true?

Mr. BELL. Yes.

Secretary JONES. I would not know. That is where we started, I think, when we came over here several hundred years ago.

Mr. BELL. Do you not think, Mr. Jones, that region has been saved by transportation and perhaps by the location of steel and coal and that has been largely the reason why population has located there rather than in the Middle West?

Secretary JONES. Well, is there any particular advantage in my giving you an opinion on that? I do not have much. I do not know—

Mr. BELL. I will ask my next question then.

Secretary JONES. All right.

Mr. BELL. I wanted to work on a meeting of the minds only.

Secretary JONES. All right.

Mr. BELL. But I will ask you, Mr. Jones, if the location of a great power plant, great source of electric power in New York would not have a further tendency to concentrate the population in that area by reason of the fact that power would be cheaper there than it would be in the Middle West?

Secretary JONES. I think that industrial development will follow cheap power.

Mr. VOORHIS. May I ask a question there. Will the gentleman yield?

Mr. BELL. Yes.

Mr. VOORHIS. Well, but would you say, Mr. Jones, that it would be fair to deny a region the opportunity to make use of water-power resources, that it happens to have? Is it not quite as reasonable to try to deny other sections use of minerals that happen to be a part of the soil, for instance? I mean, can we take the position that we are going to deny one region the opportunity to use water-power resources, unless we take the same position as regards similar resources of another region, which we would not do, of course?

Secretary JONES. I agree with your point.

Mr. BELL. I think there are no further questions, Mr. Chairman.

Mr. KIRWAN. Mr. Chairman.

The CHAIRMAN. Mr. Kirwan.

Mr. KIRWAN. Mr. Secretary, some time ago the President's proclamation declared a national emergency existed. Prior to that the

Congress passed what was known as the lease-lend bill which gave the President authority to lease or lend anything necessary in national defense.

I am not going to ask you what will happen 5 years from now, because I do not think Mr. Jones or any man knows what will happen 5 years from now, or whether this waterway is going to be of benefit to the Middle West or not.

I am going to ask you, do you think this is the most sensible project that could be undertaken in connection with national defense?

Secretary JONES. Do I think what? The most what?

Mr. KIRWAN. The most-needed project for national defense?

Secretary JONES. I do not think I am qualified to answer your question. I am not in the War Department and not in the Navy Department, and I do not understand their problems.

Mr. KIRWAN. All right; looking at the past. France thought she was fine, sitting back of the Maginot line.

Secretary JONES. I beg your pardon.

Mr. KIRWAN. France thought that she was well protected by the Maginot line. England in 1929 in war maneuvers, air maneuvers, in 1929, after conducting them for 3 days, told the whole world that London could not be raided by air; that airplanes could not get over; those that came over the channel they would get after they got over, so that she was safe from the air.

Now, Germany has overcome most of that, except the water.

Then, of course, the Governors of New York have advocated building the project.

Secretary JONES. Advocated what?

Mr. KIRWAN. Building of the St. Lawrence waterway.

Mr. Hughes was one of the Governors who advocated it; Al Smith did and Franklin D. Roosevelt did.

So, in my humble opinion, I do not see any project that is as necessary as this one.

Secretary JONES. You think what?

Mr. KIRWAN. As necessary as this project.

Secretary JONES. I think it is necessary.

Mr. KIRWAN. It is very necessary; more than anything that we have been talking on or working on.

Now, somebody asked a question about the Pennsylvania Highway paying for itself. Let us see what they knew about that highway 3 years ago. Governor James went all over the State of Pennsylvania and called it Earle's folly. That is how little he thought of the highway. Now, Governor James has ordered a survey to Philadelphia, to extend that highway.

And the same thing goes on down the line for everything that ever happened in America, whether it was a sewing machine, highway, or whether it was the railroads, everything has had to be forced on us, and we have never realized the benefit or what was in store for us until we actually reaped the benefits. So, I think the same thing is true with that waterway. It is going to be a fine thing, and would be a fine thing today if we had a waterway so that boats could go from Buffalo to the sea, so that they could load airplane parts on that boat at the Curtiss-Wright plant and ship them right to England by water. Today they are loading them on a railroad at that

plant. That is the most essential thing and the thing that they are asking most urgently for. Airplanes we are sending over, flying them over, but not parts. They are ferrying the planes over.

The same thing applies to Cleveland. All parts that are necessary have got to be shipped from New York by train and then, if peace does come, would it not be a fine thing if we could see painted on the side of a boat going through some canals and into other portions of the country "Out of Buffalo" or "Out of Cleveland"?

Do you know of any project that would contribute any greater toward national defense than this?

Secretary JONES. I think it is desirable; very desirable. I cannot compare it, because I do not know how to.

Mr. ELLIS. Mr. Chairman.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. I want to ask you a question. Mr. Secretary, you are also in favor of opening up such rivers of the country as can be opened up. Of course, naturally, I have in mind those in the Arkansas country, for navigation, also where that can feasibly be done, are you not?

Secretary JONES. Yes, sir; I have said that.

Mr. ELLIS. That is all, Mr. Chairman.

Mr. PETERSON. Mr. Chairman.

The CHAIRMAN. Mr. Peterson.

Mr. PETERSON. Mr. Secretary, I gather from your observations you are of the opinion that there is now plenty of money in the banks on deposit to take care of any loans that the Government might need in the defense program for some time to come.

Secretary JONES. I think so.

Mr. PETERSON. Well, Mr. Secretary, I have been impressed with the drive that has been put on by the Government throughout the country during recent months appealing to the people of modest means to economize and save the money that probably they need for the necessities of life, in order to buy these Government bonds, and the appeal has been based on the proposition that the Government needs the money, as I understand it, in order to finance this great national emergency defense program.

How do you account for such a drive as that if there is plenty of money in the banks lying idle, which can be used for this purpose?

Secretary JONES. Well, the money you are talking about is in the banks. I think it is highly desirable for everyone who has a dollar to spare to buy defense bonds. I think it helps to make us better citizens. We feel that we are doing something in the war to help, when we help our Government when there is trouble, and so if you can buy a \$10 bond, O. K.; if you can buy \$10,000 worth of bonds, O. K.; but I think we all should in that way be permitted to help. I think it is a privilege.

Now, the dollar is the same one whether you put your money in the bank and the bank buys the bonds, or whether you buy the bond and take the money out of the bank to pay for it. It is all the same dollar, and it is in the banks.

Mr. PETERSON. I have this thought in connection with this particular project: Both the Secretary of War and the Secretary of the Navy refused to state that this project is either advisable or necessary, or essential for our national-defense program.

Secretary JONES. I did not get your statement.

Mr. PETERSON. I say, in their testimony before this committee, both the Secretary of War and Secretary of the Navy refused to state that this project is either necessary or vital, or essential, as a part of our national emergency-defense program.

The CHAIRMAN. Are you sure of that, Mr. Peterson, that they made such a statement as that?

Mr. PETERSON. They refused to state that it was either necessary or advisable.

The CHAIRMAN. Before you gum up the record, I wish that you would get their statements and see exactly what they said.

Mr. PETERSON. Mr. Chairman, I asked the Secretary of War directly if he considered this project necessary as a part of our national-defense program. He said he considered it as important, but refused to state that it was necessary.

The CHAIRMAN. Let us get the record.

Mr. PETERSON. I want to get the record.

I then asked later the Secretary of the Navy if he considered this project necessary or vital, and he refused to state that it was either necessary or vital.

Mr. BENDER. He said very definitely that it was not vital.

Mr. PETERSON. Definitely that it was not vital.

The CHAIRMAN. The record of their statement is in print.

Mr. PETERSON. Yes.

The CHAIRMAN. And neither of you gentlemen can change nor alter, extend, nor do anything to any statement that they made.

Mr. PETERSON. But the thought that I wanted to bring out was this, that the Government is spending huge sums, billions upon billions, for what is considered, or what we think is necessary to meet the emergency defense program, and is it wise for us to go out and appeal to the masses of the people for this country to give up their savings in the form of loans for a part of this program which the leaders of the Government are refusing to say is vital to the emergency that confronts us?

It just appears to me that if we are going to put all of these projects, for which we are having to borrow money, into the emergency program, just because someone says that they are important, why, I think we ought to go down and get the Florida ship canal, and the Passamaquoddy project, and that we ought to go down into Virginia, and Georgia, and all over America and put them all in and just go the limit and then we can get up to \$90,000,000,000, or \$180,000,000,000, and go right on and on, and still say that they are important, because it appears we are not following a very sane or very common sense or very discreet course, if we really mean to prepare this country to meet a national emergency.

Mr. CULKIN. Will the gentleman yield? I am wondering who the witness was then?

Mr. GREEN. Mr. Chairman.

The CHAIRMAN. Mr. Green.

Mr. GREEN. Mr. Secretary, I was interested in the statement recently by Judge Bell of Missouri and your response to it, and that brings to my attention a statement by a message transmitted to the

Senate by the President on the St. Lawrence. In that statement he says the following:

Let us be wholly frank in saying that it is better economy to send grain or other raw materials from our Northwest to Europe by the Great Lakes and St. Lawrence than to send them around three sides of a square; that is, by Texas ports, by the Mississippi, thence through the Gulf of Mexico and thence from the southern end of the North Atlantic to the northern end. In this illustration it is well to remember that a straight line is the shortest distance between two points.

Mr. BENDER. What time was that?

Mr. GREEN. That was January 10, 1934, when the President recommended the St. Lawrence to the Senate.

I wonder if the Secretary agrees to that part of the statement of the President?

Secretary JONES. Of what?

Mr. GREEN. I am wondering if you agree to that statement of the President.

Secretary JONES. I would not comment on the President's statement.

Mr. GREEN. It would seem—

Secretary JONES (continuing). I have made my testimony here as Secretary of Commerce and as an individual.

Mr. GREEN. Yes.

Secretary JONES. From my own ideas, and my own judgment, and my own opinions.

The technical part is based from the studies made by the Department.

Mr. GREEN. What I had in mind was the statement of Judge Bell as to what was the tendency of this project if carried out to disturb the economic balance of the country, particularly the Mississippi Valley and the lower Mississippi Valley, to disturb the economic conditions of it by feeding it all out through the St. Lawrence and placing to a greater disadvantage that area in and around Arkansas, Missouri, Kansas, and that area.

It seems to me that it would disturb it.

Secretary JONES. I do not think it is going to seriously affect any section of the country adversely.

Mr. GREEN. Mr. Secretary, do you believe that this project, both the navigation parts of it, and the power part of it, is economically feasible and economically justified at this particular time?

Secretary JONES. I do.

Mr. GREEN. That is all, Mr. Chairman.

Secretary JONES. Are you through with me, Mr. Chairman?

The CHAIRMAN. Yes, sir. We thank you, Mr. Secretary, very much.

Secretary JONES. Thank you.

STATEMENT OF JULIUS H. BARNES, DULUTH, MINN.

The CHAIRMAN. Mr. Barnes, we will be glad to hear from you, sir.

Mr. PETERSON. Mr. Chairman, preliminary to Mr. Barnes' statement: Mr. Barnes, I think, still claims Minnesota as his home, or one of them.

Mr. BARNES. That is right.

Mr. PETERSON. And I think he is appearing here not only in his own behalf, but partly on behalf of the State, and I would like to have Mr. Barnes give us some of his background in connection with World War No. 1 and his familiarity with this project based on those associations over a period of years, just briefly.

The CHAIRMAN. Mr. Barnes, if you will just wait one moment. We have Mr. Stimson's statement here and a question has been raised about it, and the question was asked:

Do you consider it a necessary part of our national defense emergency program, Secretary Stimson?

Secretary STIMSON. I have said it was, I thought, a very important project, and that we should undertake it. I think that is sufficiently clear.

Mr. BENDER. Mr. Chairman, I would just like to say at this time that the comments I made, and the observation that I made had to do with Secretary Knox, not Secretary Stimson. I was referring to Secretary Knox's statement.

Mr. PITTINGER. I think this clears it up.

The CHAIRMAN. The record speaks for itself.

Mr. PITTINGER. I understood you to say that you were reading from the record of the testimony of Secretary Stimson?

The CHAIRMAN. Yes.

Mr. PITTINGER. Not on Secretary Knox.

The CHAIRMAN. I do not have Knox's before me.

Now, excuse me.

Mr. PETERSON. I just asked Mr. Barnes to identify himself here with reference to his familiarity with the project.

Mr. BARNES. Mr. Chairman, someone sent me a clipping from the Duluth papers the other day of 30 years ago, an item in which it said that Julius H. Barnes had just returned from Buffalo where there was organized the first tidewater association for the St. Lawrence seaway and quotes Mr. Barnes as saying that it would only be a matter of a few years until the Great Lakes highway had an outlet to the sea.

I want to say that during the intervening 30 years of business experience, every study I have made, or every observation, confirms in me the living faith that this outlet of the greatest deep-water highway, inland highway, in the world, must come about.

In those days, 30 years ago, the question of generation of power on the St. Lawrence had no part. Our total electric generated power in the United States of all kinds, hydro, steam, and internal combustion engine was less than 7,000,000 horsepower. This year it will be 58,000,000 horsepower.

When the treaty of 1932 was voted down, in 1934, our total electric generation was 45,000,000.

How can a businessman look at this increasing scale and dependency of industry on electric power to run it, in a power age, without being able to project beyond the bare figures of today the needs of tomorrow? And how can we, from the power aspect, with the regulation of power in two great sections of our country, with all that any man reads indicating the transfer of industry to a power basis, how can we fail to anticipate the needs of 4 or 5 years from now?

I am saying that in passing on the power phase, because as a businessman, it seems to me perfectly obvious that we are going to need each year more and more power and hydro-electric generation is holding its own.

Now, in those 30 years, Mr. Chairman, may I state the occupations which I have been in, which have been the basis of a strengthened faith in the navigation economies of the Great Lakes and its outlet to the sea.

I have had a rather unique connection with it, if you will excuse the personal aspect, but I want to qualify as a witness who has lived close to this problem and whose widespread activities have perhaps given him a wider range of many industries, knowledge of many industries, than the average businessman perhaps.

In 1912, as chairman of the Traffic Committee of Duluth, we brought a case before the Interstate Commerce Commission against the railroad-owned steamships serving the Great Lakes. At that time the railroad policies were such as, for instance, sugar from the Atlantic seaboard was carried through Duluth, taken off a ship at Duluth, and carried 150 miles further by rail and delivered in the Twin Cities at a lower rate than it could be delivered at Duluth, and we obviously in the city of Duluth felt that was unjust and brought this case before the Interstate Commerce Commission.

In 1912 there were 100 different railroad-steamship lines and participating carriers in the traffic.

Now, in 1913, the Interstate Commerce Commission decided that case in favor of Duluth and the importance of that case in this question of water highways was that for the first time the Interstate Commerce Commission laid down the principle that water transportation should be conducted on the basis of cost plus a reasonable profit, regardless of rail comparisons, and on that basis, because water delivery at Duluth, was identical with Chicago, by water; the same distance, prescribed the same rate for freight on the package freight, first class, as was given to Chicago from the Atlantic seaboard.

Now, it will be of interest to you, because of what I am going to say on this whole question of water highway, that rate was 62 cents, first class, New York to Chicago, and 62 cents first class, New York to Duluth.

Today the rate to Duluth is \$1.67 first class. In the intervening years the rates of freight on bulk commodities, on which there is open and free competition, on the bulk carriers is practically unchanged from 30 years ago, but the package freight which depends on a special type of carrier, the origin of which is probably by the railroads designating the rates, the rates have advanced 250 percent.

Mr. VOORHIS. What did you say the rates currently were, Mr. Barnes?

Mr. BARNES. \$1.67, first class, New York to Duluth.

Mr. VOORHIS. What did you say they were to Chicago?

Mr. BARNES. Today, I think, \$1.52.

We have lost the advantage of the principle which was then initiated by the Interstate Commerce Commission that water rates, in the public interest, should be on the basis of service to the public, at cost plus a reasonable profit. We have lost that.

Well, we won that case. In 1915 when the Panama Canal Act was passed, these package steamers on the Great Lakes were still railroad-owned. We were then beginning to suffer from the application of discriminatory rates granted by the railroads, railroad owners to divert package freight particularly from the water lines to all-rail, and under the Panama Canal these railroads owning these package freight lines had to apply to the Interstate Commerce Commission for permission to continue their own ships, and the Duluth Traffic Commission, of which I was chairman, fought that case, and it was decided by the Interstate Commerce Commission that the operation of these lake steamers by the railroads had not been in the public interest, and they ordered the railroads to divest themselves of those steamers. There were 30 of them; four different lines.

Now, I want to say in passing that the type of steamer which is needed to carry the package freight, boxes, frames, and cases, and sacks, is a distinct type of steamer with side gangways. It is more expensive to build than the bulk carriers of the Great Lakes. When it is built it is less suitable to fall back on the great volume of bulk tonnage on the Great Lakes, and the striking thing is that with 30 years of national progress, there has not been one new package steamer built on the Great Lakes, while in the bulk-tonnage carriers there have been constant advances until the cost of carriage of coal, ore, and grain is a marvel to the world.

There are five new steamers now under construction for that type carriage, and none planned of the package-freight type.

I want to emphasize that to show you that I have had on my heart all these years, as a businessman, the preserving to Duluth, the farthest inland water port in America, 2,300 miles inland, to preserve to it the advantage of the great deep-water highway that nature gave it, and we are losing it.

From 1900 on I was a grain exporter in Duluth. My whole business career was based on developing the economics of water carriage from the nearest grain fields. I was a grain exporter, and on that basis I have built in Duluth the largest wheat-exporting business in the world, a little town out in the Middle West, but solely because I had learned to appreciate and use the economics of water carriage.

That was the reason why in 1917 Mr. Hoover asked me to become president of the Food Administration's Grain Corporation which was a business agency of the Food Administration. It bought and sold not only wheat, but all kinds of grain, canned milk, dried milk, lard, sugar; all of the commodities of commerce that were described under the control of the Food Administration.

The extent of that, I want to bring out, was that in 2½ years we handled, all over the world, and all over America, \$8,000,000,000 worth of those kinds of foods.

In 1919, when the Food Administration ended with the armistice, at the request of President Wilson, I became United States Wheat Director, with the primary obligation of making the congressional guarantee to the farmers of \$2.20, which applied on the 1919 crop; making that reach the farmer, as was pledged by Congress, and to make that effective, the Congress of the United States gave me, as Wheat Director, authority to use \$1,000,000,000 of money, plus the

\$350,000,000 left in the Grain Corporation's treasury, which was transferred then to me as the United States Grain Corporation, instead of the Food Administration's Grain Corporation.

Now, I am glad to record here that every dollar of that money went back into the United States Treasury with as small a profit as any kind of business operation could plan it to be; about \$50,000,000 of profit.

In 1922, 1923, and 1924 I was president of the Chamber of Commerce of the United States, and that brought me in contact with many lines of industry, the study of their methods, and their opportunities.

In 1930 and 1931 I went back again as chairman, and in the panic of 1929, at the request of President Hoover, I was chairman of the rescue effort known as the Business Survey Conference.

You remember the panic of 1929 was in October and November, and our theory was that if accurate facts could be distributed to the administrators of American business so that they could form their own opinion, that they had the resourcefulness and the ingenuity to meet the panic conditions. There were all sorts of stories about bank runs, and runs on life-insurance companies, and panics generally, and our efforts were to issue a weekly report of the conditions in all lines of industry which would give accurate information.

Now, that was based on the American principle, as I see it, of depending on individual judgment and initiative, and for a time it seemed to work.

By May of 1930, the succeeding spring, prices on the stock market were higher than May the year before. All of the indices, or business efforts, such as carloadings, electric power consumed, retail trade were back on a normal line of development, and then came the deluge, when I think something like 16 governments in South America were overturned by revolution, and defaulted on their debts. Europe shared in that, and then came in the question of maintaining wage scales in this country against depreciated business, and the whole structure collapsed.

I have no apology to make for it. We made an effort, and it failed.

Today, and for 10 years, I am operating a fleet of seven special-type ships between the Great Lakes ports and the Atlantic ports, down the Erie Canal. They have to be special, what you call low, freeboard ships, in order to pass under the fixed bridges of the Erie Canal. They are ships designed by Captain MacDougal, who, you remember, invented the whale-back ship. Some of you remember that. It was a good sea ship, but not suited to cargo loading. As you opened the hatches you got down to the rounded sides, toward the water level.

The ships were built on the idea of recapturing that traffic, and they have been very profitable for the 10 years through the depression, when the railroads were complaining that they could not operate and make money. We have .

I would like to see a wholly American and all-American highway to the sea, but it just is not possible for it to be done. The Erie Canal rises from the Great Lakes and then falls to the Hudson. There is no watershed to supply a large canal, larger than the present canal, of 12-foot draft. It cannot be done. So, what is the use of talking about it?

Here to the north is a great water highway; with deep water, that runs 12 months of the year.

These gentlemen have been speaking about 8 months. They have been speaking about 5 months' interruption.

The CHAIRMAN. There is no interruption to the flow of the river.

Mr. BARNES. No, indeed.

The CHAIRMAN. A number of years ago when Mr. Dempsey was chairman of the Rivers and Harbors Committee, he took a very firm stand against the St. Lawrence and in favor of what he termed the all-American route. I joined with him at that time, but after I found out from the engineers' investigations what the conditions were, I reached the same conclusion that you have now. That is all.

Mr. BARNES. I am glad to have that confirmed. It is true, Mr. Chairman.

Do not forget when they are talking about 8 months on the St. Lawrence, that the river runs 12 months, just the same. Your electric generation is going on every month in the year, and when we are talking about a season of 8 months as the limitation of usefulness of the St. Lawrence, you remember on the Great Lakes we have 8 months' navigation, and at my town of Duluth, we have 8 months, and that is the second largest port in America from the point of tonnage today, next to New York; but my point is that through all this contact with industry, I have seen the growth, the changed forms of industry into electric energy instead of the old hand labor basis, which existed 30 or 40 years ago.

I am trustee of the American Institute of New York, which is solely scientific. We see that going on. I can tell you of instance after instance today of progress being made today in new inventions and new designs; colleges as well as scientific societies, that would conform to your opinion that we must prepare a trial basis for industry for enormous growth in the future. That is just in passing, about the power aspect of this.

Now, I want to talk to you about the transportation phase here, because I have lived that.

You probably know it, but if you will just allow me to briefly recall it to you, that on the Great Lakes highway there were three points of relatively shallow water. One was the Detroit River, and that has been deepened. One was the St. Clair Lake and St. Clair River, and that has been deepened, and the other was the Sault Ste. Marie, where Lake Superior empties into Lake Michigan and Lake Huron.

It also remains in my mind that as late as 1844 all of the commerce of Lake Superior, in and out, was carried around the falls at Sault Ste. Marie by one horse and cart, and then a few years later the State of Michigan built a shallow canal, and that has grown progressively until today there are five great canals at Sault Ste. Marie: some Canadian and some American, used without discrimination, to expedite the ships through, and the commerce through that falls of Sault Ste. Marie is today, as you probably know, 100,000,000 tons a year.

Now, what happened? Lake Superior happened to be favored by nature with a great expanse of pine forests. We needed that lumber to build our towns and villages in the East. Nature gave us enormous deposits of iron ore. We are still taking 80,000,000 tons of iron ore per year off of Lake Superior. We had deposits of

copper which was greatly needed for the development of the electric industry. It seems that nature has showered everything on Lake Superior and its shores, except the access for cheap transportation which man has improved until this has reached the marvel of the world in cheap transportation.

If you look at this, the freight rates by water from Duluth to Buffalo are approximately 3 cents a bushel for wheat. By railroad it is something like 15 cents. For ore it is 80 cents a ton, and by railroad it would be almost \$10. That goes through all of these projects, and no railroad system could have been built to carry the volume of these materials that built the towns and the cities in the eastern United States. It could not be done at any rate, let alone at the savings in transportation.

I made a calculation some year or two ago that there had been carried at least 3,000,000,000 tons of this type of freight off of Lake Superior at a saving of not less than \$3 or \$4 a ton; \$10,000,000,000 in economy in transportation over one single lake of the Great Lakes, regardless of all the commerce on the other Lakes. That just illustrates what an enormous national resource this deep-water channel, the Great Lakes, is to this country, because not alone the economies, I repeat, but quantities and everything have been improved, and these things never could have been done with any railroad system within imagination.

Now, feeling that I recall so well in these cases before the Interstate Commerce Commission when the principle of water rates was such a living argument, that we were then building the Panama Canal and James J. Hill, who stood very high in the Northwest as a railroad builder, I remember so well his being quoted in respect to the Panama Canal, that we would grow lilies in the Panama Canal, it would be so useless, yet I do not need to more than remind you that the first year the Panama Canal was opened they handled something like 5,000,000 tons, and today almost 10 times that, and as Secretary Jones said this morning, it is a profitable investment.

In this discussion of the St. Lawrence seaway, you have to have some conception of the growth of the country and some confidence in it. Why should you attempt to measure the usefulness of that channel by the methods in sight today and application of rates today, instead of looking at our whole national history, showing the steady improvement, the continued growth of ever-increasing population, with ever expanding needs, and figure that the same thing will take place in the St. Lawrence seaway as took place in the Panama, and Suez, and all of these waterways and see the economies. It is not a question of diversion of traffic and tonnage. It is a question of economy. It is getting an entirely new movement, and when you consider that 40 percent of the railroad tonnage of America, of American Railroad mileage, bases on the Great Lakes, I just cannot understand that there can be a national railroad association that would appear in opposition to this, as a national policy. It just does not seem to me to make sense.

Now, I have said that all through all these activities and responsibilities, which I hope you will forgive me for listing, because I want to qualify as a witness, the conviction has grown in me that this is merely an extension of the greatest national resource we have got in

America and that is the Great Lakes highways. I do not make any exception, our oil fields, our mines, our forests, our fields—I name the Great Lakes highway as the greatest national resource, and to say that we have improved it at the Detroit River and the St. Clair River and at Sault Ste. Marie and the Canadian Government has improved its channel around Niagara Falls, with its 300-foot drop, yet stopped with a 14-foot channel development, from 4 feet to 8 feet and 14 feet and on the lower St. Lawrence we are going to stop at 14, not deepen it further, just does not make sense to a businessman.

The CHAIRMAN. Mr. Barnes, we have extended the 27-foot channel down to Ogdensburg.

Mr. BARNES. That is right. I just think that future historians will laugh at this era of railroads and power men and businessmen that do not see what it means to open a further seaboard into the heart of America by improving, modernizing, a channel that already exists.

Mr. DONDERO. Mr. Chairman, may I just make this observation?

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. In connection with what you have said, Mr. Barnes, I have discovered that Henry Clay in opposing the canal on the Sault Ste. Marie said that it was "a work beyond the remotest settlement in the United States, if not in the moon."

Mr. BARNES. I am afraid that all of us make some mistakes in judgment, but certainly anyone who has ever prophesied against this country's growth and expansion, and American industry, has been discredited by following events.

Mr. DONDERO. He said that to build it "would permit Ojibway Indians to paddle down in the birchbark canoes in order to see the folly of the white man." That was in 1844.

Mr. CULKIN. That spirit, when coupled with selfishness of locality and interest, when you have that, civilization gets very complicated, does it not, Mr. Barnes?

Mr. BARNES. Will you say that again? I want to be sure that I understand you.

Mr. CULKIN. I say, when you combine the attitude expressed by Henry Clay with the selfishness of locality, and the peculiar attitude of the railroads, why, civilization seems very complicated, I would say.

Mr. BARNES. That is right. I do not want to impugn the motives of any substantial body of people who differ with me on the St. Lawrence seaway. I must just state what looks to me to be the fact, out of regard to a wide range of business activities.

The CHAIRMAN. Mr. Barnes, I will say this. I do not know of anyone who I think has had a more wonderful business experience and opportunity for judging than you have.

Mr. BARNES. Thank you, Mr. Chairman.

The CHAIRMAN. You had not finished your statement, had you?

Mr. BARNES. That is the basis of it. I will be glad to answer any questions that that suggests.

Mr. CULKIN. I have a couple of questions.

The CHAIRMAN. Mr. Culkin.

Mr. CULKIN. I do not know of anyone, Mr. Barnes, who has seen the grain picture, nationally, more intimately than you have, and what I am curious about is what you think will come out of this war with reference to America again furnishing wheat and the other staffs of life to Europe. Do you anticipate that?

Mr. BARNES. That is more or less a little philosophical. I will be glad to give you what I do think.

Mr. CULKIN. I would like to have your opinion in that regard.

Mr. BARNES. In the early days, the problem of myself as an exporter was competing with the European markets, Liverpool, for example, with American-grown wheat grown 1,500 miles from seaboard and selling it in successful competition with wheat grown in Argentine, grown within 100 miles of a seaport, as it is, and this great economy, great water highway, enabled that to be done so much so that the Northwest did grow, I do not think what it is entitled to grow in the grain country, but the grain country did become prosperous, but in that process our farmers in the Northwest, particularly in Minnesota, showed the same initiative, and resourcefulness that businessmen do. They began shifting their production to dairy production instead of wheat. I remember the time when Minnesota grew 100,000,000 bushels of wheat and exported it. It grows 20,000,000 today. I remember when this same poor Duluth Traffic Commission again had to appeal to the Interstate Commerce Commission to order these lake steamers carrying package freight, to refrigerate at least a small space so that the dairy production of Minnesota could reach eastern markets, and it took an Interstate Commerce Commission order to initiate an experiment on three of those steamers. Today all 30 are equipped with refrigerating space, and it is the most profitable freight they have. One hundred million tons of dairy products a year are shipped out of Duluth. It ought to be 200,000,000 or 300,000,000 tons, and could be, with any diligent encouragement by these ships.

Now, when I had this problem of making this \$2.20 reach the farmer on a crop that in June the Department of Agriculture estimated as 1,300 million bushels of wheat produced that year—everybody had sown wheat on the basis of that guaranty—and then the weather came in, and it shrank to about 1,000,000 bushels at harvest time, which made the problem a little easier, but when it looked worse, I made a study. I sent people abroad and made a study in Europe, and we came to this conclusion, that if you could ever imagine that labor in Europe would earn enough to set the same table as was set by workers of America, the problem would be solved; all of the areas of Europe would be needed for concentrated food and they must reach overseas for their grain, to such countries as Argentine, Australia, America, and Canada.

Now, I do not know how long it will take, but it is a process that is going to march on and it may be that this war will quicken it by giving us some reasonable interchange of commerce on which earning power and consuming power will grow again in these countries of Europe. It will be some time, but that is the logical progress, and some day the grain areas of America will be needed to grow grain again for European consumption.

Mr. CULKIN. That is inevitable when peace comes, is it not, in your judgment?

Mr. BARNES. Well, I wish I could answer.

Mr. CULKIN. In other words, during the present war the disruption to agricultural production occurring over the whole area of Europe and some of the rest of the world, as well as Europe, they will look to the granaries of America for wheat.

Mr. BARNES. They certainly would like to if you can make magic carpets; they could take some two or three hundred million bushels of our surplus today in Europe and it would all be absorbed, if you could do that.

Mr. CULKIN. And the finishing of this national seaway will aid that situation?

The finishing of the 42 miles will enable the farmers to ship their wheat to Europe at greatly lessened cost.

Mr. BARNES. That is right.

Mr. CULKIN. Now, from your experience, can you state what that saving probably will be per bushel?

Mr. BARNES. Well, if we should go back to transportation conditions that followed the last war, I said I was operating a fleet of freight ships. I built those, 5 of those ships, following the termination of the emergency fleet program in 1920. I built them in order to let out greatly the 3,000 men engaged in shipbuilding in Duluth. But I also built them because grain rates were 12 cents a bushel from Buffalo to New York, and I could not get the cars to move it even at that, and there were many profitable trades I could not consummate because there was no way of moving the wheat, and I built these ships primarily to help that, and then the railroads, the first thing that I knew, had reduced their rates to 2 or 3 cents a bushel Buffalo to New York, and these boats were losing money, and I again began to look for a type of cargo other than the grain, but these things change so fast that it might be conceivable within a year the railroads in this country will not be able to move low-grade bulk commodities like grain in the volume which is needed, and it would be a great national resource to have this highway open to any carrier from the ocean to come in and help.

Mr. CULKIN. That would be a great help to the western farmer.

Mr. BARNES. That is right.

Mr. CULKIN. As well as those other States.

Mr. BARNES. It would reach clear out to the Rockies.

Mr. CULKIN. You would figure that they would be the beneficiaries to a remarkable degree?

Mr. BARNES. Yes, I would.

Mr. CULKIN. And can you state at this time what would be the approximate savings on the carriage of a bushel of wheat through the improved deepened St. Lawrence Channel, as compared with the present-day procedure of breaking bulk at Buffalo and then by rail?

Mr. BARNES. I would think, as an old grain merchant, that if you ask me to guess, I would say around 5 cents a bushel would be a reasonable expected saving by opening that waterway.

Mr. CULKIN. And what effect would that have on the status, what improvement would that be in the status of the American wheat in the Liverpool market, that savings?

Mr. BARNES. Normally that would not depress the Liverpool market. After all economists will argue to you whether a price is made by present offering or—

Mr. CULKIN. I do not understand. What I mean is, What effect does it have as a result of this saving in carriage?

What effect will that have on the marketing of American wheat in the Liverpool market?

Mr. BARNES. It ought to vastly increase it, but you are going—

Mr. CULKIN. Markets change on a half a cent.

Mr. BARNES. Oh, yes.

Mr. CULKIN. As between Argentina, we will say, and the United States?

Mr. BARNES. There is interplay of buyers' judgment always going on.

Mr. CULKIN. And the savings of 5 cents a bushel on wheat would give the American wheat a tremendous advantage, would it not, as to its marketability?

Mr. BARNES. Well, its competition would be met by other countries in normal times, the flow of competition daily, but would certainly improve our relative position.

Mr. CULKIN. Give the American wheat a better place in the world market?

Mr. BARNES. Yes.

Mr. CULKIN. I think that is all, Mr. Chairman. I think that you have made a splendid statement and it has been very illuminating.

Mr. BARNES. Thank you.

Mr. DONDERO. Mr. Chairman.

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. I have been thinking, Mr. Barnes, in connection with what you have said here, that you ought to include here what Proctor Knott said about Duluth in 1871, because all that he said in ridicule came true, in fact. Is that not correct?

Mr. BARNES. That is right.

Mr. DONDERO. Have you made any study on the question of imports and exports as they might be affected by this waterway if it were constructed?

Mr. BARNES. No. I think I expressed that when I said that it is largely a matter of temperamental philosophy. I believe that it grows and tonnage increases when cheaper facilities are offered. I do not know where it comes from, but history is that traffic always goes when there is an economy of distribution.

Mr. DONDERO. The fear has been expressed here that if this waterway is constructed, it will permit the importation of cheap manufactured products or goods from foreign countries. What have you got to say about that?

Mr. BARNES. Well, the same thing is true today. You import at the Atlantic ports from the same foreign countries. I heard the argument made that this will admit foreign ships into the Great Lakes ports. They are admitted at the Atlantic ports and the Gulf ports, and the Pacific ports today. Why not bring them in if they justify themselves by reaching the interior, the heart of the consumption area, and build industry in the interior instead of at the seaboard. That is what I think will happen.

Mr. DONDERO. I am wondering if that problem could not be cured by a reasonable tariff.

Mr. BARNES. Yes.

Mr. DONDERO. Is it not true that ships carrying those same products come to the ports of Boston, New York, Philadelphia, and other ports now?

Mr. BARNES. Exactly.

Mr. DONDERO. That is all, Mr. Chairman.

The CHAIRMAN. The purpose of this project is not to repeal the tariff laws.

Mr. BARNES. No.

Mr. BEITER. Mr. Chairman, may I ask Mr. Barnes a question or two?

The CHAIRMAN. Yes.

Mr. BEITER. If my memory serves me correctly, you stated that you operated seven ships on the Erie Canal and had for a period of 10 years?

Mr. BARNES. That is right.

Mr. BEITER. What commodities do you carry on those boats?

Mr. BARNES. Steel, pig iron, sulfur, sugar, phosphate rock, fertilizers—all full-cargo commodities. We have to have 1,500-ton cargoes at a time.

Mr. BEITER. Do your boats make stops along the Erie Canal of any kind, at intermediate points?

Mr. BARNES. No. We carry no way freight at all.

Mr. BEITER. No way freight at all?

Mr. BARNES. No.

Mr. BEITER. Your boats are loaded at the port of Buffalo, are they?

Mr. BARNES. Or Detroit or Cleveland; Chicago or Milwaukee, and go down as far south as Savannah, Ga.

Mr. BEITER. How many months in the year do your boats operate?

Mr. BARNES. Eight months.

Mr. BEITER. Eight months?

Mr. BARNES. Yes.

Mr. BEITER. Do you open up prior to navigation?

Mr. BARNES. We start usually April 1, at New York.

Mr. BEITER. I have a report here that I recently looked at, a report of the Department of Commerce, which, I believe, states that the season, that is, during the past 5 years, averaged, from April 23, opening date, until December 6, as the closing date, for the past 5 years.

Mr. BARNES. All right, and if you will add to that the loading and unloading time at each end, of that navigation season, you will get an 8-month season.

Mr. BEITER. So you include that in the operating season?

Mr. BARNES. Surely.

Mr. BEITER. Loading and unloading?

Mr. BARNES. Surely. That is when the boats are on pay roll to the crew.

Mr. BEITER. By what means do the shippers send their merchandise the other 5 months of the year which you do not operate?

Mr. BARNES. Well, some of it is anticipated by larger storage brought down by the cheaper water transportation before they close, you see, and some by the railroads, yes, during the winter months.

Mr. BEITER. Will you continue to use the Erie Canal, or will you use the seaway upon its completion?

Mr. BARNES. Well, I feel like Secretary Jones expressed it. You can argue that the seaway would be the worst thing that could happen to the fleet that I am operating, and I would say that I would put that above the national interest which I believe so thoroughly is as the completion of this seaway to serve the whole country.

Mr. BEITER. In other words will you be using the seaway or the Erie Canal?

Mr. BARNES. I hope so.

Mr. BEITER. You hope to be using the canal or using the seaway?

Mr. BARNES. For these particular types of ship. They are not ocean ships. They are built as a special type, built to transport across the Lakes down the Erie Canal and then they will probably find always a field there, but any new ships I built would certainly be equipped to go out of this new seaway and across the ocean.

Mr. BEITER. So that after these ships are old and would not be of any use, there would not be any more ships that would go around through the canal?

Mr. BARNES. No. There may be a type of business that will need the service always of a certain number of ships of that class.

Mr. BEITER. So you want a parallel route serving the same purpose; is that your idea?

Mr. BARNES. Yes. Take Buffalo to New York. They are not going to send their stuff around through the Gulf of St. Lawrence by that transport by water.

Mr. BEITER. They are not going to use the St. Lawrence seaway to ship material from Buffalo to New York?

Mr. BARNES. No. It is 2,000 miles as against 400, but you will be 600 miles nearer Liverpool and a thousand miles nearer Copenhagen when you go out the St. Lawrence.

Mr. BEITER. Are you familiar with the report of the Secretary of Commerce—this is the St. Lawrence Survey, Part IV.

Mr. BARNES. Yes. Yes: I have read that.

Mr. BEITER. You have read it?

Mr. BARNES. Yes.

Mr. BEITER. Do you agree with the little effect it will have upon the city of Buffalo, for instance?

Mr. BARNES. I would go a little further than he does. I think this economy itself will so stimulate all forms of industry and the creation of new packages in commerce that these railroads will be surprised to find out how much more call there will be for their present facilities, because of the very activities that that economy will produce. I would go further than the Department of Commerce has.

Mr. BEITER. On page 69 of the report it is pointed out, following the advantages Buffalo might obtain by the passage of this act:

Commodity studies prepared by the present survey indicates that certain commodities may participate in the new coastwise and intercoastal movement. These include lard and other packing-house products.

To offset this great advantage, I ask you what about the potential diversion of 82,000,000 bushels of wheat and 22,000,000 bushels of corn at the port of Buffalo. What will happen to the 23,629,000 bushels of barge-canal grain movements from Lake Erie to tide-water?

Mr. BARNES. It will go on just the same.

Mr. BEITER. No mention is made of that in this report.

Mr. BARNES. It will go on just the same.

Mr. BEITER. It will go on just the same?

Mr. BARNES. Yes. Steamship service is going to come into New York from all ports in the world and going to want some grain to

carry back if for nothing else, ballast, and there will always be an outlet that way.

Mr. BEITER. And then you believe that these boats that sail for instance up to Superior, Duluth, and through there, will stop at the port of Buffalo and avail themselves of the facilities there at the port of Buffalo before transshipping to Europe, or do you believe that they will use the facilities of the Welland Canal and go down the St. Lawrence and bypass the city of Buffalo?

Mr. BARNES. Congressman, there is nothing so fluid. A quarter of a cent will turn it one way or the other. And these big, cheap carriers on the Great Lakes, as far down as from Buffalo to Duluth, a thousand miles, or 800 miles, or to the foot of Lake Ontario, a thousand miles may carry it so cheaply that the ocean steamer will end its voyage and transfer there instead of at Buffalo, but the interplay, that is merchant resourcefulness and ingenuity, and that will build business, and that will be bringing about the use of more facilities than exist today, and will show in a thousand ways that these railroads have never dreamed of today.

Mr. BEITER. In the discussion, I believe it was pointed out that in order to accommodate the seagoing vessels, the city of Buffalo would probably be called on to deepen its harbors, shore up the elevators, and so forth. It is estimated that the cost of that will be \$15,000,000. A survey made by the city of Buffalo shows the cost to be \$47,000,000. Have you made a study of that?

Mr. BARNES. Congressman, I would answer that this way: Twenty years ago in Duluth there were five great mills on the water front making flour for all over the world. Last summer every one of the five, except one, was boarded up. Why? Because you could move raw grain so cheaply down to Buffalo that the mills moved there. Did Buffalo say anything about protecting Duluth's mills? These things affect national advances, national economics, and national welfare. Take them in your stride and adapt yourselves to it. If, on the whole, the objective is national interest, why allow special interests to divide you this way, in discussions like that?

Mr. BEITER. On page 70 of the report, part IV, a summary of the discussion reveals that the larger losses to Buffalo is likely to be in the grain-transfer activities.

Now, of course, that is in direct contradiction to what you said just a moment ago.

Mr. BARNES. Congressman, I think you hold me within to narrow limits on that. If you mean that this will destroy the entire Erie Canal grain movement, I say, "No; it will not." There will always be some need for ships that only serve New York and not the St. Lawrence, but do not ask me to say exactly the same, or 10 percent more or 10 percent less.

I am talking in the most general terms, but to note the fundamental truth is there.

Mr. BEITER. I think the proponents of the seaway have generally talked in the most general terms, have they not?

Mr. RODGERS. I object to that statement.

Mr. PITTINGER. So do I, Mr. Chairman.

Mr. BEITER. It is further pointed out, Mr. Barnes, in this report here that the estimated losses would affect approximately 200 persons' jobs.

I was in the grain business for a number of years from 1920 to 1939.

Mr. BARNES. I hope you are out of it now.

Mr. BEITER. I am. And, of course, I came in daily contact with a number of the elevator operators, many men employed in those mills, and in one mill alone I know that there were some 600 men employed. So that in effect when they state that it will affect 200 jobs, I am just wondering how they arrived at that figure.

There must be employed in the Buffalo area there, directly and indirectly, in all of the elevators on the docks, boats, approximately 25,000 men.

Do you mean to say that only 200 jobs will be affected out of the 25,000 if this seaway were constructed?

Mr. BARNES. If you ask it on the surface, I would criticize it, and I will have to say that I do not know much about it, and I think there is every probability that their calculations can be sustained.

You know enough about grain elevators and mills to know that the labor factor is a very small factor in the operation of those facilities, and the same way in unloading bulk-cargo freight.

The reason why Duluth has only 100,000 people, when Proctor Knott said it ought to have 500,000, is because boats handling this great tonnage of the second port in size of the United States are loaded with cargoes like ore, in 20 minutes, instead of a labor expenditure which ought to accompany package-freight handling, which has been killed and stifled and diverted. That is why we do not have a city at Duluth.

Now, you know that my statement is generally true, that the amount of labor used in these facilities is inconsiderable.

What we want is labor and accompanying manufacture, to manufacture the thousands of articles which our people are asking for all of the time, with buying power to distribute it, in that form, and not in bulk commodities.

The sooner we get away from shipping ore only and grain only and coal, and get to generating hydroelectricity at home and manufacturing these thousands of things and distributing them, the sooner we will have a great population adequately supplied with good buying power.

Mr. CULKIN. Will the gentleman yield?

Mr. BEITER. Just a minute. And you speak of taking it in your stride, and the fact that Buffalo under this same rule took your flour mills—

Mr. BARNES. Yes; yes; and I did not enjoy it. I have all of my pride in Duluth. I did not enjoy seeing these great mills boarded up.

Mr. CULKIN. The same thing applies to him.

Mr. BEITER. You did not enjoy it. You say that they boarded up five mills, because the facilities at Buffalo were a little bit better.

Now, the St. Lawrence seaway facilities, as you contend, will be so much better, so will not the mills at Buffalo be boarded up?

Mr. BARNES. No.

Mr. BEITER. And I certainly would not enjoy that any more than you did in seeing the mills at Duluth boarded up.

Mr. BARNES. All right. I am looking at the next stage when we have adequate service in our package freight, when we can turn these mills into mills for the manufacture of blankets, and factories for shoes and machinery of all kinds—radios, refrigerators—where they belong; but we cannot do it under a system of freight rates which exist today on Lake Superior.

Mr. BEITER. You mean then, that the 25,000 men that are employed now in the operation of the elevators will be engaged in making blankets in Buffalo?

Mr. BARNES. Twice as many in good manufacturing plants, surely.

Mr. BEITER. It gets pretty cold up there, but I do not think we can use that many.

Mr. CULKIN. Buffalo has the same limitations on climate as the rest of the Lakes?

Mr. BARNES. Somewhat.

Mr. CULKIN. The same limitations as to Duluth and as to the rest of the Lakes?

Mr. BARNES. Why, of course.

Mr. CULKIN. The breezes are not particularly balmy in Buffalo in the wintertime.

Mr. BARNES. Not in certain months.

Mr. ELLIS. Mr. Chairman.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Barnes, assuming that the war should come to an unexpected end, then have you given this project any study with regard to its feasibility in normal times and with regard to the effect it might have on a post-war condition, and the effect this construction might have on post-war plans, economic plans, in this country?

Mr. BARNES. Well, of course, as I said before, when I first studied this project and became an earnest advocate of it 30 years ago, we had no idea of having World War I, let alone World War II, and I do not think that is going to be a normal condition. I am arguing for the condition of peaceful industry and commerce and interchange in this world, with two thousand million human beings in this world, most of whom do not even have shoes or furniture, or a clean shirt. All we need is cheap transportation and perfected distribution, and we can run every factory in this country 24 hours a day.

Mr. ELLIS. Then you think so far as the seaway part is concerned, it is justified as of normal times?

Mr. BARNES. Yes; I do.

Mr. ELLIS. Then, if the construction of the project would have the good effect upon the post-war economic changes in this country you think that would be another item to be considered?

Mr. BARNES. That is right.

Mr. ELLIS. Would you think that same philosophy would apply to other streams in this country that have possibilities of transportation and similar development in the interior, say, the Mississippi and its tributaries?

Mr. BARNES. I would say any stream in this country that can provide a commercial channel, without too much expense of maintenance, is entitled to be developed; yes. For instance, your Mississippi channel, 8 feet from Lockport to the Gulf—I hope it is going to be used within the next few months to build ocean-type ships, on the Great

Lakes, and take them down to the ocean via that channel. I think it is perfectly feasible. It just shows something that they never thought of coming into play. It will come into play.

Mr. ELLIS. When were you last president of the United States Chamber of Commerce?

Mr. BARNES. I was president in 1929, 1930, and 1931.

Mr. ELLIS. And are you now connected with the chamber in any way?

Mr. BARNES. No.

Mr. ELLIS. You know, do you not, that the United States Chamber of Commerce has condemned, or failed to approve, or have disapproved, this project?

Mr. BARNES. I do, and I differ with the chamber's expressions.

Mr. ELLIS. So do I. You know, too, that the United States Chamber of Commerce has disapproved the proposed Arkansas Valley Authority development and other similar developments?

Mr. BARNES. Is the Arkansas Valley largely a power or an irrigation project?

Mr. ELLIS. Similar to the T. V. A.; power, navigation, flood control, and reclamation.

Do you know that they condemned that, too—do you?

Mr. BARNES. I do not know it; but I would not be surprised.

Mr. ELLIS. Well, I am telling you that they have, and I am not surprised; but would you disagree with them on that score?

Mr. BARNES. I think I would.

Mr. ELLIS. Thank you, sir. You are a good witness.

The CHAIRMAN. Mr. Rodgers.

Mr. RODGERS. Mr. Barnes, Secretary Jones referred to the idea of tolls on this proposed seaway. Although it has not come up so much yet, it is apparent that it is going to be more or less an issue before we finally dispose of this measure.

Do you care to comment one way or another on the question of tolls or no tolls?

Mr. BARNES. I would not object to reasonable tolls that would maintain a waterway; reasonable tolls; but when the railroads in their argument for tolls want to add, for instance, in the Erie Canal the \$100,000,000 invested 100 years ago, or something like that, and charge interest on that, I say go back into the past, to the roads running to the West from Duluth, which received grants of lands which sold for more than the whole cost of the railroad. Let us equalize that.

If tolls are to be used merely as a device to again delay this project, which ought to have been begun in 1933, why, I am against any toll discussion; but fairly, it is all right.

Mr. RODGERS. But as an approach, though, from the idea of making it self-liquidating directly rather than indirectly?

Mr. BARNES. Well, I think there might be some consideration given, but for heaven's sake, do not let that phase delay this thing any longer. It is too big and too important a resource to the United States in war and peace to let any technicality of that sort delay it by discussion and argument of that type.

Mr. BEITER. At that point, Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. BEITER. Would you be willing to pay a toll equivalent to the tax rate that is being charged to the railroads at the present time by the municipalities and States?

Mr. BARNES. No.

Mr. BEITER. No.

Mr. BARNES. I do not think that that has any bearing, but as to the operations on the Erie Canal and a toll equal to the annual maintenance charge of that canal, outside of the capital investment, might be considered.

Mr. BEITER. Did you ever appear before the State legislature or the committees of the State legislature advocating the charging of tolls on the canal, or favoring such a project?

Mr. BARNES. No; nobody ever asked me.

Mr. CULKIN. The toll provision, may I say to the witness, has been up repeatedly, and each time the Senate and the assembly in New York State has rejected it emphatically. Of course, there has been a petition to amend our constitution and an attempt to put it through the assembly, and that has been thrown out repeatedly.

Mr. PITTINGER. Mr. Chairman.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTINGER. Let me say to the witness that in the pending legislation, the agreement between the United States and Canada does not contemplate tolls. It just does the opposite thing so that the only purpose that the talk about tolls could have is a delaying purpose, which means a defeat of the project.

Mr. BARNES. Congressman, that is exactly what I expected out of 30 years' experience on this project so far, and I want to answer you there is a little difference between a railroad right-of-way where only one railroad runs its cars, and a water highway where anybody can put a ship on it and run it. They do not come in the same category, to me.

Mr. BEITER. Well, we will follow that a little further. How many companies operate on the Erie Canal?

Mr. BARNES. I suppose 50 or 100.

Mr. BEITER. Would you be glad to divide that by 50 or 100 and pay that part of the costs?

Mr. BARNES. Do you think that that is fair where the highway is open to anybody?

Mr. CULKIN. Is the gentleman against a free canal in our State?

Mr. BEITER. No, sir; not at all. This gentleman brought up the question.

Mr. CULKIN. I just want to ask a couple of question if I may, Mr. Chairman. I will be brief.

The CHAIRMAN. Mr. Culkin.

Mr. CULKIN. During the World War, Mr. Barnes, ships were built in Duluth and then taken out through the seaway?

Mr. BARNES. That is right.

Mr. CULKIN. Taken in too?

Mr. BARNES. The ships that were built were built only 250 feet long, and they could get out, but there were 40 or 50 or 60 ships that were cut in two, because they were built for Great Lakes traffic and were too long to get out to sea. They were cut in two and taken out.

Mr. CULKIN. And those entered the transatlantic service?

Mr. BARNES. Yes.

Mr. CULKIN. It would not have been necessary to do that if the St. Lawrence had been open?

Mr. BARNES. No; that is right.

Mr. CULKIN. That is all.

The CHAIRMAN. Mr. Barnes, I want to thank you very much for your appearance and for your statement.

Mr. Olds, of the Federal Power Commission, will be our witness at 2 o'clock.

We have a letter here from the Cleveland Plain Dealer which I will ask the clerk to read.

The CLERK (reading):

CLEVELAND PLAIN DEALER,
Cleveland, Ohio, June 19, 1941.

Hon. JOS. J. MANSFIELD,

*Chairman, Committee on Rivers and Harbors,
House of Representatives, Washington, D. C.*

DEAR SIR: In response to Mr. Daniellan's suggestion that I state my views on the St. Lawrence seaway, in connection with your committee's current hearing on the St. Lawrence project bill, H. R. 4927, I beg to submit the following:

The Plain Dealer was among the first newspapers to declare for the St. Lawrence waterway. This was more than 20 years ago. Every development since then strengthens our conviction that in this great conservation project lies one of America's largest opportunities.

Other cities have spent millions to make themselves seaports, recognizing the benefits which come of direct access to world markets. The Plain Dealer cannot understand why the cities of the Great Lakes—particularly a city like Cleveland—fail to realize the importance of what other cities esteem a great commercial and economic blessing.

Every disinterested group or commission that ever gave the St. Lawrence project a thorough study has reported the complete soundness of the enterprise. Economically, it is feasible; in a purely transportation sense, it is unconditionally approved.

It is to be remembered that the proposal now before Congress is not so much one to "build" the seaway as one to "complete" the enterprise. Millions have already been spent on it, some of it by Canada and the rest by the United States. Improvements already made are robbed of their complete usefulness until the rest of the job is done.

The same voices now heard declaring that the seaway cannot be completed in time to aid the national-defense program have been heard for 20 years, droning the familiar refrain that money put into the St. Lawrence would be money thrown away. Except for this opposition the waterway would have been completed years ago. Its opponents now seek to capitalize their own opposition in order to delay a great enterprise.

Opposition to the St. Lawrence seaway is grounded principally in selfishness. It springs from railroads which object to having the interior connected with the seacoast by any other than their own means of transportation. It comes from lake shipping interests which enjoy the privileges of what is now an inland sea closed against intrusion.

The argument that American enterprise would be unable to compete with outsiders who might use the waterway sounds to the Plain Dealer like a reflection on the memory of forebears who carved their commercial empire in competition with the world and neither asked nor received any favors in the battle.

And now the urgency of national defense adds the climatic argument in favor of the seaway. Here is the American Ruhr. Here is the great interior, unassailable under ordinary circumstances by any foreign enemy. We have the shipyards. We have the skilled labor. With the Lakes' shipbuilding capacity scarcely touched as yet, the yards along the seacoasts—open to the possibility of hostile attack—are loaded to the limit with work.

Nature gave to America the St. Lawrence and the Great Lakes, whose potential usefulness to the Nation has hardly as yet been tapped. Only short-sightedness and selfishness prevent our taking full advantage of the gift.

Sincerely yours,

PAUL BELLAMY, *Editor.*

The CHAIRMAN. The committee will stand in recess until 2 o'clock. (Thereupon, at 12:42 p. m., the committee took a recess until 2 p. m. of the same day.)

AFTER RECESS

(The committee met, pursuant to recess, at 2:15 p. m., for further consideration of H. R. 4927, Hon. Joseph J. Mansfield, chairman, presiding.)

The CHAIRMAN. Mr. Olds, are you ready to proceed?

Mr. OLDS. Yes, Mr. Chairman.

STATEMENT OF LELAND OLDS, CHAIRMAN, FEDERAL POWER COMMISSION

The CHAIRMAN. Gentlemen, we will now hear from Mr. Olds, who is Chairman of the Federal Power Commission. Just proceed in your own way, Mr. Olds, as you know the subject better than we do.

Mr. OLDS. Thank you, Mr. Chairman.

I felt that in discussing the St. Lawrence project this afternoon before the committee there were two essential contributions that I might be able to make to the general consideration of the matter by your committee. In the first place, I thought that it would be important to indicate to the committee how we, who are responsible for assuring an adequacy of power supply for the defense program, look on this St. Lawrence project as a part of that assurance, and in the second place, I thought that you would want to hear from me the general conception which the Federal Power Commission has as to the economic soundness of the project as a power undertaking.

I think that all who have any responsibility for the great defense effort which the country is making today probably interpret their responsibility in terms of the need for outmatching Germany, and that outmatching is measured in terms of industrial mobilization. Today warfare is fought almost more with the industries of the country, using the resources of the country, than it is with the men at the front. The two combined are essential, but the men at the front will count for little if there is not behind them a complete industrial mobilization. I want to emphasize that conception of complete industrial mobilization because I think there has been a tendency which has lasted until very recently, to underestimate all along the line what our defense effort must mean if it is to be successful, in terms of the maximum utilization of our resources. I think we have to look on modern war as sort of an omnivorous consumer, a consumer that is never satisfied with what any nation can produce short of the maximum that that nation can produce, and so when we come to deal today with an attempt at a successful defense effort, we cannot set any maximum limit to our expenditure, to expenditures immediately translated into the operation of our factories. We cannot set a limit, as we found

out, of \$9,000,000,000, or of \$14,000,000,000, or \$28,000,000,000, or \$35,000,000,000. There is no limit to what we might need to do in the mobilization of our industry for defense short the maximum that can be done with our resources in raw materials, and in manpower.

Now, electric power is an absolutely essential element in all phases of industrial mobilization. In some industries such as aluminum, is it more important than in others. In some industries it is less important, but the main energizing of our industry today, comes from electric power.

I want to refer just very briefly in that connection to a report which was officially published in 1921. It is a survey by the United States Engineer Department, actually made by Col. Charles Keller of the Corps of Engineers, on the power situation during the last war. I just have a few quotations indicating the extent to which even in the last war, when power was not as important a factor as it is today, shortage of power threatened the continuity of our industrial production of war materials at that time. In his report to the Secretary of War, Colonel Keller said, referring especially in this instance to the Pittsburgh area:

The power situation during the war in the Pittsburgh area was exceedingly critical—

and went on to say—

So far have some of the central stations gone in their effort to serve the public that the breaking point was actually reached, causing vital damage to boilers and machinery. The real power shortage in 1918—

that is, in the Pittsburgh area alone—

was at least 130,000 kilowatts, and even this figure is based on conditions under which the placing of war orders had been restricted in order to avoid complete congestion.

I want to call especial attention to that last phrase. He says:

The real power shortage in 1918 was at least 130,000 kilowatts, and even this figure is based on conditions under which the placing of war orders had been restricted in order to avoid complete congestion.

I am going to suggest subsequently that the matter of an adequacy of power supply in terms of a defense program is actually one of the important limiting factors. In other words, where shortage is threatened, load growth would not continue beyond the point where you have capacity to carry that load. You then have a restriction on the freedom with which the Government can proceed to expand production for defense purposes.

Colonel Keller referred similarly to the situation in the vicinity of Baltimore. He said:

Had the war continued, Baltimore would have found itself using every unit of its available capacity to meet its load, with no reserve for safety or repair.

You can go through Colonel Keller's report and find instance after instance where the country was forced to restrict its war production because of shortage of its electric power. He says in connection with the Niagara area that—

The power shortage first manifested itself in complaints to the Secretary of War from vital manufacturing industries at Niagara Falls and Buffalo. They reported that Canadian authorities had seriously curtailed the exportation of electric

energy from Ontario into the United States, and that it had been suggested that exportation be prohibited entirely.

He goes on to describe steps that were taken in the effort to secure for war purposes additional power at Niagara Falls.

Now, today, this country in the vicinity of Niagara and in the vicinity of Massena on the St. Lawrence is dependent upon imports of Canadian power to the extent of something like a quarter of a million kilowatts, and that is a quarter of a million kilowatts of practically 100-percent load-factor power. That means that Canada, in the same great defense enterprise that the United States is in, that the time may come, and we cannot tell when the time may come in this all-out effort, when Canada itself, because it needs power which it is exporting to this country, may be in the same situation that it was in in 1918, when it had to curtail those exports of power to the United States. When that time arrives, the situation, which along the northern border of New York State is already serious, will become so serious that the most critical measures will have to be taken to keep the war industries there, or the defense industries, in operation.

Now, I have suggested, and I have used Colonel Keller's report as a basis for my suggestion, that power, the availability of adequate supplies of electric power is a limiting factor in the expansion of any defense program. War industries, defense industries, expand where and if power is available. This is more true today than it was true during the last war, because of the tremendous progress that has been made in certain lines of industry that are tremendous power consumers. You all are aware of the extent to which the great metallurgical industries today, aluminum, magnesium, ferro alloys, even certain electric furnace steels, are dependent upon huge supplies of electric power in order to make possible the output that is required for the defense program. The same thing is true of almost all branches of the chemical industry, and, finally, in terms of the possibility that essential raw materials will be cut off, that the supplies that come from overseas will be cut off, we must always envisage, as we look to an unfolding of our defense effort, the time when we must substitute synthetic products for the products that are based upon raw materials which today are imported. In general, synthetic products require vastly more power in their production than do the natural products which they replace.

During the Federal Power Commission's efforts to assure an adequate power supply for the defense program, we have kept in very close touch with the situation in Canada, where the necessity for an all-out defense effort came ahead of the time when it came in the United States. We followed the efforts of the Ontario Hydroelectric Power Commission to meet the responsibilities placed on it in terms of power supply by Great Britain's and Canada's war efforts. That experience has been one of the power load growing so rapidly that the people in the top offices were sitting watching charts on the wall to determine whether they were going to have to cut off loads when they approached the peak load period of the year. Their experience was one of having companies that had, under normal conditions, required something like 5,000, 6,000, or 8,000 kilowatts, coming in and saying that in terms of war orders their requirements were going to jump to 50,000 or 60,000 kilowatts.

Their experience was one in which the industries would come in and say, "We can set up a factory to make more war materials and war supplies, if we can get so much power," and the people who have been operating those great power systems up there have been forced to say that the power is not available and therefore industry was not undertaken, and to that extent Great Britain's war effort was short of what it might have been.

Now, the experience that we have had in dealing with this power situation, the defense-power problem, over a period of several years, has convinced the Commission that the planning for additional power capacity to meet the requirements of the defense program cannot be related to any forecasts which can be made at any given time. Actually, from the time we started to make forecasts and to determine how much additional generating capacity should be put into power systems of the country to meet the requirements of the defense program, we found that almost as soon as our forecasts were made, forecasts based on the orders which would result from certain appropriations by Congress, that the Congress had proceeded to expand the appropriations for defense purposes, and the expansion of the defense program meant additional orders, and those additional orders required additional power.

Mr. DONDERO. I am going to interrupt the witness, and I think it might be helpful to the committee if he would tell the committee how long ago those forecasts were made.

Mr. OLDS. The Commission actually began its work to prepare for a possible defense effort as far back as 1935, when it made its first national power survey and report. Then, in 1938, the President asked the Commission to revise and bring up to date those studies and relate them specifically to the question of adequacy of power supply for national defense. It started to revise those studies, and at the same time a National Defense Power Committee was set up, composed not only of the Federal Power Commission, but of the War Department and representatives of certain other interested agencies. From 1938 on, the staff of the Federal Power Commission has been actively working on forecasts of the load which would come to the power systems in the country as a result of a major defense effort. Does that answer your question?

Mr. DONDERO. Yes.

Mr. OLDS. The Commission has come very definitely to the conclusion that in preparing for a complete defense undertaking the plan for additional capacity has got to be based on something more than can be definitely foreseen at any given time. As I suggested, the defense program, ultimately, if it is to succeed, is going to mean the maximum mobilization of our resources, and until that maximum mobilization of resources has been reached, there is no forecast that can indicate how much power may be required to meet the necessities of the defense program.

During the last year, since the Commission has begun gathering from the various power systems throughout the country monthly data indicating their growth of load and the orders which they have for additional capacity, so as to keep track of the relationship be-

tween growth of load and capacity extended into the future, we found that time after time the estimates by power systems of the load which they expected even 3 months ahead have been exceeded by the load which actually was served.

I have some figures here for the area with which we are dealing in connection with the St. Lawrence. I have here a comparison of forecasts and the actual loads for the Niagara-Hudson system from November 1940 to April 1941. These forecasts are made on a 3-month interval basis. The first one shows that in November the peak load was 1,339,000 kilowatts as against a forecast of a load of 1,275,000 kilowatts, a difference of more than 60,000 kilowatts. The load was underestimated by more than 60,000 kilowatts. In December they came a little closer. The load was underestimated by about 28,000 kilowatts. The actual load in January 1941 was underestimated again by about 60,000 kilowatts.

Similarly, the amount of energy required tends to be underestimated. The important thing is that unless the country is ready to plan additional capacity in excess of any load that can be forecast today on the basis of the defense program, as it has already been authorized by Congress, the probability is that the country will run into serious power shortages practically throughout its entire area.

I am going to deal in a moment with the present situation, as far as power supply is concerned, but the Federal Power Commission feels definitely that the only way to provide against power shortages which will curtail our defense effort is to create a reasonable pool of additional capacity which can be drawn on to meet the expansion of defense industries as the defense program may require.

Now, this is extremely important today because it is no longer as easy as it was in normal peacetimes for power systems to order additional generating capacity with the assurance that that additional capacity will be ready when they need it. Today practically all of our industrial activity is gradually being channeled into lines of priority, because unless that is done the production for one essential purpose, as, for instance, for the Navy, will conflict with production for another essential purpose, as, for instance, the building of generator units for central station power plants, and the confusion which would result without the application of priorities would seriously endanger the progress of the defense program. Today that question very seriously influences the possibility of producing additional generator capacity unless plans for that additional generator capacity are made very much in advance of the time they are needed.

We have today need for what may be termed long-range planning in the power industry if we are going to assure the country against a dangerous shortage of power at a time when the defense effort can little afford to have industry crippled by power shortages.

The question of planning far in advance for this additional capacity is important, not only in order that the equipment companies may get the new generator units which are ordered into their schedules, but also because construction of the generator unit involves a whole series of priorities which must be arranged for if that generator unit is to be delivered when the manufacturers promise delivery.

Mr. BELL. Mr. Chairman, may I interrupt to ask the witness just one question?

The CHAIRMAN. Yes.

Mr. BELL. I wonder if you would mind telling us, Mr. Olds, how long it takes to produce those generator units? In other words, how long it takes to manufacture a generating plant?

Mr. OLDS. Of course, plants vary a great deal under normal conditions in the time required for their construction. Taking a fairly large steam station under normal conditions, the power systems could count upon getting delivery of their large generating units in something like 18 months. That situation has very materially changed during the last year. The generating units that were on order for delivery by the end of this year, some of them are going to be delayed 3 and 4 months in terms of their actual delivery.

A variety of bottlenecks are developing, bottlenecks particularly in the manufacture of heavy forgings, spindles, and the heavy shafts that go into generator units, and today that is resulting, not only in threatening the actual capacity of the country to produce generator units, but also in bringing about a situation where, at least as far as large units are concerned, 24 months would be a very good delivery time, and the probability is that in many instances delivery will not be obtained in 24 months, but may run from 27 months to 30 months.

Mr. BELL. If it were a case where electricity was one of the very highly necessary things for the defense program, and at the time, and priority were given to the production of that type of machinery, it could be produced, perhaps, in less than 2 years, would you say?

Mr. OLDS. If it were given priority right straight through for all lines that go into the production of these units, and all of the things that go into the production of them, and the copper that goes into them, and the actual production of all of the equipment itself, it could be produced in less time, the situation which makes it critical is the need for that additional power plant equipment at the rate of 2,000,000 or 3,000,000 kilowatts a year, and that equipment is going to be competing with the power systems that go into naval vessels and into the Maritime Commission's vessels, and it is going to be competing with the whole range of defense production that also must be considered as having a very high priority rating.

The important thing is that the plans for additional generating capacity that is going to be required for the country over a considerable period of years have to be determined at this time as nearly as possible so that the O. P. M. will have the plans in mind when all of these various priority arrangements are determined.

Mr. BELL. You spoke of generators for use in steam plants. Let me ask you, Mr. Olds, is that the same kind of equipment used in the manufacture of electricity that would be used in connection with the power to be drawn from the St. Lawrence waterway, for instance?

Mr. OLDS. Not precisely the same.

Mr. BELL. Is it substantially the same?

Mr. OLDS. There is no conflict between the manufacturers of hydro-wheels and steam-turbine generators. Steam-turbine generators are operated at higher speed, and they require more careful machining and they are more difficult to obtain.

Mr. BELL. Let me ask you this question, as I am trying to clear it up in my mind: When you referred to the type of generators that it would require from 18 months to 2 years to produce, were you talking about generators to hook up with steam plants or with hydroelectric plants?

Mr. OLDS. When I was talking about them originally, I was talking about steam-turbine generators.

Mr. BELL. So that your steam plant can be built in from 18 months to 2 years?

Mr. OLDS. If you can get your units, but the probability is, today, if your entire program, for instance, were based on steam units, that you would not be able to get deliveries on steam units in 18 months to 2 years, and, as suggested, deliveries are ranging now up to 27 months, and today there is very little possibility for very much additional delivery of steam-generating capacity any earlier, unless the orders are placed within the next very few weeks. In fact, that has just been emphasized in a series of conferences we have had in various regions of the country, in which all of the power systems of the country participated.

Mr. BELL. Just in order to get the thing concretely, Mr. Olds, let us assume that the St. Lawrence waterway project was completed right now to a depth of 27 feet, or whatever the plan calls for, how long would it take you to get the necessary generators set up and the necessary machinery set up to produce power from this water project?

Mr. OLDS. It is much easier to get water wheels today than it is to get steam generators. It would be about 2 years if everything was complete except the installation of the machinery in the powerhouse.

Mr. BELL. And it would take from 2 years to 26 or 27 months to get steam generators?

Mr. OLDS. That is correct.

Mr. BELL. Thank you.

Mr. OLDS. I think, by your questioning, sir, that you have brought up the point that I was very anxious to have recognized, and that is the importance today, in the establishment of all of the priorities that are necessary in order that this enormous defense effort may move forward successfully, of planning the additional power capacity that is going to be required for this defense effort, as soon as possible.

Mr. PITTINGER. Did you hear General Robins' statement on that subject the other day?

Mr. OLDS. No, sir; I did not.

Mr. PITTINGER. I recall that his testimony was to the effect, for reasons that I will not incorporate here, because the record will show it, that it is much easier to get water wheels than it is to get these steam plants for a number of the reasons which you suggested.

Mr. OLDS. That is very definitely true. We have just recently held a conference with representatives of all the equipment companies, including not only those that produce steam-turbine generators, but hydroturbine generators as well.

Mr. PITTINGER. I think he indicated that the period of time required for the manufacture of water wheels was shorter and the availability of the product was much greater.

Mr. OLDS. Yes, sir; both are true. You have very much less of a bottleneck in the castings and the other things that go into the manufacture of the water-wheel generators than you do in the same corresponding parts of a steam-turbine generator. Therefore, it is essential that we at this time have in mind a very complete plan as to the requirements of the defense program expanding over several years, and the best means of meeting the requirements of this defense program.

As stated a moment ago, we have just been covering the entire country in a series of conferences to determine just what the power situation is today in relation to the defense program.

I have here several sheets that indicate, region by region, approximately what the situation is. In terms of the group of States which we include in our New York conference area, and the conference was held in New York City, including the New England States, New York, eastern Pennsylvania, New Jersey, District of Columbia, and Maryland, we find that the 1942 load of that area will require at least 2,292,000 kilowatts of additional power assignable to the defense load. That is a load that represents nearly a quarter of the entire estimated load of this particular region.

We found that if minimum reserves were provided, that by the end of this year this region would require an additional 538,000 kilowatts of capacity, which, of course, cannot be obtained in such a short time.

Mr. PITTINGER. Translated into the language of the ordinary man, we have an acute shortage now, and if that water power project had been built in 1934 we would not have to face that shortage now?

Mr. OLDS. There is no question about that. In order to meet the load at the end of 1941, we are going to have to cut into the reserves that are essential for dependable power operation, unless by certain additional interconnections it is possible to provide for additional power.

Mr. PITTINGER. So that you are going to have to have priority orders on power here before you know it?

Mr. OLDS. That is correct.

I am going to go into a little more detail as to why that is affected by this probability in a moment. I am now dealing simply with the 1941 situation.

We found in the area covered by the Chicago conference, the Middle Western States, that the defense load increase in 1942 would amount to 2,568,000 kilowatts, very nearly a quarter of the entire load of the area. Here, again, we face the situation where, by the end of 1942, there will be less capacity in the area than is required to carry the load and provide adequately for a reserve for a sure, reliable capacity.

We found in the southeastern area, centering around Atlanta, where the conference was held, that with a defense load of 842,000 kilowatts, the additional capacity which should be available this year if the power systems are to carry the load without cutting into the essential reserves, amount to 331,000 kilowatts.

Mr. DONDERO. I think it might shorten his testimony if the witness was permitted to put in the record those schedules which do not affect the area affected by the proposed project.

Mr. PITTENGER. That is down in the Clark Hill project where they want to generate that electricity?

Mr. OLDS. That is correct. I am putting these things in for just one purpose, to indicate the shortage of power with which the country is faced unless there is an installation of additional capacity in practically every area, and if we are going to meet the needs of the defense program for the country as a whole, we have to make the best possible plans for each area, and then bring it down to this particular area in terms of the St. Lawrence project.

Mr. PITTENGER. We have a member of the committee here who would be very much interested in knowing about that project as it affects Georgia.

Mr. SMITH. Does that survey include the Pacific Northwest, Mr. Olds?

Mr. OLDS. Yes, sir; it does. We had a meeting in Portland in which we covered the entire Pacific Northwest. In that area the relationship between supply and demand is going to be very close by the end of 1941. I could read in every one of these figures, or I can summarize it by saying that by the end of 1941 this country with the growth of its defense program is facing a situation in which additional capacity will be required and should have been ordered at least 2 years ago and in order to meet the power loads that are coming at the end of this year, the country as a whole, region by region, is going to have to cut into essential reserves that are there normally to assure the dependable operation.

Mr. PITTENGER. And it will be worse in 1944.

Mr. BELL. May I interrupt the witness? Before you get away from those plans for the various regions of the country, may I ask what plan was made for the Middle West? I represent a district in Missouri, and I would be interested, while we are on the matter, to learn what was discussed with reference to the industries in that part of the country.

Mr. OLDS. I can take the need up here by area within this region, but the total region, should have, about 570,000 kilowatts more capacity in order to maintain minimum reserves and to serve the loads this year.

Mr. BELL. What region are you talking about there?

Mr. OLDS. This is the region that includes Illinois, Indiana, Missouri, Kansas, Ohio, western Pennsylvania, Michigan, Wisconsin, Minnesota, West Virginia, Kentucky, and Iowa. That about covers the region.

Mr. BELL. Were any definite plans made for the purpose of increasing the amount of electric power in that region, either by water power or steam power or by both?

Mr. OLDS. The purpose of the conference was to establish a base for the ordering of additional capacity by the utility systems and power systems in the area. I have since had a conference with a representative of one of the big systems serving St. Louis, and he has indicated that additional capacity is going to be ordered for de-

livery just as soon as he can get delivery from the equipment manufacturers. That, in general, has been the result of this conference. There are many areas in which additional capacity is being ordered to meet the needs that were indicated. In that area I just mentioned, in the St. Louis area, actually the situation is already causing them serious concern.

Mr. BELL. How about Kansas City? There is a bomber plant going to open up there, and there is quite a large munitions plant that is planned to open up there next month, which will employ some 8,000 or 10,000 men. I was wondering what the power situation was in that locality.

Mr. OLDS. These reports of ours cover 48 separate areas, and they do not conform exactly to State lines. Kansas City is located in area 29.

In area 29 at the end of this year the demand and the supply will be just about on a par with adequate provision for reserves, and beginning in 1942 there should be added something like 37,000-kilowatts of capacity. Then, additional capacity comes in before 1943, so that running along for a period of years, additional capacity ought to be ordered to the extent of 30,000 to 50,000 kilowatts in the Kansas City area.

Mr. BELL. Between now and what time, over what period?

Mr. OLDS. I can give you the figure for any year. In 1942, 37,000; in 1943, 22,000; in 1944, 36,000.

Mr. BELL. These are additional orderings?

Mr. OLDS. Additional generating capacity that ought to be installed in those years.

Mr. BELL. In the discussion of the subject was anything said about the planning of additional units by the Government, or was it thought that private industry should expand its capacity?

Mr. OLDS. It was urged that it was the joint responsibility of both to insure sufficient capacity to meet the requirements, to the extent that the power systems could cooperate in meeting the need. It was generally the theory that in most regions that would be the procedure.

Mr. DONDERO. Mr. Chairman, I want to renew my suggestion that instead of going into every region of the United States and all of these areas, in the interest of time, let that be included in the record, and let the testimony be confined to the area affected by the project before this committee. I think he ought to be satisfied to do that, as otherwise, we will be here indefinitely.

Mr. OLDS. I did not intend to go into all of them.

Mr. DONDERO. You have already summarized it as to the whole country.

Mr. OLDS. That is all I am interested in doing here.

I come back to the suggestion I made at the start, that our real problem, as I view it, the responsibility which we have, in terms of power in the defense program, is outmatching Germany, and I want to call your attention to what that is going to mean in terms of the requirements of power for the defense program.

Our present estimate of the power load which will arise out of the defense program is an added load of 6,770,000 kilowatts, which on the basis of what these generator units are producing for defense

purposes as of today would mean something like 40,000,000,000 kilowatt-hours additional electric energy per year.

Mr. CARTER. Could you give that figure again, Mr. Olds?

Mr. OLDS. Based on what we know by the current orders in the defense program, 6,770,000 kilowatts of generating capacity will be needed to be used entirely in the production of defense products.

Today, according to one of the recent bulletins of the O. P. M., Germany is spending at least \$36,000,000,000 a year for its offense, for its offensive military operations.

You will find in that same bulletin an indication that it is the President's wish that, operating on a 24-hour-a-day basis, we reach by the middle of 1942 a rate of defense production equivalent to an expenditure of \$3,000,000,000 a month, which represent a total of \$36,000,000,000 a year.

Now, that can be translated in two ways into power. It can either be translated by dividing that total by the average production value per year per worker in these industries concerned in defense, or by finding out the number of kilowatt-hours per dollar value of the product of these industries. Both ways produce the same result. They indicate that the \$36,000,000,000 per year rate of expenditure for defense purposes will require 100,000,000,000 kilowatt-hours a year of electricity simply for the production necessary to meet the requirements of that program. You can take various load factors for translating that into capacity. But it means from any approach that the defense program, when we swing into the kind of a program that is necessary to outmatch Germany, is going to require from 15,000,000 to 20,000,000 kilowatts, in addition to the kilowatts required for the normal load of the country.

Now, that means that we have got to find that quantity of power in order to make that program possible.

It means we have got to find it either by curtailing the normal use of power, and this would mean a perfectly tremendous curtailment in the use of power, and it would be absolutely impossible to carry it out, or it means that we have got to find it by constructing the required new generating capacity.

Now, with that in mind, I would like to refer just a moment to what we are actually dealing with in trying to match Germany in terms of power. I wonder if people, in reading about the different countries that Germany is annexing, recognize the extent to which Germany is adding power resources. I was up in Ontario within a few weeks of the time that Germany took over Norway. The impact on Ontario of the taking over of Norway by Germany was the power impact, because Germany obtained a shift from the Allied side to the Axis side of something like 3,000,000 horsepower of hydroelectric energy when it took over Norway, and immediately the British Empire, which had been obtaining aluminum, magnesium, chemicals, and metal alloys from the production of this hydroelectric power in Norway, was forced to shift that load over to this continent and the load came very heavily upon the people up in Canada.

I asked the members of the Federal Power Commission staff to find out what was happening in terms of the power supply in Germany since the start of the offensive movement, and I find that Germany is doing

everything in its power to increase the available supplies of electricity for its military operations. Germany itself between 1935 and 1941 has quadrupled its electrical output. Today Germany can command, or it will be commanding within the next 2 years, about 200,000,000,000 kilowatt-hours of electric energy. Our last year's production in this country was about 144,000,000,000. Of that 200,000,000,000 kilowatt-hours, Germany will actually have annexed something like 100,000,000,000 kilowatt-hours. In other words, country after country—Norway, Austria, Czechoslovakia, Rumania, Poland, Yugoslavia—their countries and their people, and also their power resources, were taken over and power resources are essential elements in the production that is necessary either for defense or offense.

The matter has come home very critically to this country recently in terms of the aluminum supply, and today you will find probably more thought is being given to the production of aluminum for defense purposes than to any other single phase of the defense effort. Aluminum is essential to an airplane program, and an airplane program has proved to be probably the most vital single element in a defense program.

The United States was, in 1939, producing only 327,090,000 pounds of aluminum. With great effort during the last year its production was pushed up to the rate of 500,000,000 to 600,000,000 pounds of aluminum. The effort was recently made to raise that to close to a billion pounds on the theory that Germany was getting a billion pounds production of aluminum a year. Now, it has come to be realized that the aluminum program will require at least 1,600,000,000 pounds a year, and every pound of aluminum requires 10 kilowatt-hours of electricity. That means the present aluminum program will require about 16,000,000,000 kilowatt-hours a year to meet those requirements. That is just one element in the power problem of defense. Magnesium is another product that is essential in the defense program, and magnesium requires between 10 and 15 kilowatt-hours for every pound produced. So that today, if this country is going to cutmatch Germany with its defense effort it has got to plan on the basis of providing power to meet the challenge of Germany in terms of electric power, because electric power is the very essence of most of the production for defense purposes.

Mr. BENDER. May I ask the witness a question, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. DONDERO. I thought we were going to let the witness complete his statement before asking him questions.

Mr. OLDS. I shall be glad to answer any questions at any time.

Mr. BENDER. I will withhold my questions.

Mr. DONDERO. I yield.

Mr. BENDER. Cannot the shortage of electric energy be met, in part, by regulating its use in the emergency?

Mr. OLDS. Yes; but there is an important factor in that connection that must be borne in mind. What you have in mind is curtailing other uses of electricity in order to make power available for emergency purposes. In the study we have made of the whole

defense power situation we find that those various forms of curtailment should be reserved for emergencies that cannot be met by planning ahead. We have had just such a situation develop in the Southeastern States where the unanticipated growth in defense load together with a very low water year has created a situation where the shortage could not possibly be met by planning on additional capacity. As a result, it has been necessary to resort to severe curtailment, to curtailment of the lighting load, to curtailment of commercial service and in industrial operation, various other forms of curtailment. Such curtailment is a cushion to meet an emergency situation which might occur from a plant going out due to sabotage, or due to a water shortage.

Mr. BENDER. The President has declared an unlimited emergency.

Mr. OLDS. Yes; he has declared an unlimited emergency.

Mr. BENDER. We are in an unlimited emergency. You are making comparisons with Germany and this country. In Germany they are having black-outs, and in Germany they are conserving their power in every way. Why are we not doing that in the United States at this moment? Since we are emphasizing Germany's curtailment, is it not desirable to curtail the use of power for those things that we need in order to fight Germany immediately?

Mr. OLDS. Yes; there is going to be power curtailment for just that purpose, but the power curtailment is a means that should be utilized only when you are unable to meet your requirements by planning, because if you use it up now, if you use the saving that you can get by curtailment now, and do not plan on additional capacity, you won't have any cushion to meet that shortage that will develop as a result of increased tempo of the defense program, a water shortage, or an act of sabotage. In planning for defense purposes we have always thought it was available but should not be used until it was necessary to use it. It is being used in the Southeast today just to meet a situation of that kind. We have a reduction of as much as one-third or one-fourth in nonessential use in order to produce for the defense program.

Mr. BENDER. Would universal daylight saving aid in that connection?

Mr. OLDS. The greatest power saving from universal daylight saving time would be made during the winter period. If the country as a whole had daylight saving, there would be a saving of about 800,000 kilowatts in this country as a whole if daylight saving were carried on through the winter period as well as the summer period.

It does not mean a tremendous amount of saving of energy.

Of course, in large sections of the country, where the heaviest load is, they already have daylight saving during 5 months of the year, so it would not actually alter the situation to any great extent during the summer.

The point I wanted to emphasize is that we have the responsibility today for looking ahead and planning for additional capacity which may amount to as much as 20,000,000 kilowatts.

Now, the normal production of the steam generating equipment companies, when everything is moving so that they have no difficulty

in meeting their production schedule, is something like 3,000,000 kilowatts a year. Actually, our study of the situation indicates that that has been materially reduced, that if the steam equipment companies produce from 2,000,000 to 2,500,000 kilowatts new capacity each year, they are doing about as well as can be expected from them, and that their ability to produce from 2,000,000 to 2,500,000 kilowatts a year is going to depend on having all of the orders coming along so that they can plan their production right down to schedule throughout each year.

I can show you production charts where there are months where no deliveries are scheduled because they received no orders for delivery during those periods. If orders come along spasmodically like that, the steam equipment companies are not going to be able to produce even as much as 2,000,000 to 2,500,000 kilowatts of capacity per year and yet the defense increment is going to require the equivalent of something like 8 years' full-time production.

If this burden falls entirely on the steam-equipment manufacturers, they will be unable to deal with it. As we face the need for planning for additional capacity in 1943, 1944, 1945, and 1946, we know that if this defense effort continues, if we are forced to the maximum of our ability to meet a threat such as the threat Germany represents, the power required to meet that defense effort cannot be provided if we are dependent solely on the producers of steam-generating equipment. The order is just too much for them. As a result of attempting to provide the capacity required for the defense program, we know it is absolutely essential that it include provision for the production of water wheels, and water turbine generators.

Just recently we have had a conference with the producers of water-wheel generators, and they have indicated that they have additional capacity to produce water wheels and water-wheel generators. It is essential that the country make its plans to utilize that capacity instead of attempting to throw all the burden on the steam-equipment manufacturers, and to create a situation where we not only do not secure the power capacity required for the defense program, but also tend to interfere with the essential production of those steam-equipment manufacturers for the naval vessels and merchant vessels that are equally essential for our defense effort.

Now against that background, I just want to make a few suggestions as to the power project that we are discussing today.

The Federal Power Commission feels definitely that the St. Lawrence project, as a power project, is essential to any plan for adequate capacity to meet the defense program. In terms of the need as I have indicated, its total capacity as far as our side of the line is concerned, is 820,000 kilowatts. That is against a national need for from 15,000,000 to 20,000,000 kilowatts. It has possibly a total output of 6,600,000,000 kilowatt-hours. That is offset against a prospective need, when our defense program goes into full operation, for something like 100,000,000,000 kilowatt-hours.

The proportion between the size of the St. Lawrence power project and the size of our national need in terms of the defense program is such that there can be no question about its being essential in case

the emergency is protracted as long as 1945, when the plant can be ready for operation.

Now, as to the soundness of the project itself, I think that probably you have had emphasized here the factors in the situation. For example, this is one of the outstanding power projects in the entire continent. Probably its only rival is the possibility of additional Niagara development, which is also included in the recent agreement with Canada, which is before you in this legislation.

We have, of course, a very economical project up on the Columbia River in the Northwest, but I think there is no other place on the continent, or, perhaps, in the world, where nature has provided all of the storage reservoir capacity that is necessary to make possible practically continuous power from a great power project.

The flow on the St. Lawrence averages about 230,000 cubic second-feet, and the fluctuation from the lowest to the highest flow that will be used is sufficiently narrow that to all intents and purposes you have firm power from nearly all installed generating capacity.

How does the power project stack up from an economic point of view; how does it compare with equivalent power from other sources?

You have a figure contained in the bill before you of \$93,375,000 as an allocation to the power project. Incidentally that compares with \$133,000,000, which is the equivalent to one-half of the total cost of the development of the International Rapids section where this power is located. In other words, this is a relatively high allocation to power as compared with other projects.

On the basis of this \$93,375,000 allocation to power, you have a total cost, annual cost, of producing this power, including operation and maintenance, fixed charges at 3 percent, provision for taxation, provision for amortization over a period of 50 years, provision for the equivalent of taxes, a total annual cost of \$6,200,000 for which you obtain 820,000 kilowatts of capacity.

That represents an actual cost, if you are dealing with purely at-site power, of between \$7 and \$8 per kilowatt-year. That is an extremely economical power.

I think it was pointed out here the other day that that is extremely low. It means approximately 1 mill per kilowatt-hour. Today, throughout the country, we are looking everywhere we can for power that will cost not more than 3 or 4 mills per kilowatt-hour in order to meet magnesium and aluminum needs for the defense of the country.

Here is a power that can be generated at a cost representing only about one-third of the cost which is considered a reasonably low cost for power for aluminum production.

The CHAIRMAN. And no standby steam plant is required here.

Mr. OLDS. This power is practically continuous power. Ultimately I think it will be continuous power.

I think the 100 percent available power amounts to about 75 percent of the total, put in terms of the mode of operation that will be adopted for this project, in relation to both industrial and State-wide load, it means practically firm power.

That figure I have given you is a figure representing the at-site power. Our engineers estimate that the necessary transmission

lines and substations, to make a portion of this power available throughout the State of New York will cost approximately \$50,000,000, which gives you a total over-all cost attributable to power, including generation, transmission, transformation, and substations, of \$143,375,000.

Here again we can translate that into annual cost and cost per kilowatt of capacity. Using the same charges, 3 percent interest, provision for depreciation, amortization in 50 years, and providing for the expense of operation and maintenance, the total annual power cost of this project will be approximately \$9,700,000. That provides something less than the total amount of the 820,000 kilowatts of power I referred to when I discussed the at-site power, because a certain amount of the power will be lost in transmission. This will mean available for sale 775,000 kilowatts; of this, 336,000 kilowatts are assumed to be sold at site to high-load factor industries, and 479,000 to be transmitted to other parts of the State.

On this basis the average cost per kilowatt of capacity, including the cost of transmission for something more than half the power will be about \$12.50 per kilowatt-year. That is power so economical that it would be possible to locate industries requiring the cheapest kind of power, not simply at the site, but to disperse them throughout the area within transmission distance. In other words, this \$12.50 rate compares with the at-site rate at Bonneville today of \$14.50, and it compares with the present typical charge for power from the Niagara Falls plant of \$26.75 per kilowatt-year, so that the actual cost of developing this power and transmitting it, and making it available from substations in different parts of the State comes to approximately one-half of what is today charged normally for power at Niagara Falls.

I could make other comparisons, but I think I have suggested enough to indicate there is no question whatever, but that this power is at least very close to the most economical power you can get anywhere in the United States.

That Bonneville cost of \$14.50 is the lowest we have at the present time. It is the lowest at-site rate we have at the present time.

Mr. SMITH. And this, you say, would be lower?

Mr. OLDS. On a cost basis, this would be less than that \$14.50 rate.

Mr. DONDERO. Bonneville is \$17.50 at the factory?

Mr. OLDS. The rate for transmitted power is \$17.50.

Mr. DONDERO. Wholesale rate. This \$12.50—

Mr. OLDS. The \$12.50 is just the cost on which you can base your rate. I am merely using it to indicate that at least you have got here power that cannot be beaten in terms of economical power. The country is looking for economical power to meet the requirements of its defense program, and here is one of the places it can get it without any question. Actually this power project is not open to any charge, and cannot be open to any charge, that it is being in any way subsidized by any kind of an allocation to other purposes, and this project, if it was desirable, could be built solely for power and still be able to furnish power within a range of very little over 1 mill per kilowatt-hour, in cost.

As to the market for this power, of course I think it is almost absurd to raise that question, not simply because of the needs of the defense program, but because I cannot imagine power being available in this country that could be sold for 1 mill, or 2, or 2½ mills per kilowatt-hour, without its being absorbed, if we were seeking the absorption of that power with no other interest. Today, that power could be contracted for, even though it is not to be produced for 4 or 5 years, by chemical companies and metallurgical companies, that are just looking all over the world, almost, to find power as economical as this. This power would have been developed by the Aluminum Co. or its affiliates, or by the private power systems at almost any time that they could have secured permission from the Federal Government and the State of New York. There wouldn't have been the slightest question in their minds as to the marketability of the power, because there is no chance of your failing to market power that can be produced as cheaply as this. If our defense demand should suddenly subside, if the country should go into a period where this tremendous industrial activity tended to fall off, this power is still so cheap, it could be sold on a steam-replacement basis, could be sold for enough to carry the project until such time as the load picks up again.

But I think the availability of this cheap power is one of the essential guarantees against such post-emergency slumps, because in the long run the ability of a country to use its resources cheaply, to get the product of its resources at low cost, is an essential in maintaining the stability of employment, which comes from the full operation of our industries. Our difficulties generally arise from inability of the country to purchase the products of industry at the prices which are established generally by artificial arrangements, and to the extent that power can play its part in lowering prices, to that extent we have released a very strong influence, militating against the kind of industrial slumps, with tremendous unemployment, that we have been through in the last decade.

Mr. SMITH. How does that cost compare with Germany's cost of generating power, if you know?

Mr. OLDS. I cannot answer that; I do not know what the costs of generating power in Germany are today. A large part of Germany's generation is at present in fuel plants, although they are, as rapidly as possible, developing the hydro resources of Poland and the other States that they have annexed. If any one is interested I have some rather interesting maps here indicating the way in which Germany is planning its power supply. You can see the stations dotted all over the map. They are going in for power development in a very large way.

Mr. SMITH. Developing it in the conquered countries, all the way from Norway to the Dardanelles?

Mr. OLDS. We have definite information in the consular reports, and the reports come through our various intelligence services, that they are doing this development all the way through, everywhere they move. In Austria and in Italy and every one of the countries involved in the Axis organization they are today busy developing the hydroelectric resources.

The CHAIRMAN. What other sources of power do they have, other than hydroelectric?

Mr. OLDS. Steam-power generation.

The CHAIRMAN. What do they use for fuel?

Mr. OLDS. In the main, coal. They have very good coal deposits in the countries they control.

The CHAIRMAN. Italy has no coal.

Mr. OLDS. Italy has to import its coal from Germany, or develop its hydro resources. It is doing a great deal to that end.

As suggested, I think it is almost unnecessary to go into figures to indicate there is a market for this power, and there will be a market, not only in terms of the defense program, but also in terms of the ultimate—what we look forward to, and hope will arrive as soon as possible—peacetime economy of the country.

I just want to cite a few figures indicating our estimates of requirements in the way of capacity for the area within transmission distance of the St. Lawrence project.

The St. Lawrence project power will probably be marketed in the State of New York, what we term power supply areas 3 and 4, areas with a population of between thirteen and fourteen million people, largely urban population.

The peak load carried by the electric power systems in these areas, in 1940, totaled 3,794,000 kilowatts in large figures. The Commission's defense staff estimates that by 1945 the peak load in those areas will reach a total of 5,394,000 kilowatts, and that with the reserves that must be available for dependable operation at the end of 1945, there will be required approximately 6,473,000 kilowatts of installed capacity.

Actually the dependable capacity to serve these areas, including all the existing orders for additional equipment that will be placed in service between now and 1945, total only 4,906,000 kilowatts. In other words, there is something like 1,600,000 additional kilowatts of capacity that must be installed in these two areas to provide adequately for the load which the Federal Power Commission's defense staff estimates today will be experienced in about 4 years.

As suggested, that forecast figure does not have very much validity. It does not have very much validity because the probability is that when our defense staff comes to estimate the requirements of 1945, in July, or in September of this year the figure will look unduly low. If this country is going to make an effort which will be measured by anything like the power requirements that I indicated as necessary to overmatch Germany, this figure will have to be revised upward. It indicates that no less than 1,600,000 kilowatts should be installed between now and 1945. That is simply in the two areas in New York State. If we take all the areas within transmission distance of the project, the requirements in the way of additional capacity by 1945 run to considerably over 2,000,000 kilowatts, and by 1946 may well be two and one-half million kilowatts. That means that to meet our defense need, the proposed development of the St. Lawrence project will meet only a portion of the need for additional capacity in the region which it will serve.

One reason why these estimates are bound to be low, rather than high, is because this power is the kind of power that is essential to defense industry. As I suggested a few moments ago, we are sitting up nights—I was up until 2 o'clock last night—trying to figure where we can get the right kind of power and enough of it to meet the requirements of the defense program, for the production of aluminum and of magnesium.

Mr. BEITER. Will the gentleman yield at that point?

Mr. OLDS. Yes.

Mr. BEITER. Why didn't you look up the statement by Mr. Lilienthal to the effect that by the building of 10 dams our production could be trebled at the T. V. A.? I quote him:

We are prepared to create a pool of 25,000,000,000 kilowatt-hours of electricity each year, the largest single pool of electricity ever created in the history of mankind.

You could have gotten to bed a little earlier if you had read that.

Mr. OLDS. I know about that statement. The fact is I was working with people who represented the great T. V. A. Still we were working very seriously at the problem of providing additional electricity to meet the requirements of aluminum in the defense program.

Mr. BENDER. You were referring to aluminum. Why don't you curtail the use of aluminum in the Army?

Mr. OLDS. I am afraid that that is just a little out of my province.

Mr. BENDER. I find here, in a list of contracts given on May 21, an order, among others, to the Aluminum Goods Manufacturing Co., in Wisconsin, for aluminum sirup pitchers, \$42,000.

Mr. CULKIN. May I answer that question?

The CHAIRMAN. Certainly.

Mr. CULKIN. Did the witness ever carry a pack in the war?

Mr. OLDS. Yes, sir.

Mr. CULKIN. Would iron, or other material—

Mr. OLDS. They were aluminum kits, I think.

Mr. CULKIN. They were to make the packs lighter.

Mr. OLDS. I think they had that effect.

Mr. BENDER. Did you have sirup pitchers in your pack?

Mr. OLDS. No; we didn't have sheets, either, in those days.

Mr. BENDER. Were you ever in the hardware business?

Mr. CULKIN. No.

Mr. BENDER. You will find there are plenty of materials other than aluminum that are lighter than aluminum that could be used for utensils.

Mr. CULKIN. Used to put in the soldiers pack? Would it make the pack heavier? I will stipulate that the sirup pitchers are out.

Mr. OLDS. I think those figures indicate clearly that in planning to meet the defense requirements of the area in which the St. Lawrence power project is located there is no question but what, solely from the point of view of assuring the best possible supply at the lowest possible cost, the St. Lawrence power should meet the demand. There is no other possible substitute for it in meeting the need.

Mr. PITTINGER. Even the aluminum pool in the Tennessee Valley could not take the place of it?

Mr. OLDS. No, sir. T. V. A. has an important function to perform down there to meet the defense requirements, which should be extended as rapidly as possible, and I am sure will be extended as rapidly as possible, but in meeting a need that will measure up to something like 20,000,000 kilowatts, even if we develop all the resources we can lay our hands on. Even so, we are going to fall short of the requirements, and we are going to have to turn to the kind of curtailment that Congressman Bender has suggested as one of the essential ways of meeting our defense requirements. Just one word as to the situation after the emergency period is over, in terms of the use of this power project.

The use of a project like this is definitely associated with the consumption of power for home use. This area has something like 3,400,000 residential consumers of electricity alone. The area is an area that, in general, has high electric rates. New York State, in terms of residential use of electricity, has higher rates than 25 of the 48 States; in terms of commercial rates for large commercial light and power service, it has the highest rates in the country; in terms of industrial rates, with the exception of the power sold at Massena for the aluminum production, and the power sold directly to industry at Niagara Falls and a few special cases, it has industrial rates higher than the rates in most of the States of the Nation.

Correspondingly, the use of electricity in New York is relatively low. In terms of residential use today, the last figures, as of 1939, indicate that the people were using in their homes on an average 732 kilowatt-hours per customer per year. That is less than the average for the United States as a whole; it is less than half of the electricity used per residential customer in areas of the first six municipal utilities served by the T. V. A.; it is only approximately half of the electricity per residential customer used by the homes which are served by the Commonwealth & Southern southern system. If the average residential customer in New York State simply increased his consumption to about the average prevailing in the Southeastern States, where the T. V. A. has been an influence, to meet the requirements used immediately, over 3,000,000,000 kilowatt-hours of electricity, or approximately half of all the electricity that could be generated by the St. Lawrence project, would be required.

Mr. BETTER. Will the gentleman yield there? You said something about increasing their consumption as the Southeast has increased its consumption. You are taking the Southeast percentage of increase?

Mr. OLDS. No; I am saying if they increased the average residential use to the figure which now prevails in the Southeast the actual kilowatt-hours used, which amount to something in the neighborhood of 1,600 kilowatt-hours per year, that increase would require about 3,000,000,000 kilowatt-hours of additional electricity, which would be sold to New York consumers.

Mr. BETTER. I misunderstood you. I thought you said percentage.

Mr. OLDS. I am not putting it on a percentage basis at all.

Mr. BETTER. Thank you.

Mr. OLDS. I am just assuming that the average home in New York State can conveniently use as much electricity as the average home in Tupelo, or any one of those communities down there.

Mr. OSMERS. Do they use gas for cooking in any of the southeastern sections of the country?

Mr. OLDS. I do not know to what extent they do.

Mr. OSMERS. Wouldn't you say that cooking was the reason for the high individual consumption of electricity there?

Mr. OLDS. No; I don't think so, entirely. I think there are two reasons, in the main, that are responsible for it; one is the availability of electricity at low rates, and the other is the associated interest in selling electricity. I think perhaps one of the main difficulties in developing the use of electricity in many sections of the country has been the lack of real interest in merchandising electric service.

Mr. OSMERS. There is something in what you say. But if you cook by electricity, you alter your entire usage on your home bill.

Mr. OLDS. Yes.

Mrs. OSMERS. I think you are trying to build up an argument here that some day we may dispense with all the gas mains and gas plants up here and everybody will connect up electricity, and therefore we will use a lot more electricity. I think that is fallacious, to make a comparison where the mode of life is different.

Mr. OLDS. I was told about 4 years ago by one of the outstanding utility executives of the system serving the bulk of New York State that he expected ultimately electricity would be used for every household use up to and including water heating, and that gas would be the chief source of energy depended upon for space heating; that in the working out of the problem of the utilization of energy, that that would be the solution reached.

Mr. OSMERS. I think the word "ultimately" is the one to define it.

Mr. OLDS. I think the trend will be in that direction, and I think the trend will be accelerated to the extent electricity is made cheap enough so that it can compete with other forms of energy.

Mr. OSMERS. Unquestionably. That has been demonstrated in every instance.

Mr. OLDS. I could go into detail on estimates of growth—it has been suggested to me that perhaps one of the difficulties in the New York area is that the same interest distributes both electricity and gas, so that you have something less than real competition, such as might develop if they were separate competing agencies.

Mr. OSMERS. I think there is a great deal to be said on that very subject.

Mr. BENDER. Mr. Olds made reference to Tupelo. Tupelo is benefited while the taxpayers of Ohio pay the freight. That is not true of some of these privately owned plants. Of course they have to pay taxes and high wages, and when you compare the wages down around Tupelo with the wages paid in my home city, as well as the cost to the Government of this whole project, and the cost in taxes and expenses of privately owned companies, you will understand why folks around T. V. A. don't want us to shoot Santa Claus.

Mr. CULKIN. I don't think the gentleman would make that statement if Mr. Rankin were here.

Mr. BENDER. I have made that statement on the floor of the House, and I have made it when Mr. Rankin was present.

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Mr. BENDER. I have made that statement on the floor of the House, and I have made it when Mr. Rankin was present.

Mr. CULKIN. That is very brave.

Mr. SMITH. Our experience up in the State of Washington is that the private companies which still remained in business, reduced their rates, so that it ultimately has resulted in a saving of approximately \$600,000 a year to consumers in the nine counties in my district. In other words, they were overcharging the consumers apparently that much, and they are able now to generate and transmit that electricity for that much less.

Mr. BENDER. Apparently the Bonneville project is on a much higher plane than the T. V. A. project.

Mr. SMITH. I admit that it is a very sound project.

Mr. OLDS. If the committee wishes to take the time, I think there are certain economic answers that can be given to the suggestion that T. V. A. rates are at the expense of the taxpayer.

Mr. BENDER. That is, the taxpayers of Ohio, the taxpayers of New York—

Mr. OLDS. That is open to question, just from a purely economic point of view. I wouldn't want the record to show that I assented to that theory. Mr. Kellogg, of the Edison Electric Institute, who has been for a time with the O. P. M.—but it has only been for a time; I think he is leaving today—made an effort to prove that point in an inquiry involving the T. V. A. some years ago, with particular reference to Tupelo, and when he had finished his testimony, it was discovered that the economic arguments on which he based his contention were something less than sound, that the comparisons he used involved factors which indicated the Tupelo rates came very close to being accurate costs of service, not involving subsidies from the taxpayers of other States.

Mr. BENDER. T. V. A. pays an interest of 2½ percent to the Government; is that true?

Mr. OLDS. I have forgotten what the percentage is.

Mr. BENDER. And most of these private enterprises pay an interest of around 6 percent.

Mr. OLDS. They have actually got a situation there where the wholesale cost of power charged by the T. V. A. system to the various reselling agencies which purchase the power is closely comparable with the cost of wholesale power of the competing—if it is competing—Commonwealth & Southern system. In other words, we have got a reasonable wholesale power cost there. Actually the Commonwealth & Southern sells power at wholesale to its distributing affiliates frequently at lower rates than the T. V. A. sells power to Tupelo or the various municipalities that distribute the power.

Mr. BENDER. You appreciate the average hourly labor wage in Mississippi is 32 cents, while in Ohio it is 57 cents?

Mr. OLDS. I know there is a very definite wage differential, but I don't consider that in the nature of a subsidy.

Mr. CARTER. I want to say, Mr. Olds, I regret I am called away. I am leaving, not because I am not interested in your statement, but because I have several urgent calls.

Mr. OLDS. I have very nearly completed my statement. I merely want to indicate one or two further things in connection with the need for power in this area.

As I suggested earlier in my discussion today the country is importing into New York from Canada a total of about 234,000 kilowatts of capacity.

These imports are crossing the border at Niagara Falls, Buffalo, and Massena. Some of them have been crossing the border over a very considerable period, while others are of more recent origin. Similarly power is crossing the border at Massena in larger quantities than it was a year or two ago. This power is crossing the border to make possible production from such plants as Aluminum Co., Union Carbide Co., and other principal plants involved in our defense effort.

Today there is a definite, undeniable shortage of power for these industries both in the Buffalo-Niagara area, and in the St. Lawrence area at Massena. This is a definite shortage, not in terms of any estimates that the Federal Power Commission is making, but in terms of the definite requests that industry is making for power which they cannot obtain.

Recently Congress has released additional water at Niagara Falls to be used for the generation of power. The immediate demand for that power from industries involved in national defense production is greater than the power that can be made available from the use of that water.

At Massena we have been working for months in an effort to find a way of obtaining additional power for the production of aluminum. There are one or two ways to solve that problem which have recently come up, but the fact is as fast as we can get additional power at Massena the aluminum program is expanded again, and the only thing that keeps aluminum production from expanding more is lack of power, so that today, with the shortage up there, we are dependent on Canada for nearly a quarter of a million kilowatts of power, and some of that power is not on a long-term contract basis, but is on a strictly temporary basis and may be withdrawn at any time the Canadian Government feels the power is necessary for the defense effort in Canada, and the load this year on the Ontario hydro system is going to be right up to the top of its capacity, so that it practically has no reserve to take care of the dependability of its operation without interruption of service to other customers.

In fact, all of that power that is today being exported across the border under the theory of licensing of exports by the Canadian Government is subject to cancelation at the end of a year, and the experience of the last war, in 1918, in which the export of power from Canada was actually interrupted, indicates we cannot indefinitely depend on a full export of power from Canada, which is today serving the defense industry up along the border, and which will be affected by this agreement with Canada.

Our estimates of the load that will ultimately be carried by the St. Lawrence project include not only the carriage of load which I have indicated, but the expectancy that the availability of this power will add to the industrial development which is involved in all the various electro processes; it involves the necessity, as the load increases, of increasing the reserves in the area; it involves the fact that as soon as the St. Lawrence project is completed, so that we get a full development at the Barnhart power house, the present devel-

opment of power at the Massena plant of the Aluminum Co. will no longer be an economical way to get power for that operation; it involves the probability that between now and 1945 a series of very old, inadequate, and uneconomic steam stations may be retired.

These all come in addition to the growth of load which I have indicated will require considerable more capacity than the St. Lawrence project offers.

I think that indicates clearly that from an economic point of view, both in terms of cheapness of power and in terms of availability of market, there is no question about the importance of the St. Lawrence project as a part of our power planning for the future.

That brings me back again to what I originally suggested. We have got an obligation—and we feel it with great weight at the Federal Power Commission—to assure these supplies of power which will make it possible for this country, industrially, to outmatch Germany. That is the essence of our defense program, and, measured in terms of power, that means a lot of power. It means from ten to twenty million additional kilowatts. The ten to twenty million kilowatts we are going to need to accomplish this program cannot be all obtained from steam-generating equipment. Furthermore, the steam-generating equipment, if obtained, would not produce power anywhere nearly as cheaply as the power will be produced from the St. Lawrence project.

In making our plans for the power requirements on defense production we have got to be able to depend on this power from the St. Lawrence. There is no question about it, except whether we can get the authorization in time so that the power will come in at the earliest possible date, because our need, by 1945, will be a tremendous one, and a postponement of 1 year may prove a very serious obstacle to the necessary expansion of defense production.

Mr. PITTINGER. All of that power is now going to waste?

Mr. OLDS. All of that power is now going to waste. There is no question about that.

Mr. BENDER. You referred to the peak as 1945; O. P. M. refers to the peak as 1943.

Mr. OLDS. We hope to reach the peak in 1943, if we can, but in terms of the kind of world we are in, and the kind of war we are now watching, and the kind of war we are building our defense to deal with, we must be prepared for even greater effort in 1945 and 1946.

Mr. BENDER. I would like to ask, Mr. Olds, in connection with your observation on Niagara Falls in New York State, does the Government contemplate taking over the Niagara Falls private development and merging it with the St. Lawrence as a public development.

Mr. OLDS. I think that New York State has definite plans, which were made public in the Eighth Annual Report of the Power Authority of the State of New York, for developing ultimately a combination of Niagara power and St. Lawrence power, together with an interconnecting series of transmission lines, in order that power from both sources can be made available to the people at the lowest possible cost. That is the only plan I know of at present dealing with the joint utilization of those two resources.

Mr. OSMERS. Mr. Olds, there is some confusion in my mind as to the exact time when this power will be available. I believe General Robins said that with weather conditions normal, with every priority that was necessary, that at the conclusion of 1945, December I believe was the month, they would be ready to sell power at the St. Lawrence project. That would bring us up to January 1946, is that your estimate too?

Mr. OLDS. I concur in what General Robins said. Our engineers have been working in very close association with the United States Corps of Engineers on this whole problem, and our estimates as to the time required for construction are approximately the same.

Mr. OSMERS. You stressed one point in the beginning and in the conclusion of your remarks, and that was our effort in this program was to outmatch Germany. I wonder if you can just give me the total figures that Germany now possesses, and the total figures which we now possess, to find out what the shortage is.

Mr. OLDS. In the way of power?

Mr. OSMERS. In the way of power. I mean I would like to have the figures standing next to each other to see what the St. Lawrence would contribute to the difference.

Mr. OLDS. The figures have to be rather constructed out of a series of figures which are made available from statistics reported to the World Power Conference.

Mr. OSMERS. I am not going to hold you down to an exact figure. Just give me the approximate differences between the two nations.

Mr. OLDS. My best estimate as to what Germany would likely have available in 1943, in terms of its program, plus the power that was already installed in the series of countries it has annexed would be something over 200 billion kilowatt-hours per year.

Mr. OSMERS. Two hundred billion a year.

Mr. OLDS. Yes; that doesn't take into account the further development in these countries since the war, and on which we have no definite information.

Mr. OSMERS. In 1943, which is the year you have selected, which of course rules out the St. Lawrence project from consideration, what will our total power be as compared to that 200 billion figure.

Mr. OLDS. I think in 1943 the United States, with the present planned installation between now and 1943, would be able to command about 190 billion kilowatt-hours.

Mr. OSMERS. Now tell me what the capacity of the British Empire is in power.

Mr. OLDS. I haven't the figures here on that capacity.

Mr. OSMERS. Would you care to make a guess?

Mr. OLDS. No; I cannot make a guess on that.

Mr. OSMERS. Do you think it may be half of Germany's?

Mr. OLDS. We haven't the slightest idea.

Mr. OSMERS. You haven't any idea what the British Empire would be?

Mr. OLDS. I have some general idea of the capacity up in Canada.

Mr. OSMERS. Well, what are the Canadian figures?

Mr. OLDS. Offhand, I would say that Canada has 5 to 6 million kilowatts.

Mr. OSMERS. Six million or billion?

Mr. OLDS. Six million kilowatts; that would be something like 30 billion kilowatt-hours.

Mr. OSMERS. You have a good idea what Germany will have, but no idea what the British Empire will have. Do you have any idea what the Latin-American productive capacity would be at that time, or what it is to date—our "Good neighbors."

Mr. OLDS. I think, because of the situation the world is in today, we have the problem of taking the burden of matching Germany in industrial production. We are recognized as the essential industrial arsenal of the powers that are against Germany. The possibility that Germany will bring Russia into its sphere of influence, as a result of what has happened over the week end involves problems that we have to anticipate and provide against.

Mr. OSMERS. Absolutely. But the point I want to make is this, that you brought up the outmatch Germany argument yourself; I didn't.

Mr. OLDS. Yes.

Mr. OSMERS. You are basing the argument for the construction of this project on a narrowed contrast between Germany and its occupied countries, and the continental United States, with no regard to the productive capacity of those portions of the British Empire that will not be affected by the war operations and those portions of the Western Hemisphere that we expect would be friendly. I think on the basis of that argument, it is a poor one for the construction of the project.

What will the kilowatt-hours per year of the St. Lawrence project be?

Mr. OLDS. Six billion six hundred million.

Mr. OSMERS. I want to ask this question; do you feel that the policy of our Government toward private utility companies over the past few years has had any effect upon their failure to develop our broad policy?

Mr. OLDS. I think the main influence—

Mr. OSMERS. The failure of new investments in the utility field.

Mr. OLDS. I think it has had a great deal less than sometimes is attributed to it. I think in certain areas of the country it has had some effect, but in those areas the situation has been definitely compensated for by the expansion of generating capacity, as for instance in the T. V. A. and in the Northwest. If that expansion had not occurred this country would be in exceedingly grave difficulty in terms of power supply for the defense program. I think the main influence on the ordering of additional capacity in recent years has been the shift from the boom years, which culminated in the orders which finally resulted in the placement of units in 1930 and 1931, and the succeeding years of slump, when the companies carried, over a considerable period, this excess capacity that was ordered on the theory that the boom which culminated in 1929 was going right on up the ladder.

Mr. OSMERS. I appreciate that. The question of priorities enters this thing, both in the question of the machine in the factory, and it

goes into, I think, the much larger question, from the congressional standpoint, for those of us who are attempting to represent all the interests of the country. I think this project as a whole would have to prove its priority over some other form of development.

Mr. OLDS. I don't quite understand you. You think this project is what—?

Mr. OSMERS. As a whole, it must take priority with the construction of a tank plant or some other thing, because we are not going to do everything. I think that is quite obvious. We are not going to get everything we have done with this pool of power we have here. I listened with great interest to Congressman Bender's observation that even a modest curtailment of the use of power—we are notorious wasters of power in the United States—that even a modest reduction in power would certainly make up the 6,000,000,000 kilowatt-hours that this project intends to produce after some 5 years.

Mr. OLDS. The problem does not present itself in quite that way. We are in the process of trying to meet a serious shortage in the southeast by a curtailment program. A curtailment program sounds fairly simple, but to accomplish any considerable saving of capacity requires a series of adjustments which have to be worked out with great care, and which in the long run are not possible of generalization. The Commonwealth and Southern system faced a need there of curtailing its load by something like 20 percent. It had to do it because of a very serious shortage of water and because of the growth of the defense load, which was greater than they had anticipated.

In order to work it out it was necessary to be sure that any curtailment did not affect essential war or defense production either directly or indirectly, and we had to send a corps of engineers down into the entire region to find out what those intricate relationships with the defense program were. I think that if a drastic thing were attempted all over the country, such as has been attempted for this emergency period down in the southeast, that you would still fall very considerably short of meeting the requirements of the defense program, several million kilowatts short of meeting the defense program, and you would have at the same time eliminated the cushion which would have enabled you to take care of the situation should an act of war bring about the outage of one of your main generating stations.

Mr. OSMERS. Accepting your "outmatching Germany" arguments, which I think, Mr. Chairman, if Mr. Olds will submit the power capacity of all the nations in the world it would be very constructive to the committee to decide on the question of outmatching Germany. Now, we have 170, and the St. Lawrence will give us 6. That is 176. What plans are being made for the remainder of this outmatching?

Mr. OLDS. Plans are going forward to secure orders for additional capacity sufficient to use the full ability of the steam equipment manufacturers to manufacture turbine generators in 1943 and 1944. We are planning ahead to that extent.

Mr. OSMERS. They will be installed, not so much as new installations, but they will be additions to the present installations?

Mr. OLDS. They will be both.

Mr. OSMERS. Both?

Mr. OLDS. They will be additional units, installed in connection with existing steam plants. They will be new stations in many instances. You have a combination. But the plan means that as far as it is possible the orders will take all the steam generation turbines that these equipment companies can produce for delivery in 1943 and 1944. That will mean an additional capacity of something like 4 to 5 million kilowatts in those 2 years.

Mr. OSMERS. Four to five million kilowatts. That will give you how much?

Mr. OLDS. It depends somewhat on the load factor which they use. The St. Lawrence is a high load factor project.

Mr. OSMERS. Translate that into the other figure.

Mr. OLDS. That may be 20 to 25 billion kilowatt-hours.

Mr. BENDER. Mr. Lillienthal recently said he could produce 15,000,000,000 additional kilowatts at a cost of approximately \$250,000,000, while this St. Lawrence project would produce 12,000,000,000 kilowatts. This is about half the amount for the Canadians, and about $6\frac{1}{4}$ billion for us at a cost of \$203,000,000. What do you think about that?

Mr. OLDS. I didn't quite get what you said.

Mr. BENDER. The St. Lawrence project will produce $6\frac{1}{4}$ billion kilowatts at a cost of \$203,000,000 to the United States. That is taking the administration estimate of the cost of this project. Lillienthal recently said that with 10 additional dams in the Tennessee Valley he could produce at a cost of \$250,000,000 a full 25,000,000,000 kilowatt-hours of electricity. It seems to me we are getting a poor bargain from the St. Lawrence, considering the amount of money invested.

Mr. OLDS. The whole thing comes very close. You are including in your St. Lawrence estimate of investment, not only what will be provided in the way of additional power, but also what will be provided in the way of additional transportation. I haven't gone into that this afternoon. But the cost to the United States of the additional 6,600,000,000 kilowatt-hours, will be about \$93,000,000. I don't know how many times 93 goes into 250—it is about $2\frac{1}{2}$ times, I should say. So that the contrast is not quite as great as you indicated. You would have around 20,000,000,000 kilowatt-hours at the St. Lawrence even on the basis of comparison you suggest.

Mr. BENDER. Do you believe you could complete the project, including the power and engineering and the whole works for \$205,000,000. Do you think that will cover it?

Mr. OLDS. What figure is that?

Mr. BENDER. The full cost of this project, \$206,000,000.

Mr. OLDS. I don't know which cost figure you are using there.

Mr. BENDER. I say the whole business, the power, as well as the navigation end of it.

Mr. OLDS. As I understand it, the development in this International Rapids section will cost about \$266,000,000.

Mr. BENDER. Just in the International Rapids section. That is not the cost of the whole development, is it?

Mr. OLDS. You mean of the whole seaway development?

Mr. BENDER. Of the whole seaway development.

Mr. OLDS. No; that is not the entire development. That is new work to be done in the International Rapids section.

Mr. BENDER. Confining it to that particular section?

Mr. OLDS. That is right.

Mr. DONDERO. The rest of it is completed.

Mr. OLDS. That is right; the rest of it is done.

Mr. BENDER. How about the harbors on the Lakes to take on these boats?

Mr. OLDS. The United States Corps of Engineers indicated during the hearings in 1934 that the additional work on the harbors would be a relatively minor element in the picture.

Mr. CULKIN. Less than \$10,000,000, something on that order.

Mr. OLDS. That is right.

Mr. CULKIN. May I suggest that the figure suggested here a minute ago by the gentleman from Ohio of \$1,000,000,000 for the cost of this improvement was completely contradicted, putting it mildly, by a representative of the Army Engineers, who said it was approximately \$260,000,000 for everything. So the \$1,000,000,000 is really a continuation of the fiction that has been built up around this thing.

Mr. SMITH. In that connection I would like to ask Mr. Olds if it is not possible, if we continue to expand our national-defense program, and in the meantime Germany should subjugate Russia within a comparatively short period of time, and come into possession of all the hydroelectric resources in Russia, that it might also be advisable for us to build the 10 dams at the Tennessee Valley Authority to make available that power, too, as well as develop all the potential power of the Columbia River.

Mr. OLDS. I think very definitely we should be planning to build those 10 dams at the T. V. A., as well as the St. Lawrence project. I think every hydroelectric development we can make at the present time is going to strengthen this country in its defense program. Actually the figure that has been formulated for Germany's present expenditures per year on defense and offense, by the time it is recorded here has been exceeded by the expansion in Germany's plans. The defense or offense program today does not remain static for a week or a month at a time.

Mr. SMITH. Because Russia has unlimited hydroelectric resources that can be developed.

Mr. OLDS. Yes.

Mr. CULKIN. Mr. Olds, I want to say that I am glad such a man as you is in the public service. I want to congratulate you on your splendid statement. This member of the jury wants to thank you for your magnificent presentation.

Mr. DONDERO. May I say that if there has been any doubt in the minds of the committee as to this gentleman's capabilities on this subject, that doubt has been removed. I want to add a word of appreciation for the enlightenment you have given the committee on this very controversial subject.

I have just a question or two. If no domestic use of power is required that might be generated incidental to this project, would it all be required for industrial uses? Is there a market for it?

Mr. OLDS. There is certainly an industrial market for all the power that can be produced by the St. Lawrence River at this low cost. Industry will absorb it.

Mr. DONDERO. Directing your attention to the map that is before the committee, I notice these dams are not all in Canadian territory. I find that one of them is entirely within American territory.

Mr. OLDS. The main dam here is entirely within American territory.

Mr. DONDERO. And that the proposed ship canals which would be built, also incidental to this project, are entirely within American territory.

Mr. OLDS. That is correct.

Mr. SMITH. What percentage of the farms in this country are now electrified, do you know?

Mr. OLDS. I am afraid you will have to refer that question to the R. E. A., because any figures I have are always being exceeded by the progress the R. E. A. is making in electrifying our farms.

Mr. SMITH. We could very well transmit some of this power to the farmers in this country who are not now served as well as the farmers in Sweden, for instance, where they have a larger percentage of cow barns that are electrified than we have farm residences in the United States that are served with electricity.

Mr. OLDS. I visited Sweden in 1936 and went into the work they are doing in electrifying their farms, which is a very wonderful work. One of the definite purposes of this St. Lawrence project, among others, is to provide cheaper electricity for the rural consumers, the farmers of the United States.

Mr. SMITH. I think we have overlooked the farmer during all these hearings. I don't think he has been referred to before, and he certainly is in the market for power in this country.

Mr. OLDS. Yes; and the New York Power Authority gives a definite emphasis to the use of this power, among others, by the rural customers, the farmers.

Mr. DONDERO. I was challenged by the inquiry made by our colleague, Mr. Osmer, in asking you about the amount of production of electrical energy in other countries of the world. Isn't it a fact that in the Western Hemisphere the amount of industrial production is centered largely here in the United States?

Mr. OLDS. That is correct.

Mr. DONDERO. And taking South America, it is practically negligible, is it not?

Mr. OLDS. I think it is growing down there, but relatively to the production of the United States, it is small by comparison.

Mr. DONDERO. Relatively negligible. If there is to be production of war materials, it has to be here in this country.

Mr. OLDS. Yes. I would like to go further than that. I would say that we have got to be prepared, as I see the world today, for a possibility which we hope will not occur, but for the possibility that even the British Isles may be brought within the sphere of influence of Germany. I think we have got to be prepared to stand on our own feet, if our defense movement is actually going to mean the defense of the institutions of this country.

Mr. DONDERO. Mr. Olds, is there any production on the North American Continent that stands on a basis of comparison or anywhere near from the standpoint of the production of power, and navigation, to the St. Lawrence Waterway? Is there anything comparable?

Mr. OLDS. I don't think there is any project that compares with this project in its economy and in its relationship to the needs of this country.

The CHAIRMAN. Mr. Olds, have you given any thought or study to the relative cost of the production of power by steam and by hydroelectric?

Mr. OLDS. Yes, sir.

The CHAIRMAN. How much would be the cost of operation of steam plants to produce the same amount of power that will be produced at this dam on the St. Lawrence?

Mr. OLDS. The New York Power Authority made a study over an extended period—a very extended study—on just that question. The results were transmitted to the Congress by the President of the United States, and published as Document No. 52, Seventy-fifth Congress, second session. It was published by this committee, the Committee on Rivers and Harbors of the House of Representatives. I can just briefly call attention to the results, so far as the St. Lawrence project is concerned.

This project is a high load-factor project. Assuming that it is operated at 90 percent load factor, and including all the costs involved in transmission, this power can be delivered on a wholesale basis in New York State for an average cost of about 2½ mills. Equivalent steam production, which would be normally located closer to the load centers, would cost, with modern steam stations, on the fuel costs prevailing in New York State at the time this study was made, just over 5 mills per kilowatt-hour.

The CHAIRMAN. Practically double.

Mr. OLDS. Practically double, and that is on a transmitted basis. Actually if we were attempting to produce this power to meet the requirements of industry located at the site, these defense industries, the ratio would be more nearly 5 to 1. In other words, this power could be produced at the site for very little over 1 mill per kilowatt-hour. If we put a steam-generating station up there to meet the same requirements, the generating costs would be nearer 5 mills per kilowatt-hour.

Mr. PITTENGER. Translated into terms of dollars, what does that difference mean; or do you know?

Mr. OLDS. Well, in general, just in very round figures, the assumption has been that the difference between the cost of this power and the cost of any equivalent power would approximate \$10,000,000 per year. In other words, this power would be roughly \$10,000,000 per year cheaper than equivalent power from any other source in New York State.

The CHAIRMAN. Pennsylvania is a great coal-producing State, as we all know. Philadelphia has spent more than \$60,000,000 to develop hydroelectric power at Conowingo Dam in Maryland, a distance, I am informed, of about 70 miles from Philadelphia. Now,

if coal is anything like as cheap as water power, I am wondering why the Pennsylvanians went to all that expense to develop by water instead of using their own coal, and develop it like they do in New York.

Mr. OLDS. In response to requests that have come at various times from Members of the House of Representatives and also Members of the Senate, the Federal Power Commission has made a study, not of theoretical costs, but of the actual operating costs of steam plants that are actually operating in the country with hydro plants that are actually operating in the country. This covers a very large percentage of all the plants in the country. The generating stations are set up on a strictly comparable basis, which is derived from unit costs that the Commission is working out as a tool to be used in the process of regulation.

We find that, including operating expenses, fixed charges, taxes, depreciation, and so forth, the average steam plant operating at the average plant factor of 42.3 percent has an average cost per kilowatt-hour of 5.5 mills.

Correspondingly, the average hydro plant, with the same fixed charges, fixed charges adapted to hydrogeneration, operating at an average plant factor of 52.3 percent, has an average total over-all cost of electricity of 3.4 mills per kilowatt-hour.

Now, in order to make sure that our comparison was absolutely fair, we took the average hydro plant and the average steam plant and put them on the same plant-factor basis, and the comparison shows on that basis that steam power costs on the average about 5 mills a kilowatt-hour, as against 3½ mills a kilowatt-hour of hydro power. Historically in terms of the power systems of the country, hydro is cheaper than steam.

Mr. SMITH. Mr. Olds, I think it might be well at this point in the record, Mr. Chairman, to refer to the fact that in February 1937 President Roosevelt transmitted to Congress the results of a study of Government hydro versus private steam power which was conducted by the Public Power Authority of the State of New York. Apparently it was a very exhaustive study, and the report consists of approximately 100 pages. They went into the subject very thoroughly.

Mr. OLDS. That is the report I was just referring to.

Mr. SMITH. That is what you are referring to?

Mr. OLDS. Yes; a minute ago.

Mr. SMITH. That is Document No. 52, Seventy-fifth Congress, second session.

Mr. DONDERO. Of course, Mr. Olds, in fairness to the two systems, you can only have hydroelectric power where the Almighty has made waterpower available; and that does not apply to a great portion of the country, we will say, west of the Mississippi River or away from where water power is available?

Mr. OLDS. Our power flood-control division has been working with the United States Corps of Engineers on these multiple-purpose river plants, and it is surprising how much good water power you can still find west of the Mississippi; that is, between the Mississippi and the Rockies. Among other things, we find very excellent hydro power in the streams of Arkansas, particularly the White River, where the developments at Table Rock, Bull Shoals, and Norfolk

combined would give you primary power in a very considerable quantity.

The CHAIRMAN. I think this reference to Arkansas should be stricken from the record, since Mr. Ellis is not present. [Laughter.]

Mr. BEITER. Mr. Chairman, I have several questions I would like to ask.

Mr. ANGELL. I have several questions, also.

Mr. BEITER. Mr. Angell, the senior Member.

The CHAIRMAN. Go ahead, Mr. Angell.

Mr. ANGELL. As I understand, Mr. Olds—and, first of all, I would like to compliment you on the very fine presentation you have made on this subject—as I understand from your testimony, it is your opinion that our success in providing an all-out defense is going to depend pretty largely on our ability to furnish electric energy to the various industries engaged in providing the tools and implements of warfare.

Mr. OLDS. That is going to be an essential element in the picture.

Mr. ANGELL. That is the broad view that your group is taking of this whole project, and attempting to find ways and means to provide electrical energy in the various parts of the United States where it can be utilized?

Mr. OLDS. That is correct.

Mr. ANGELL. And also that led you to the comparison between the productive ability of this country and Germany and her allies?

Mr. OLDS. Yes.

Mr. ANGELL. And as possibly being the determining factor in the outcome of this whole problem?

Mr. OLDS. The comparison with Germany grew as a part of the relationship between our airplane program and the German airplane program. An airplane program depends primarily on aluminum.

Mr. ANGELL. Aluminum; yes.

Mr. OLDS. When we discovered that we were working to get a production of 800,000,000 pounds of aluminum for our airplane program, and discovered simultaneously that the German program had gone over a billion pounds—I think the latest figures indicate, including all the countries she has brought into her sphere of influence, that her aluminum production may go as high as 2,000,000,000 pounds a year—it immediately became necessary to revise upward the country's aluminum-production program. And when that was done, we ran into the fact that a great quantity of additional power was necessary.

Mr. ANGELL. Power is essential.

Mr. OLDS. Then that led to comparisons that took us into the whole field of what Germany was going to be able to command in the way of power resources.

Mr. ANGELL. Assuming, then, as we apparently must, that this defense program undoubtedly is going to continue for some length of time; of course, whether it does or does not, our plan must be based on the premise that it probably will, and that will take into consideration that our first job, then, is to develop all the available sources of electrical energy needed throughout the United States.

Mr. OLDS. That is correct. There is a little interesting slant on that: You can build the capacity to produce aluminum or to produce magnesium or to produce electric steel alloys in 7 to 8 months, or

the maximum of a year; but to provide the power which will make the operation of those plants possible takes at least 24 months, and it may very well take 27 to 30 months to get the additional generating capacity necessary.

Mr. ANGELL. For the mechanical equipment; and first you have to build dams such as this, that would perhaps take from 3 to 4 years?

Mr. OLDS. The program should include plans for capacity which will become available in 1942, 1943, 1944, 1945, and 1946. In fact, we feel that the program should be based on a 6 years' span.

Mr. ANGELL. The time required for the production of the generators, just the mechanical part of the machinery, would take from 18 months to 2 years, would it not?

Mr. OLDS. Yes; I think that is about what you can look for in the way of these water wheels.

Mr. ANGELL. Is it not true that in the Columbia River Basin in the Northwest, to which you have referred, there is one of the largest pools of power, the largest undeveloped pool of power in our country?

Mr. OLDS. A very large and very good source of power.

Mr. ANGELL. As I understand, some 40 percent of the undeveloped potential water power of the United States is in that area?

Mr. OLDS. A very large percent; I don't remember the exact amount.

Mr. ANGELL. I refer to the potential hydroelectric power in the Columbia River, the Willamette River, the Deschutes—

The CHAIRMAN. The Snake.

Mr. ANGELL. Yes; the Snake.

Mr. OLDS. Yes.

Mr. ANGELL. And numerous other streams in this area.

Mr. SMITH. The Umatilla.

Mr. ANGELL. That is the Umatilla Dam which is on the Columbia River.

Mr. SMITH. Yes.

Mr. ANGELL. Is it not true also that the water flow is practically uniform in the Columbia, which furnishes more or less continuous prime power without the necessity of a stand-by plant?

Mr. OLDS. It has been rendered very uniform by the construction of plants like the Grand Coulee; the flow of the Columbia was not anywhere near as uniform as the flow of the St. Lawrence prior to the construction of the big storage project.

Mr. ANGELL. But by virtue of the watershed that it drains, it does have access, though, to melting snows throughout the year from a large area?

Mr. OLDS. Right.

Mr. ANGELL. And that when other streams are dry, the Columbia River is furnishing sufficient power to keep the generators going?

Mr. OLDS. That is right.

Mr. ANGELL. What is your position with the Federal Power Commission?

Mr. OLDS. I am chairman of the Federal Power Commission.

Mr. ANGELL. Under the law it is provided that in issuing the licenses, which authority is delegated to your Commission, for the generation of electric power on navigable streams, the licenses are limited to a term of 50 years. That is true, is it not?

Mr. OLDS. Yes; it limits to a period of 50 years. Of course, there may be renewals after that.

Mr. ANGELL. There may be renewals, but that keeps the control within the hands of the Federal Government?

Mr. OLDS. That is right.

Mr. ANGELL. As I understand, this bill which is pending before us, however, provides for turning over this power by the Federal Government to the State of New York, perpetually, without any recapture right?

Mr. OLDS. I do not think the bill provides for turning it over without any strings on it.

Mr. ANGELL. There is no limit in time.

Mr. OLDS. The bill provides it shall be turned over to the State of New York on the basis of an agreement to be negotiated and approved by Congress.

Mr. ANGELL. But do you understand that under the agreement that it is contemplated there will be a time limit, such as in the Commission law of 50 years?

Mr. OLDS. Well, I think that all those questions will be settled in the process of negotiation. I think that here you have a situation where the objective of the State and the objective of the Federal Government in this development are the same; that is, essentially the New York Power Authority was set up back in 1931 under an act which in a sense anticipated the T. V. A. Act in many of its provisions. It was set up for the same general purpose of assuring that the power from such a great hydroelectric development would always be used on a cost basis for the benefit of the people and its use by small consumers should be encouraged.

Mr. ANGELL. Of course, under the T. V. A. there is no turning over of the power to the State? That is retained in the Federal Government?

Mr. OLDS. No.

Mr. ANGELL. The Federal Government has complete control. But under this it is contemplated that the President will negotiate with the State of New York and transfer the facilities which the Federal Government puts in this project for power and also turn over, apparently, according to the terms of this bill, as I read it, in perpetuity the right of the State of New York to have the power developed.

Mr. OLDS. No; I think that there could be developed in such an agreement a time limit. I think that the purpose of the agreement will be to safeguard every major Federal purpose that is involved in these water-power developments.

Mr. DONDERO. May I interpose by calling your attention to the fact that the bill provides, on page 3, that it shall be open to such terms and conditions as may be agreed upon?

Mr. OLDS. That is correct, and subject to the approval of Congress.

Mr. SMITH. And that the rights of the United States shall be protected?

Mr. ANGELL. There is no question about that, but that is not the point under discussion. The point under discussion is that this is a departure from the procedure that your Commission has adopted so far, that all of these projects developed in navigable streams by the Federal Government are retained by the Federal Government and not

turned over to the States. If I am not correct in that, will you correct me?

Mr. OLDS. I think that the Federal Government, in the working out of the development of its stream policies, may follow a slightly different policy from one river basin to another, depending upon a great many circumstances. And I think that in every case the Federal Government has got to make sure that in the utilization of those resources certain broad purposes of the Government are safeguarded—certain broad interests of the Government. In one instance it may be an arrangement such as has recently been made with those that are utilizing the Boulder Dam power. I think that there is some flexibility and latitude in the carrying out of the Federal policy; but I think in every instance, and in this instance it will be true in the agreement, all the intentions of the Federal Government will be safeguarded and all of the purposes that the Federal Government feels should be included in the utilization of such a resource will be provided for in the "terms and conditions" which are later to be agreed upon by the Congress.

Mr. ANGELL. Well, is it not true in all of these projects heretofore developed by the Federal Government, such as—we will take the Columbia River, Bonneville, Grand Coulee, Boulder Dam, and Central Valley, or any of them; in no single instance have they been turned over to the State in which the projects are situated?

Mr. OLDS. None of these major developments have been turned over by the Government to the States.

Mr. ANGELL. But in this one it is contemplated turning it over to the State of New York.

Mr. OLDS. It contemplates transferring on the basis of the agreement which will be subsequently negotiated. I think that the important thing, the thing that we all who are concerned feel is important, is to get the project authorized and started now, and then to be sure that the interests of the Federal Government are safeguarded in a subsequent agreement.

Mr. ANGELL. Of course, we could do that under the procedure we have been following in all the others, without turning it over to New York. New York does not own this power?

Mr. OLDS. No; the situation in New York is somewhat different due to the history and nature of the Power Authority Act.

Mr. ANGELL. Yes; but New York does not own this power any more than the States of Washington or Oregon own the power in the Columbia River?

Mr. OLDS. But I think the question of ownership is less important than the question of how it is used, and the thing that benefits the people is the use to which a resource is put.

Mr. ANGELL. Well, then, in your judgment, do you not believe it would be advisable, before finally concluding this agreement, if this goes forward, that there should be some time limit at which the Federal Government should, if it felt so disposed, recapture the whole project?

Mr. OLDS. I think that the agreement should include terms. There are a variety of ways in which Federal interest in this project and the Federal conception of the purpose for which it should be used, can be safeguarded. I think all those should be safeguarded

in the subsequent agreement if that involves the necessity of a time limit, I think that should be included.

Mr. ANGELL. So that there would be retained in the Federal Government some power at some future time, if they felt so disposed, to recapture this project and take it back, just the same as it now controls these other projects?

Mr. OLDS. I think that might be a term in the agreement.

The CHAIRMAN. Mr. Olds, assuming that this power belongs to the Federal Government and that the Supreme Court of the United States should hereafter so decide, if we can get the State of New York to take off of our hands the burden of distributing this power, and paying us \$93,000,000; don't you think we would be making a pretty good trade?

Mr. OLDS. Well, the way I look at it is that all these resources are still in a sort of a trusteeship. I think we are trustees for these water-power resources. I think the State of New York has the position of trustee. I think that the essential thing is to assure that the trusteeship shall be lived up to. It is a trusteeship on behalf of the people. These are great public properties.

I think that the importance in exercising this trusteeship today is, first, to make sure that this project is developed as soon as possible, and secondly, in terms of the agreement that is worked out with the State of New York, to make sure that all elements of the trusteeship will be lived up to in the ultimate use of this power and the marketing of the power.

The CHAIRMAN. I think you are entirely correct.

Mr. ANGELL. Following that up, unless some provision is in evidence through a prior contract that the Federal Government can step in, in the event this trusteeship is being violated, then we will be left in a position that we cannot remedy the situation.

Mr. OLDS. I assume that the terms of the agreement will be so worked out in safeguarding the Federal trusteeship that in case of violation this project can revert.

Mr. ANGELL. Of course, under this contemplated agreement referring to what our distinguished chairman has said, the State of New York is not putting a dime into this thing, and we are turning it over to the State of New York and giving it the right to pay it back in 50 years, what the Federal Government pays out, but it is paid back from the funds that are taken in from the project itself.

Mr. OLDS. That is correct.

Mr. ANGELL. It is self-liquidating; so the State of New York is not being generous at all. I doubt not but that my good friend from Washington, Mr. Smith, will agree with me that Oregon and Washington would be happy indeed if we could take over the Columbia River projects on a basis of 50 years, and let the Government put up everything necessary for the development and we pay the Government back from the proceeds of its own projects.

Mr. OLDS. The project is going to be paid for by the same people and in the same way, whether it is a Federal project or a State project. There is no difference whatsoever. It will be paid out by amortization which will represent charges against the consumers.

Mr. ANGELL. It will be paid by the people who use the power.

Mr. OLDS. That is correct.

Mr. ANGELL. There are two results that may be achieved; in one, the Government would pay for it and it belongs to the people, and in the other you still pay for it and transfer it to the New York Power Authority, which will continue to tax the people, the individual users for time immemorial, and continue to do that after they have gotten back their entire capital investment, if any.

Mr. OLDS. I assume that one of the provisions of the agreement will be an agreement on the part of the State likewise to operate the project on a nonprofit basis. In other words, my assumption is that when the agreement is drawn up it will be apparent to Congress that as far as the protection of the people is concerned, that the protection will be present just as much under State operation as under Federal operation.

This agreement will eventually come up to Congress for approval, and if those who have been made responsible for the negotiation of this agreement have failed to protect the people, who are the ones we wish primarily to protect in the nature of this agreement, I assume that Congress will see that the agreement is revised to establish such protection.

Mr. ANGELL. Let me make this one final passing comment: And that is that if the power belongs to the Federal Government—and these late decisions from the Supreme Court definitely appear to hold that it does—that the State has absolutely no ownership or control of the energy generated from falling water in a navigable stream in the State. If it belongs to the Federal Government and the Federal Government develops it with its money, then as a matter of policy and principle, the Federal Government should either hold it in perpetuity to carry out that trust you described; or if it passes it to a State, it should have a recapture clause so that if that trust is not being fully met and cared out, the Federal Government may take it back.

That is the thing I am concerned about here. I am not concerned whether we should or should not turn it over to New York. I am concerned in protecting the Federal Government in its control, completely and forever, over the project.

Mr. OLDS. I am in agreement with you that the essential thing is to make sure that, in case the trusteeship is not lived up to, the trusteeship of the Federal Government shall prevail.

Mr. ANGELL. And the Federal Government could then step in and take it over.

The CHAIRMAN. The Federal Government should be safeguarded.

Mr. ANGELL. That is it.

Mr. SMITH. Mr. Chairman, right in that connection, I want to again call attention to the proviso in the act, section 2 on page 3, commencing in line 10, which is a mandatory provision; it is not permissive, it is absolutely mandatory that this shall be done. It reads as follows:

The arrangement shall include—
not “may include” but “shall include”—

provisions protecting the interests of the United States and assuring a widespread equitable position of the power to domestic and rural consumers within economic transmission distances, and provisions for the prior use of such water for the purposes of navigation and the delivery without charge to the War Department of so much power as said Department shall need for the operation of navigation facilities.

Now, that is absolutely mandatory. We may not do that, but we must do it.

The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by the Congress and the State of New York.

Now, I agree heartily with my colleague from Oregon. I think that when that arrangement is made, it should and it must, according to the mandate of this law, safeguard the interests of the United States and all terms and conditions that we want to impose shall be written into the arrangement.

Mr. DONDERO. Now, Mr. Olds, by the very nature of this proposed agreement or this project, and its location and geography, the State of New York is the only State with whom we could make such an arrangement? It is the only State that is adjacent to the proposed project; is not that correct?

Mr. OLDS. New York State is the natural market area for this power.

Mr. DONDERO. I am in agreement on that point.

Mr. BETTER. I have several questions I would like to ask Mr. Olds. Mr. Angell developed one of the questions I had in mind, that is that in the construction of the project why is it not developed on the same policies that the Federal Government has developed the T. V. A. and the Bonneville, and so forth? I think you have answered that fairly well, in my understanding.

But what experience has the New York State Power Authority in administering or carrying out this project? What experience has the State had and what assurance have you got that it will be carried out in the same manner that has been so successfully carried out in Bonneville and Boulder Dam and Grand Coulee?

Mr. OLDS. I am glad you suggested, in introducing the question, the success with which those have been carried out, in the Tennessee Valley and Bonneville and Grand Coulee. There you had the United States setting up administrations or authorities which could be said to have had no previous experience in the operation of such great projects. They were well-intentioned men; men in whom we—

Mr. BETTER. Yes; but you still have supervision over those fellows, and I think in the T. V. A. one of those men was changed, and you still have supervision entirely over them, and if they do not perform properly you can hand them a blue ticket. In this case, you have no supervision with the New York State Power Authority.

Mr. OLDS. I think the provision that there should be an agreement negotiated and ratified by Congress and ratified by the State of New York, provides some element of control as far as Congress is concerned. They will provide a different arrangement from the Bonneville Act or the T. V. A. Act, but under this arrangement I think it would be doing the same thing but through another type of agency; a type of agency which under the agreement can be bound to carry out the same purposes and to act in accordance with the same principles as, for instance, the T. V. A.

Of course, as far as experienced operation is concerned, the board of trustees, those trustees of the power authority, or the members of the T. V. A., in either case, may hire men who have had experience in

operation to carry out the essential management and deal with the essential management principles of these great enterprises.

Mr. BEITER. My colleague, Mr. Angell, said the State of New York had not put one cent in this project. I think it was testified here by Lieutenant Governor Poletti that the New York State Power Authority had been appropriating over a period of 10 years the sum of \$1,500,000 to publicize this project throughout the country.

Mr. ANGELL. If I may interject, the sole source of their revenue is from the project. They can sell bonds, it is true. But New York State is not behind them, not any more than you or I are behind them. They can sell certificates, but they take the revenue they get from the Federal Government's project and pay the Federal Government off.

Mr. BEITER. In the case of the \$1,500,000 I speak of, that was an appropriation which all the people of the State of New York had to pay.

Mr. ANGELL. Yes; an annual appropriation.

Mr. CULKIN. May I just say—

Mr. BEITER. Mr. Chairman, just a minute.

I was particularly interested in the questions and the issue brought out by my colleague, Mr. Bell, of Missouri, in which you testified it would take longer to manufacture a steam turbine than one connected with a water wheel. How can this be the fact when a generator connected with a steam turbine is very much less in size, owing to the great difference in the speed of the prime motor; the steam turbine operates at about 3,600 revolutions per minute, whereas the water-wheel turbine operates at very much less speed? Could you elaborate on that?

Mr. OLDS. It is because of that very fact, because the revolutions per minute of the steam turbines are so much higher than the revolutions per minute of the water-wheel generators, that the parts that go into the steam turbines and generators are much more difficult to obtain and require more careful machining. As a result they have established more of a bottleneck on the essential parts of these steam-turbine generators than on the parts of the corresponding water-wheel turbine generators. I do not think you quite got my statement accurately in that quotation.

There is also the fact that getting your steam-turbine generators into the schedules of the manufacturers is somewhat more difficult than getting the corresponding water wheels and their generators into the schedules of the manufacturers of that kind of equipment. There is more of a conflict, more of a priority problem involved, because of the fact that a great deal of the naval program has limited any orders to these manufacturers of steam-turbine generators. So that all the way through it is relatively easier to get your water-wheel turbine generators in the schedules and get them manufactured, than it is for the steam-turbine generators.

Now, there is one other element that goes into the manufacture, also, and that is we have got to plan for a lot of capacity.

Mr. BEITER. For what?

Mr. OLDS. For a lot of capacity. That is, we have got to have more capacity than can actually be manufactured by the producers of steam-

turbine generators. If we are going to meet the requirements of the next 4 or 5 years in terms of power supply, we have got to use both. We have got to have all that we can obtain from the manufacturers of steam-turbine generators as well as the maximum production from the water-wheel turbine generator manufacturers.

Mr. BEITER. But, if you are getting a steam generator into operation in 18 months' time as compared with the St. Lawrence project, which would be about 4 years' time, would not that be of material assistance to these plants which are greatly in need of power at the present time, as you stated?

Mr. OLDS. You have got to have both coming along. That is, you have got to make your program provide for additional capacity in 1943, 1944, 1945, 1946, and 1947.

Now, you lay out your program. You are going to include projects for both steam generation and hydroelectric generation. The length of time required is not involved so much in the manufacture of the generators as it is in terms of the construction, so far as hydro is concerned, of dams and certain substructures that go in the river-channel work. I personally think that when this is organized, we can get the St. Lawrence project built in 3 years. In terms of your entire program you are better off if you plan for the hydroelectric plants that will come in 3 years and 4 years from now, plan for the intermediate time in terms of steam, and supplement the hydro projects with steam in 1943, 1944, and 1945, than if you try to supply the increased demand entirely with steam power.

Actually there is the other factor which I think cannot be overlooked, that when we get this project built, you will have power at a cost of 1 to 2 mills, whereas under the most favorable conditions in the most favorable location you are not going to get steam power for much less than 4 mills per kilowatt.

Mr. BEITER. I believe, Mr. Olds, that in the course of the testimony of some of the witnesses here that it was pointed out that the Power Authority of the State of New York proposed to develop the power at Niagara Falls. Can you tell me how that is to be done; how that is to be brought about?

Mr. OLDS. Do you mean what will be necessary? I think that that would be a fair question to ask the people from New York.

Mr. BEITER. Of course, that is a question of considerable importance. The water there belongs to the State of New York.

Mr. BEITER. From a physical standpoint; I am dealing with the physical power.

Mr. BEITER. I would like to have you elaborate on that if you can.

Mr. OLDS. You mean how the project will be constructed; what kind of a project it will be?

Mr. BEITER. That is right.

Mr. OLDS. I am assuming that ultimately the country is going to provide for a better type of utilization of the water at Niagara. I think that what will certainly be done in the near future will be a better development there which will use at least 20,000 second-feet and perhaps 25,000 second-feet, utilizing the full head of over 300 feet, taking water either by power tunnel or power canal to the foot of the

lower rapids and getting the full head in the same way that the Ontario Hydro does at its station where it utilizes the full 300-foot head.

Mr. BEITER. Then, too, there has been some discussion of the possibility of construction of works to spread the water in the upper river; has that been gone into by your Commission?

Mr. OLDS. Very much, and that will certainly be done in the very near future. That is necessary both to make sure that additional water can get into the canal and to take care of ice conditions.

Mr. BEITER. What is meant by the "very near future"? There is quite a bit of water going to waste there, particularly over the Horseshoe Falls and the bend, and I am wondering what you mean by "very near future."

Mr. OLDS. In the first place, this agreement that is now before you provides for carrying out essentially what was originally provided in the Niagara Falls convention of 1929, which calls for the building of those control works and weirs.

Mr. BEITER. Is it not possible to separate this project from the St. Lawrence seaway? Why are the two included in one agreement or one project? In Buffalo that has always been some sort of a mystery to us as to why they have to tie both of them into one project.

Mr. OLDS. Because in the general planning of a river basin the best results are achieved when you treat a river basin as a whole. The Niagara is a part of the St. Lawrence River Basin.

Mr. BEITER. Yes; but it would not affect the flow of any of the water into the St. Lawrence.

Mr. OLDS. The ultimate use of the two—hydraulically—might be very closely related. Electrically, they would be enormously related; utilization of the Niagara and the St. Lawrence plants on a coordinated basis is essential if you are to get the best advantage out of them for the people of the State of New York.

Mr. BEITER. You stated during the course of your testimony that in that defense area there had been a survey made there in which it was pointed out that estimates of 1,339,000,000 kilowatt-hours were available and actually that is 60,000 kilowatt-hours short of their estimates.

Mr. OLDS. That was an estimate of November, if my recollection is correct, of the Niagara-Hudson system. It was an estimate made in August of its November load.

Mr. BEITER. Do you recall if any of the plants in that particular area that have been forced to suspend operations because of a power shortage?

Mr. OLDS. Have any plants in that defense area, so-called defense area, been forced to suspend operations because of a power shortage?

Mr. BEITER. Yes.

Mr. OLDS. No; none have been suspended because of power shortages, but—

Mr. BEITER. Have they been forced to curtail?

Mr. OLDS. They have been forced to curtail the production that they would have had if there had been sufficient power available.

Mr. BEITER. Oh!

Mr. OLDS. I have got the record of at least 10 or 20 plants there that just the minute additional power is available will expand their production facilities and can expand within a very few months.

Mr. BEITER. What are they producing?

Mr. OLDS. Abrasives, vanadium; production of carbide. There are a number of defense-production plants there that will expand immediately when they are assured that power will be available.

Mr. BEITER. Of course, you are aware of the fact that a huge steam plant is now under construction at Oswego.

Mr. OLDS. We are very glad of it. We will need it.

Mr. BEITER. And 107,000 horsepower went into service at this station last fall.

Mr. OLDS. Yes; but our estimate of the close neck and neck race between demand and available supply includes all of the capacity that is on order for that area.

Mr. BEITER. And 107,000 horsepower will be ready next autumn.

Mr. OLDS. That is included in our figures.

Mr. BEITER. That is included in your figures.

Mr. OLDS. Yes, sir.

The CHAIRMAN. In the last rivers and harbors bill, we had provided a million dollars for digging a basin there for that steam plant at Oswego.

Mr. CULKIN. May I add, Mr. Chairman, that the distinguished president of the Federal Power Authority or secretary—you are chairman?

Mr. OLDS. Vice Chairman of the Power Policy Committee.

Mr. CULKIN. He recommended that project strongly to Congress, as you recall. Congress passed authorization on it, but there has been no appropriation yet.

Mr. OLDS. Congressman Beiter, I think that you may be interested in this chart which shows the relationship between the increasing demand in this up-State New York area, and the increasing supply which is coming as the result of these additional steam units that you are just discussing.

It shows that at the end of 1941 this expected demand will slightly exceed the net assured capacity after deducting the necessary reserves, and that by the end of 1942, the demand will exceed not simply the assured capacity, after deducting reserves, but will probably be right up to the total dependable capacity, so that there will be no reserve left in the area in spite of these additional units that are going into the Oswego steam station.

Mr. BEITER. Well, there is still a further development there of 321,000 horsepower that could be developed in the station by merely proceeding with the installation of necessary steam turbines.

Mr. OLDS. Yes. I assume that in the whole development of the area that will be necessary, that those additional units will come in.

Mr. BEITER. Have you taken in your studies—you state definitely that there is a shortage up there in Massena—have you taken into consideration there the development of that extra 700,000 horsepower capacity within the existing plant by merely installing turbines? The buildings are located there. That is within 70 miles of Massena?

Mr. OLDS. Within 70 miles of Massena?

Mr. BEITER. Yes.

Mr. OLDS. That includes Oswego, but that does not include Beauharnois.

Mr. BEITER. That is up on the Canadian side.

Mr. OLDS. The Beauharnois projects.

Mr. BEITER. The Beauharnois project.

Mr. OLDS. A lot of complications would probably be involved in the utilization of additional capacity at Beauharnois. That involves the enlargement of the canal which would create some problems.

Mr. BEITER. Beauharnois Canal would have to be enlarged, or merely cleaned out?

Mr. OLDS. The canal would have to be enlarged before they could get full capacity.

Mr. BEITER. It would have to be enlarged?

Mr. OLDS. Yes, sir.

Mr. BEITER. How much investment would be made there?

Mr. OLDS. It is not a very large investment, but the problem involves certain matters of Canadian policy in the utilization of water which I do not think I could go into; but which means that the development could only proceed at a stated rate. They recently obtained permission to use, I think, about 20,000 or 25,000 additional second-feet, which will make possible the increase in capacity from about 500,000 to about 750,000, or something like that, horsepower. I have forgotten the exact figure.

Mr. BEITER. That additional water you speak of, would that require another agreement or a reconsideration of the treaty, existing treaty?

Mr. OLDS. Not the treaty. It involves an additional grant by order in council in the Canadian Government. It is a domestic affair.

Mr. BEITER. The United States is not involved in any way?

Mr. OLDS. The only possible involvement would be if an attempt were made to provide for the utilization of water more effectively which would change the level of the Lake St. Francis, which, of course, backs up to very close to Massena, the end of Barnhart Island. It might be something that would have to be handled by the International Joint Commission if that were done, providing for additional water at Beauharnois, affecting the level of Lake St. Francis. Then it would be an international question which would be involved under the 1909 treaty.

Mr. BEITER. You refer to a report made in 1918 regarding the shortage at Pittsburgh and Baltimore of power.

This power from the St. Lawrence seaway could not be transmitted economically down to Pittsburgh and Baltimore?

Mr. OLDS. The report I referred to was Colonel Keller's report made in 1921 based on the situation in 1918. He covered not only Pittsburgh and Baltimore, but also Niagara and the New York area, and explains that power could definitely be transmitted if needed.

Mr. BEITER. Do you say that it can be transmitted to Pittsburgh and Baltimore?

Mr. OLDS. No; I say that it could be transmitted to Niagara.

Mr. BEITER. Yes.

Mr. OLDS. Of course, in an integrated system it can be relayed to a great many needed points.

One of the problems involved in meeting this national defense situation is to make sure that the power capacity which is available in any region can be transmitted to points where the shortage occurs.

Mr. BEITER. This is my final question. You stated that when Norway came under the protection of the Nazis that 300,000 horsepower was shifted from Norway to Britain.

Mr. OLDS. About 3,000,000 horsepower from Norway was shifted to the Axis Powers. It had been available for the production of aluminum and various other materials needed by Great Britain. That is, to the British group. When Germany took over Norway it suddenly cut off that power from the Allies and turned it over to the Axis Powers.

Mr. BEITER. Your report was prepared prior to hostilities between Germany and Russia or the time when Germany took on a new enemy there.

How does that available power to Germany enter the picture? It changes so rapidly over there that it is hard to keep track of either one of them.

Mr. OLDS. The danger is that if the predictions of most of the military observers are true and Germany has very little difficulty with Russia, great additional resources will be brought into the Axis group.

The CHAIRMAN. Do you have any more questions?

Mr. BEITER. No; Mr. Chairman.

The CHAIRMAN. I will ask you to preside, because I have to go.

Mr. BEITER. All right.

The CHAIRMAN. And we will meet tomorrow morning at 10:30.

Before I go I want to sincerely thank Mr. Olds for his appearance and the splendid statement he has given.

Mr. OLDS. Before you go, Mr. Chairman, I would like to make what I think is a slight correction for the record. I think Congressman Osmer was asking whether I agreed with General Robins as to the time the project would be completed. I want to indicate that I am in complete agreement with General Robins and not necessarily with what Congressman Osmer suggested as to the dates involved. I think, with General Robins, there is a possibility that this project will be completed in three seasons of construction, which might make it available very late in 1944.

Mr. ANGELL. He had reference to navigation and not power.

Mr. OLDS. I think that the power itself can be brought in by 1945.

The CHAIRMAN. Thank you.

Mr. ELLIS. Mr. Chairman.

Mr. BEITER. Mr. Ellis.

Mr. ELLIS. I apologize for asking each time what seems to be local questions, but by the time you get down to us on the end, the whole proposition has been pretty well developed.

Mr. Chairman Olds, I am sorry that I could not be here to hear what I understood to have been your endorsement of the Arkansas Valley Authority, but it was necessary for me to be absent. With Mr.

Harris here, he and I and a delegation were all afternoon down at the Office of Production Management endeavoring to show the Office of Production Management, or rather to endeavor to find for them, the small amount of 110 kilowatts of power out in our section of the country, and that has been a most difficult job.

Now, you are aware of the power shortage that exists and the anticipated shortage out in that country, are you not?

Mr. OLDS. Yes; there is going to be need for a great deal more power out in that section of the country. I am afraid you cannot get it from the St. Lawrence.

Mr. ELLIS. You are right, sir; but your statement with regard to the need for power in the St. Lawrence applies equally well to that section of the country, does it not?

Mr. OLDS. To the entire country. The entire country is going to need large additional supplies of power.

Mr. ELLIS. And is it not true that for the past 2 years you have been anticipating power shortages, and making statements to that effect, and that those statements have been generally denied by the power companies, but that your own predictions have come true?

Mr. OLDS. That is substantially correct.

Mr. ELLIS. That is all, Mr. Chairman.

Mr. BEITER. Mr. Olds, there is just one other question that I would like to ask you. You said that there were 10 or 12 plants that would expand if they could get more power. Can you name those plants? You stated that there were 10 or 12 more plants which would expand if they could get additional power there in the Niagara defense, so-called defense area.

Mr. OLDS. Can I name them?

Mr. BEITER. Yes.

Mr. OLDS. I have not got the list with me. I know that the Vanadium Corporation is one.

Mr. BEITER. I did not get that.

Mr. OLDS. The Vanadium Corporation. I think the list includes the Carborundum Co. and the Union Carbide Co.

Mr. BEITER. The Carborundum?

Mr. OLDS. Yes. I have forgotten the rest. I do not have the list with me.

Mr. BEITER. Would you supply me with that list? I am very much interested in getting that list.

Mr. OLDS. Yes; I think I can.

Mr. BEITER. All right, sir.

(The statement referred to reads as follows):

LIST OF INDUSTRIAL PLANTS SERVED BY THE NIAGARA FALLS POWER CO. WHICH WOULD EXPAND PRODUCTION IF ADDITIONAL POWER IS AVAILABLE

Carborundum Co., The	Niagara Smelting Co.
R. & H. Chemicals Co. (E. I. duPont de Nemours & Co.)	Pittsburgh Metallurgical Co.
General Abrasive Co., Inc.	Titanium Alloy Manufacturing Co., Inc.
Hooker Electrochemical Co.	Union Carbide Co.
Kimberly Clark Corporation	Vanadium Corporation of America

Mr. OLDS. There is just one thing in connection with Congressman Ellis' reference to our projects. I ran into some rather interesting figures right in connection with this up-State New York area, the other day, when I was looking over our predictions. I find that, based on the 1938 figures that were available to our defense division—Mr. Tate's division—that when the peak load in this up-State New York area was 1,356,000 kilowatt-hours, that our defense division predicted a total peak in 1941—that was 3 years ahead of time—of 2,010,000 kilowatts. That was based on 1938 figures.

I notice that the latest prediction of the utilities systems for the 1941 load made in March of this year was 2,060,000 kilowatts, so that our prediction based on 1938 figures was, if anything, slightly less than the present anticipated peak for this year.

Mr. ELLIS. And they denied your figures back in 1938?

Mr. OLDS. I do not recall definitely just what their attitude was. In most instances their tendency has been to believe that we were getting a little bit overfearful as to what was going to be the need for power.

Mr. CULKIN. Mr. Chairman, may I observe that the constant propaganda on this subject—there have been oceans of it—always assert that there is a plentitude of power in New York State. It has been asserted and you will hear it asserted here within the next few days.

Mr. ELLIS. May I say something there?

Mr. BEITER. Yes.

Mr. ELLIS. Anticipating that, Mr. Chairman, I want to ask if this is not the general picture that about 4 years ago we were producing 300,000,000 pounds of aluminum in this country, and that as of today we are producing at the rate of 600,000,000 pounds of aluminum in this country and that the Axis Powers are today, as compared with our 600,000,000 pounds, producing above 1,000,000,000 pounds of aluminum. Are not those substantially correct?

Mr. OLDS. I emphasized those figures when you were not here in the hearing.

Mr. ELLIS. I am sorry. I was down at the Office of Production Management today trying to find power for an aluminum plant. Certainly it is advisable that we make available all possible power for the production of aluminum. Do you not feel that that is correct?

Mr. OLDS. Absolutely; I sincerely do.

There is one other further interesting thing about these loads in the up-State New York area. Between 1938 and 1941 the loads on that up-State New York system increased by over 50 percent in 3 years.

Mr. BEITER. In speaking of up-State New York, can you name the companies that have been denied power in that area?

Mr. OLDS. No; I do not have the list before me. And, in connection with the denial of power, that is not the denial of power, but denial of increased use which would be made of power for defense purposes if the power were available.

Mr. BEITER. So that no defense plant located in that area has been denied power at any time?

Mr. OLDS. Yes.

Mr. BEITER. They have?

Mr. OLDS. Yes.

Mr. BEITER. What plant?

Mr. OLDS. They are this list you asked me for.

Mr. BEITER. The same list that you said would expand?

Mr. OLDS. It would expand. They want more power and they will expand if they can get it.

Mr. BEITER. You are going to furnish me with that list?

Mr. OLDS. Yes, sir.

Mr. BEITER. Are there any further questions? If not, the committee will stand adjourned until 10:30 tomorrow morning.

(Thereupon, at 5:25 p. m., the committee adjourned to meet at 10:30 a. m. Tuesday, June 24, 1941.)

GREAT LAKES-ST. LAWRENCE BASIN

TUESDAY, JUNE 24, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:30 a. m., in the committee room, new House Office Building, Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will please be in order.

STATEMENT OF TOM J. McGRATH, EXECUTIVE DIRECTOR, NATIONAL ST. LAWRENCE PROJECT CONFERENCE, WASHINGTON, D. C.

The CHAIRMAN. Mr. McGrath, are you the first to appear this morning?

Mr. McGRATH. Yes, Mr. Chairman.

The CHAIRMAN. Are you ready?

Mr. McGRATH. Yes, sir.

The CHAIRMAN. We will be glad to hear you.

Mr. McGRATH. Mr. Chairman, my name is Tom J. McGrath. I am the executive director of the National St. Lawrence Project Conference. Our office is at 808 Seventeenth Street NW., Washington, D. C.

The conference is a voluntary association of organizations representing business, transportation, shipping, and production. It is Nation-wide in character, and as of Saturday, June 22, had 166 members. These members in turn represent thousands of business enterprises.

For instance, and by way of illustration, to mention but a few, the American Merchant Marine Institute represents most, if not all, of the American shipping companies engaged in foreign, coastal, and intercoastal shipping operating out of Atlantic and Gulf ports. The Pacific Coast Ship Owners Associations is composed of ship companies operating out of the west-coast ports. The Lake Carriers Association represents the bulk- and package-freight carriers on the Great Lakes, and the Canal Carriers those plying between Buffalo and Montreal on the St. Lawrence as well as those on the New York Barge Canal.

The class I railroads, numbering approximately 150, are members of the Association of American Railroads, and the short-line roads are represented by the American Short Line Railroad Association, numbering approximately 300.

The National Coal Association represents the ownership of 15,000 bituminous coal mines.

I have here, and will furnish to the committee, copies of a list of our entire membership as of the date I referred to. June 22, and, of course, we would like to have a copy of these incorporated in the record.

The CHAIRMAN. Just hand it to the reporter.
(The list referred to is as follows:)

MEMBERS OF THE NATIONAL ST. LAWRENCE PROJECT CONFERENCE, JUNE 21, 1941

Akron Chamber of Commerce.	Clay Chamber of Commerce, Dundon (W. Va.).
Alabama Department of State Docks and Terminals.	Cleveland Chamber of Commerce.
Allegheny Regional Advisory Board.	Coal Trade Association of Indiana.
Altoona (Pa.) Chamber of Commerce.	Columbus (Ohio) Chamber of Commerce.
American Merchant Marine Institute.	Cortland (N. Y.) Chamber of Commerce.
American Mining Congress.	Dayton Chamber of Commerce.
American National Live Stock Association.	Delaware State Coal Club.
American Short Line Railroad Association.	Dubuque (Iowa) Chamber of Commerce.
Anthracite Institute.	East St. Louis (Ill.) Chamber of Commerce.
Appalachian Coals, Inc.	Elmira (N. Y.) Association of Commerce.
Association of American Railroads.	Erie (Pa.) Chamber of Commerce.
Associated Industries of Alabama.	Foreign Commerce Club of Boston.
Atlantic States Shippers Advisory Board.	Fuel Merchants' Association of New Jersey.
Atlantic Deeper Waterways Association.	Gloucester (Mass.) Chamber of Commerce.
Aurora (Ill.) Chamber of Commerce.	Gloversville (N. Y.) Chamber of Commerce.
Baltimore Association of Commerce.	Greater Wilmington (N. C.) Chamber of Commerce.
Baltimore Chamber of Commerce.	Greenwich (Conn.) Chamber of Commerce.
Baltimore-Maryland Coal Exchange.	Hampton Roads Maritime Exchange.
Beaver Falls (Pa.) Board of Trade.	Harbor Carriers of the Port of New York.
Beckley (W. Va.) Chamber of Commerce.	Huntington, Long Island, Chamber of Commerce.
Bluefield (W. Va.) Chamber of Commerce.	Illinois Chamber of Commerce.
Borough of Queens Chamber of Commerce.	Inland Water Petroleum Carriers' Association.
Boston Chamber of Commerce.	International Longshoremen's Association.
Boston Fruit & Produce Exchange.	Jackson (Miss.) Chamber of Commerce.
Boston Grain & Flour Exchange.	Johnstown (Pa.) Chamber of Commerce.
Bridgeport (Conn.) Chamber of Commerce.	Lake Carriers' Association.
Bronx Chamber of Commerce.	Lawrence (Mass.) Chamber of Commerce.
Brooklyn Chamber of Commerce.	Lima (Ohio) Association of Commerce.
Buffalo Chamber of Commerce.	Lockport (N. Y.) Chamber of Commerce.
Butler (Pa.) Chamber of Commerce.	Logan County (W. Va.) Chamber of Commerce.
Camden County (N. J.) Chamber of Commerce.	Long Island Association.
Campbell County (Ky.) Chamber of Commerce.	Maritime Association of the Port of New York.
Canal Carriers' Association.	Maritime Association of the Boston Chamber of Commerce.
Cape Cod Chamber of Commerce.	
Central Mercantile Association of New York.	
Charleston (S. C.) Chamber of Commerce.	
Charlotte (N. C.) Chamber of Commerce.	
Chelsea (Mass.) Chamber of Commerce.	
Cincinnati Chamber of Commerce.	
City of Mobile.	

- Memphis (Tenn.) Chamber of Commerce.
 Merchant's Association of New York.
 Merchant's Exchange of St. Louis.
 Merchants' & Manufacturers' Traffic Bureau of Muskogee (Okla.).
 Merchant Truckmen's Bureau of, New York.
 Mid-West Shippers Advisory Board.
 Mishawaka (Ind.) Chamber of Commerce.
 Mississippi Valley Association.
 Mobile Chamber of Commerce.
 Moline (Ill.) Chamber of Commerce.
 Montgomery (W. Va.) Chamber of Commerce.
 Mount Hope (W. Va.) Chamber of Commerce.
 Nashua (N. H.) Chamber of Commerce.
 National Association of Shippers' Advisory Boards.
 National Coal Association.
 National Conference of Investors.
 New Bedford (Mass.) Board of Commerce.
 New Brunswick (N. J.) Chamber of Commerce.
 New England Shippers Advisory Board.
 New England Coal Dealers' Association.
 New England Traffic League.
 New Hampshire Manufacturers' Association.
 New Haven (Conn.) Chamber of Commerce.
 New Orleans Association of Commerce.
 New York Board of Trade.
 New York Produce Exchange.
 New York State Chamber of Commerce.
 New York State Waterways Association.
 Niagara Frontier Planning Board.
 Norfolk Association of Commerce.
 Norfolk Port-Traffic Commission.
 Norfolk-Portsmouth Traffic Club.
 New York & New Jersey Sandy Hook Pilots' Association.
 New York State Retail Solid Fuel Merchants' Association.
 Ogden (Utah) Chamber of Commerce.
 Ohio Coal Association.
 Ohio Chamber of Commerce.
 Ohio Manufacturers' Association.
 Ohio Valley Board of Trade.
 Ohio Valley Transportation Advisory Board.
 Pacific American Steamship Association.
 Parkersburg (W. Va.) Board of Commerce.
 Pennsylvania State Chamber of Commerce.
 Philadelphia Board of Trade.
 Philadelphia Bourse.
 Pittsburgh Chamber of Commerce.
 Port Committee of Mobile.
 Port of Newark (N. J.).
 Port of Portland (Maine) Authority.
 Portland (Maine) Chamber of Commerce.
 Pottstown (Pa.) Chamber of Commerce.
 Propeller Club of the United States.
 Propeller Club, Port of Baltimore.
 Propeller Club, Port of Boston.
 Propeller Club, Port of Cleveland.
 Propeller Club, Port of Newport News.
 Propeller Club, Port of New Orleans.
 Propeller Club, Port of New York.
 Propeller Club, Port of Norfolk.
 Propeller Club, Port of Portland (Maine).
 Propeller Club, Port of St. Louis.
 Propeller Club, Port of Wilmington (N. C.).
 Providence Chamber of Commerce.
 Pueblo Chamber of Commerce.
 Ritchie County (W. Va.) Improvement Association.
 Roanoke (Va.) Chamber of Commerce.
 Rochester (N. Y.) Chamber of Commerce.
 Rock Island (Ill.) Chamber of Commerce.
 Sapula (Okla.) Chamber of Commerce.
 Scranton (Pa.) Chamber of Commerce.
 Seacoast Regional Development Association of Portsmouth (N. H.).
 Shippers Conference of Greater New York.
 Southern States Industrial Council.
 Southern Pine Association.
 Southern Traffic League.
 Southwestern Industrial Traffic League.
 State Port Authority of Virginia.
 Suffolk (Va.) Chamber of Commerce.
 Syracuse Chamber of Commerce.
 Tennessee Manufacturers' Association.
 Transportation Association of America.
 Vicksburg (Miss.) Chamber of Commerce.
 Virginia Manufacturers' Association.
 Virginia State Chamber of Commerce.
 Virginia Peninsula Association of Commerce.
 Warehousemen's Association of the Port of New York.
 West Side Association of Commerce of New York.
 West Virginia Chamber of Commerce.
 West Virginia Coal Association.
 Wilmington (N. C.) Port-Traffic Association.
 Wirt County (W. Va.) Chamber of Commerce.
 Wisconsin Coal Bureau.
 Worcester (Mass.) Chamber of Commerce.

EXECUTIVE COMMITTEE

- C. J. Abbott**, director, American National Live Stock Association.
F. N. Bard, Chicago, Ill.
John D. Battle, executive secretary, National Coal Association.
Frank E. Bourgeois, chairman, New Orleans City-Wide Committee.
C. H. Callaghan, manager, Maritime Association of the Port of New York.
Hon. J. B. Campbell, Spokane, Wash.
G. B. Chamdler, executive vice president, Ohio Chamber of Commerce.
Julian D. Conover, executive secretary, American Mining Congress.
Frank S. Davis, manager, Maritime Association of the Boston Chamber of Commerce.
Charles Donley, manager, freight traffic division, Pittsburgh Chamber of Commerce.
R. V. Fletcher, vice president and general counsel, Association of American Railroads.
Chauncey J. Hamlin, chairman, Niagara Frontier Planning Board.
J. M. Hood, president, American Short Line Railroad Association.
L. C. Madiera, III, executive secretary, Anthracite Institute.
Hon. Jefferson B. Myers, Portland, Oreg.
Cleveland A. Newton, general counsel, Mississippi Valley Association.
Hon. Chase S. Osborn, Sault Ste. Marie, Mich.
Joseph P. Ryan, president, International Longshoremen's Association.
L. C. Sabin, vice president, Lake Carriers' Association.
C. C. Sheppard, president, Southern States Industrial Council.
H. M. Thompson, executive manager, Hampton Roads Maritime Exchange.
A. W. Vogtle, president, National Association of Shippers' Advisory Boards.
C. E. Widell, transportation director, Tennessee Manufacturers' Association.

OFFICERS

Chairman: **Frank S. Davis**, manager, Maritime Association of the Boston Chamber of Commerce.

Vice chairman: **C. J. Abbott**, director, American National Live Stock Association.

Executive director: **Tom J. McGrath**.

Mr. McGRATH. This list by no means includes all of the organizations opposed to the St. Lawrence project. Many others of equal importance have registered opposition to it in one form or other and many of them will present themselves to be heard during the course of these hearings.

I think that no one reviewing the list of members of the conference would say that it contains the names of any organization whose membership is not composed of persons of at least average loyalty and patriotism. These practical businessmen are convinced that the development of the St. Lawrence waterway and power project is not necessary or even desirable from the standpoint of national defense, and I feel equally sure, from discussion of the matter with them, that if it were necessary to the defense of this country and its institutions, that they would promptly withdraw their objections.

The preponderance of support for the project based on the defense angle, as I interpret it, classifies the development as an adjunct to our long-range defense plans; as an aid to the completion of our greatly enlarged two-ocean navy, for instance.

If there be any advantage from this point of view we believe that there are many more and greater disadvantages from an economic point of view and we urge you in all earnestness to weigh these questions fully and carefully, as we know you will, before you reach a conclusion in this matter.

The outcome of the present world conflict will determine whether we will be required to maintain tremendous military and naval establishments for the protection of this hemisphere against possible aggression or whether we will again revert to the state of comparative safety and tranquility that we have enjoyed during most of our existence as a Nation.

If the St. Lawrence program is now carried out as a supposed necessary element of our national defense, we will have it on our hands in perpetuity, even though its defense value, if any exists, may soon completely pass away.

I do not intend to discuss the intrinsic merits of the plan but will leave that to men better qualified for the purpose.

There is one point, however, that I believe should be pointed out and stressed. During the course of this hearing we have heard it stated that if the project could be started in the near future, and with "good luck" we would be able to get new and larger ships from the Lakes to the ocean before the close of the 1944 navigation season and that by the summer of 1945 the navigation features of the project could be in full operation.

I personally am in no position to dispute this as a physical possibility. It should be remembered, however, that in this undertaking we are in partnership with Canada.

Under the terms of article II of the treaty now before you, our Canadian partner is not required to complete the essential Canadian links in the deep waterway until December 31, 1948. If we are to place reliance on the assumption that large vessels built in the Great Lakes can be moved to the sea before 1949, it will be only after the agreement has been modified to require Canada to complete its share of the development at an earlier date.

It would seem most foolhardy to rush into the expenditure of millions of dollars, particularly at this time, to provide a 27-foot channel for a part of the waterway by 1945, only to find out that it could not be put to the use intended until 1949.

As guardians of the people's interests, I think we can safely look to this committee to see to it that this country does not become involved in any such undertaking on such a flimsy assumption as that forecast by the proponents concerning the time when the deep waterway will become available.

We should be especially cautious about this, because everything that we know about the matter points to the fact that Canada may be either unwilling or unable to commence building the waterway now.

Canada at present is burdened with war obligations almost beyond its ability to bear. All of the information which we now have respecting the time within which the waterway could be completed and the supposed need for it, was available in March when the agreement was entered into. Notwithstanding this fact, Canada did not agree to finish its canals until 1949.

That Canada is making a valiant and heartbreaking struggle to carry on and do its share of the war effort everyone knows. Let us see what that amounts to. Within the past 10 days two public statements of deep significance have been made.

Mr. Donald M. Nelson, Director of Purchases for the O. P. M., said that in order to overtake the German war machine the United States must step up defense spending to \$35,000,000,000 a year, as contrasted with the rate of \$6,000,000,000 in the current year and \$15,000,000,000 scheduled for the next fiscal year, beginning July 1. We know that next year and for years to come the taxpayers of this country will be called upon to bear the heaviest tax burden in our history. Canada's tax burden is already much heavier, comparatively, than ours. There is a limit beyond which she cannot go.

Mr. Mackenzie King, in an address in New York a week or so ago, said that Canada has already spent more than \$1,000,000,000 as a voluntary gift to the United Kingdom. He explained this would be equivalent to expenditure by the United States of \$15,000,000,000, considering the difference in population and income.

The cost of this year's Canadian war effort, he went on, will be on a scale equivalent to between \$21,000,000,000 and \$22,000,000,000 in United States terms. In addition, he said, Canada will ship to Britain food, raw materials, and equipment valued at \$1,500,000,000, the equivalent of nearly \$23,000,000,000 measured by United States population and income.

On the basis of population and income, therefore, Canada is spending this year the equivalent of \$45,000,000,000, as compared with the \$6,000,000,000 which the United States is spending for defense purposes. How long it can bear this load and the extent to which it can increase it is highly problematical.

If Canada is not prepared to proceed with the work and it is to be done in accordance with the schedule outlined by General Robins, the United States must provide all the funds with which to do it.

If this course is to be followed certainly Congress should know it before any favorable action is taken.

Now, during the course of these hearings Congressman Angell has raised a very interesting and very important question concerning the ownership of the power which is to be developed in the International Rapids section. When Governor Lehman came on he stated unequivocally that it has always been the opinion of New York and its government that the power was owned by the State of New York. Mr. Poletti made, in substance, the same assertion, but I thought weakened somewhat in the face of decisions which were cited by Mr. Angell.

Now, it is apparently clear that the power being in a navigable stream, that it is owned by the United States and subject to its control.

The proponents of the waterway and power plant say in effect that this makes no difference, because whatever plan is provided by the State of New York must be submitted in the form of an agreement with the United States to Congress for ratification and that that will involve, among other things, requirements for an equitable distribution of the 6,600,000,000 kilowatt-hours of electrical energy which will be eventually made available.

Now, New York has assumed for the last 20 years that it owns this power. It has fought against the private power companies getting it.

In 1931 it set up the power authority. It has spent a good deal of money on research work and along other avenues with the thought that ultimately it would own, develop, distribute, and sell the power.

Under the arrangement proposed, ostensibly, the contribution of New York for this power will be \$93,375,000, but I think, as has been accurately and clearly pointed out, it does not commit New York to the expenditure of 1 cent. The money will be raised, presumably, by a loan from the Federal Government, as I read the law, to be paid back over the period of 50 years from the earnings. That is the contributions made by the users of the electricity, but with all those factors in mind, New York apparently is asserting the right to own and control this power and to distribute it subject to this proposed agreement.

Now, what happens if the agreement is not ratified? What happens if Congress should say, for instance, as they might probably, that this is a Federal heritage belonging to all the people within the radius of its possible benefit and that some of it should go to New England, to Vermont, New Hampshire, Massachusetts, or other New England States? If you will look at the map that Mr. Pittenger presented to the members of the committee, you will find that Boston is closer to the power site than New York City is; but we have not heard anything said about Boston getting any benefits. After New York State, after all of its plans and expending the money that it has, after setting up the power authority it gains control over the distribution of the power, you will have, I judge, assertions on your hands of other people in the power area asserting their rights to any possible benefits that might accrue.

So I say to you that this matter should be entirely cleared up before this treaty is affirmed or ratified and before this bill is passed.

Assuming that you do not reach an agreement which will be presumably ratified by Congress at its next session—we have started on an enterprise and we are deadlocked with New York—what is going to be done? Are we going to continue the operation or are we going to suspend until eventually perhaps we do reach an agreement with New York?

Now, good business judgment would appear to dictate that if you are going into partnership with New York, as you are going into a partnership with Canada, that all of the essential elements necessary to provide for continuity of harmonious operations should be understood and finally subscribed to before any such arrangement should be made.

If on the other hand the Federal Government follows out the policy to which it has adhered throughout the years with respect to water power on navigable rivers, all these possible disputes will be eliminated and there will be at least the assurance that the people of the country who are in a position to avail themselves of this power will have an equitable distribution of it.

So I agree very firmly with what appears to be implied by Mr. Angell's questions in his discussion that the United States Government should not depart from the plan that it has followed all these years and surrender to any State the production and sale of power which in effect is an asset of the National Government.

Now, with respect to these hearings, we have conferred with the chairman of your committee with a view to assisting insofar as possible in carrying out his plan to bring before you in an orderly manner and in proper sequence the witnesses for the opponents.

It was his view, to which we readily subscribed, that the committee should first hear the witnesses from the Great Lakes area, then those along the Atlantic coast to be followed by those from the Gulf and the Mississippi Valley.

Then the industries, manufacturing and business interests, and then followed by labor employed by those interests, who will be affected by the passage of this legislation.

We are somewhat handicapped in our efforts to formulate and possibly to adhere to a definite program. Of course that will be nothing new to you gentlemen, because you have seen many instances where programs must be shifted from the course originally outlined, but as you know the Department of Commerce has been engaged in making a survey of various phases of this problem. The results of their study were to be published in seven reports. Volumes 1, 2, 4, and 6 have been published. Part I, or volume I, was merely a historical résumé of the project and required no special attention on our part.

Part II was entitled "Shipping Services on the St. Lawrence River."

When that report appeared early in January it was referred to a committee of our members for study and analysis. The chairman of that committee is here prepared to give you the benefit of its findings.

Part VI, which deals with the power phase, was issued next and the same course was followed. That dealt exclusively with power, and we have a witness here who has analyzed that report and who will be prepared to testify in connection with that phase of the subject.

On June 9, 1941, part IV was published. It is entitled "The Effect of the St. Lawrence Seaway Upon Existing Harbors." It was referred to our members with a request that representatives in the affected port cities analyze it with a view to presenting to this committee such pertinent information respecting the findings and conclusion of the report as might be relevant to this inquiry.

I am told that considerable difficulty has been encountered in analyzing the report because it ties in by reference with several phases of part III, and this part has not been made available.

Parts III and V, which have not yet been published are entitled, respectively, "Potential Traffic on the St. Lawrence Seaway" and "The St. Lawrence Seaway and Future Transportation Requirements."

If there is any economic justification for the building of the waterway it must be found in facts developed under these headings.

If the expenditure of huge sums of money for an inland waterway is warranted, it is because it will handle vast tonnages in such a way as to be beneficial to at least a comparatively large number of people. Obviously, if it does this, it will seriously affect existing transportation agencies.

The studies upon which these reports are to be made have been in progress for more than a year.

It is inconceivable that this committee should act without having first had an opportunity carefully to review these reports.

It also would seem only just and fair that those whose interests will be adversely affected by diversion of business to ocean vessels from other form of transportation should be given reasonable opportunity to study these reports, and if they disagree with them, to submit their findings to this committee.

The same thing may be said regarding those business and manufacturing enterprises whose interest may be affected by foreign importations.

I was told by Mr. Danielian, director of the survey, last week, that the reports would be available for the purpose of this hearing. I hope that we may have them soon. We do not wish to be put to the necessity of asking permission to deviate from the order of presenting our testimony as I have outlined it.

We especially wish to avoid the necessity of asking for any extension of time to prepare any part of our case.

As the matter stands now we are somewhat in the position of a defendant who is asked to present his defense before the plaintiff has made out a case, but we will proceed in accordance with the chairman's wishes and do the best we can to give the committee all the helpful information possible.

That concludes my statement.

The CHAIRMAN. Mr. Carter, any questions?

Mr. CARTER. Not now.

The CHAIRMAN. Mr. Gavagan? Gentlemen, any questions?

Mr. CULKIN. I have some questions.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. What is the title, Mr. McGrath, of your outfit; what do you call it?

Mr. McGRATH. National St. Lawrence Project Conference.

Mr. CULKIN. And you are an attorney?

Mr. McGRATH. Yes, sir.

Mr. CULKIN. And how long have you been practicing?

Mr. McGRATH. Thirty-one years.

Mr. CULKIN. This list which you have submitted here which will go in the record, as I understand, is the completed list of your membership?

Mr. McGRATH. With the exception of two or three, Mr. Culkin, have come in within the last few days.

Mr. CULKIN. And who are the officers, respectively, of your outfit?

Mr. McGRATH. The officers are included, I think; you will find them on the last page.

Mr. CULKIN. And do you have a treasurer?

Mr. McGRATH. I beg your pardon?

Mr. CULKIN. Do you have a treasurer?

Mr. McGRATH. I am the treasurer.

Mr. CULKIN. You are the chairman and treasurer?

Mr. McGRATH. No; I am executive director and the treasurer.

Mr. CULKIN. Do you have a list of the contributors present here?

Mr. McGRATH. I do not have it with me; no, sir.

Mr. CULKIN. Can you submit a list of those and the amounts they have contributed?

Mr. McGRATH. If it is pertinent to this inquiry, I would be glad to do it.

Mr. CULKIN. I feel that it is, personally. Mr. Chairman, I would request that the list and the amounts that they have given be included in the record.

The CHAIRMAN. The list to be given for what purpose?

Mr. CULKIN. I think it should be in.

Mr. CARTER. You feel that that has a direct bearing on the merits of the St. Lawrence seaway, do you?

Mr. CULKIN. Yes, sir.

Mr. ANGELL. We should get the contributions on both sides if they are to be included, and not just one.

Mr. CARTER. I think that would be the only fair way to work it out.

Mr. OSMERS. As a broad general policy with respect to all of these projects, is it our function as Members of Congress to decide upon the quality and quantity of contributions, or upon the quality of the project involved?

Mr. CULKIN. Well, now, the gentleman probably does not understand my objective. Of course, there are certain interests you might expect to see are opposed to the project, and the proposition of a slush fund—I do not say that exists, but if it exists, if it does exist this committee should know it, and I submit that is entirely material.

Mr. OSMERS. Well, in what way?

Mr. CULKIN. Excuse me. Sometimes extremely meritorious projects that are necessary to the economic welfare of the country, or as in this case as is indicated to the national defense, might be beaten down by the use of money. The gentleman must know that.

Mr. OSMERS. I am absolutely aware of that.

Mr. CULKIN. And I do not see why he should oppose that.

Mr. McGRATH. Do you mind if I make a contribution at this point—

The CHAIRMAN. Gentlemen, my ruling is I do not think it is pertinent, and I will rule against requiring it at this time.

Mr. CULKIN. Otherwise, we have no index to the character of the opposition and in some instances the basis for the report.

Mr. GAVAGAN. Maybe I could clear up that point.

Mr. CULKIN. Popular governments such as this are sometimes wrecked by the use of money, and they have been wrecked.

Mr. GAVAGAN. Will the gentleman yield to me to ask the witness a question or two?

Mr. CULKIN. Yes.

Mr. GAVAGAN. I assume that this St. Lawrence Project Conference is an unincorporated association?

Mr. McGRATH. That is correct.

Mr. GAVAGAN. When was it formed?

Mr. McGRATH. It was initiated at a meeting in Cleveland on January 17, 1941.

Mr. GAVAGAN. And its sole object is to oppose this project?

Mr. McGRATH. Yes, sir.

Mr. GAVAGAN. And if the project is passed, why the association and the purpose for its existence will cease to exist?

Mr. McGRATH. I should say so; yes, sir. Mr. Chairman, may I—

Mr. GAVAGAN. The project is kept alive more or less by this organization, and if the project was adopted there would be no reason for its existence?

Mr. McGRATH. I rather doubt that, and I hope to finally—

Mr. GAVAGAN. You cannot have a football game unless you have a football.

Mr. McGRATH. I would like to get back to the practice of law. I hope it does not continue indefinitely. But might I say this, Mr.

Chairman, in view of perhaps a somewhat clouded condition with respect to the finances that our contribution total has been less than \$20,000. And I have no hesitancy in filing the names of the list of the contributors. However, I am just a paid employee, and I doubt that some of them would want me to say how much they contributed, because they might be placing themselves in a position of having made a mistake in spending their money on a "dead horse," as it were, if this should be passed. That is my own personal opinion, and I would rather not say to you the amounts at this time. I am at liberty to say how much the contributions were. But they are not to exceed \$20,000. So there is no slush fund, Mr. Culkin.

Mr. CULKIN. I did not say that. I said there is always the latent possibility of that, and that is sometimes destructive of the rights of citizens at large who are not alive to these issues. I make no reflection on the gentlemen.

Mr. BELL. Mr. Chairman, so there will be no question of anything having been covered up, I move—I will not put it as a motion, but I will suggest that the committee let the figures go in, and submit them on both sides.

The CHAIRMAN. Well, if the gentleman wants to put them in, he has that privilege. I had ruled he could not be required to do so, unless you overruled my ruling.

Mr. DONDERO. Will the gentleman from Missouri yield?

Mr. BELL. Mr. Dondero.

Mr. DONDERO. If the contributions of one side go in, in fairness it seems to me that any contributions from the other side should also be made known.

Mr. BELL. It seems to me, since the question has been raised, why not let both sides make a showing of their contribution?

Mr. OSMERS. Mr. Chairman, being fully aware of the validity of the argument of Judge Culkin, I think we are not concerned so much with the contributors or the amount they contributed; the important thing is what they did with it. If you want to find out whether there was a slush fund or any improper use of such a fund, you have to find out what they did with their money, and not who contributed.

Mr. CULKIN. That is a bit beside the point, I think. I think we should endeavor to develop that at some time by proper cross-examination.

The CHAIRMAN. I see no reason why people who feel that they are benefited might not be willing to make a reasonable contribution for such purpose, and those who might feel they were injured should have the same privilege.

Mr. CULKIN. Let me give this illustration to the gentleman from New Jersey.

Mr. OSMERS. Yes, sir.

Mr. CULKIN. It was advised the other day—and the fact is I don't remember the source—that a circular has been ordered printed, with a possible cost of \$40,000. It was told to me by a low bidder on the proposition.

Now, curiously enough, that exceeds the amount as stated by the distinguished counsel here.

Mr. McGRATH. Did that have reference to this organization, Mr. Culkin?

Mr. CULKIN. That is my understanding.

Mr. McGRATH. That is absolutely wrong. I would be glad to elaborate on that.

Mr. CULKIN. It may be there are some other instrumentalities.

Mr. McGRATH. We have put out three circulars, and copies of them have been sent to all Members of Congress, and I would say roughly that the cost of printing them has not exceeded seven or eight thousand dollars.

Mr. CULKIN. Ordinarily, so far as the proponents of this project are concerned, and I speak as an humble member of the jury here, I think both sides should be put in. If there is not something in the law there should be something in the law by reason of the public interest in it.

Mr. PITTENGER. Let us proceed with the testimony, Mr. Chairman, or the forenoon will be gone. The chairman has made the ruling, and nobody has appealed it.

Mr. CULKIN. I ask for a vote on it.

Mr. PITTENGER. What is it on?

Mr. CARTER. On sustaining the Chair.

The CHAIRMAN. The question is whether or not you sustain the Chair—

Mr. CULKIN. I withdraw the request.

The CHAIRMAN. The request is withdrawn.

Mr. CULKIN. With the privilege to renew later.

The CHAIRMAN. I think that is always one's privilege.

Now, gentlemen, any further questions of Mr. McGrath?

Mr. CULKIN. I have some more questions. Now, do you have quarters here now for your committee?

Mr. McGRATH. Yes, sir; we have an office on Seventeenth Street NW.

Mr. CULKIN. And is that near the office of the Association of American Railroads?

Mr. McGRATH. It is across the street from the Transportation Building, and they are in that building; yes; the association is in that building.

Mr. CULKIN. And did they hire those offices?

Mr. McGRATH. No, sir.

Mr. CULKIN. Do they have a part in your activities?

Mr. McGRATH. They are members of the conference and their general counsel and vice president, Judge Fletcher, is a member of our executive committee. The committee is made up of about 22 members, I think.

Mr. CULKIN. And you are in frequent collaboration with him?

Mr. McGRATH. Oh, no. I may call him on the telephone once or twice a week; no more frequently than I confer with many others like Mr. Battle of the National Coal Association and Mr.—

Mr. CULKIN. Now, how many people have you got working there now?

Mr. McGRATH. Four, in addition to myself.

Mr. CULKIN. And does the staff of the Association of American Railroads participate in the activities of your outfit?

Mr. McGRATH. Only to this extent, that when we have formulated or when we had formulated some of our publicity material, I asked the publicity man of the association to check it over and give me his advice on it.

Mr. CULKIN. Well, you have at your aid and assistance the Association of American Railroads?

Mr. McGRATH. I have at my aid and assistance experts of any of these people or the members and they frequently have helped me. The National Coal Association also have a publicity man and I have submitted matters to him to check over and they have made some very worth-while contributions to our work in that way.

Mr. CULKIN. That is, with reference to this particular industry.

Mr. McGRATH. Yes; that is true, and the same thing is very true with the railroads to a large extent.

Mr. CULKIN. And, of course, as to all other outfits, all the other outfits that are concerned in the matter are apprized of the activities of this particular organization?

Mr. McGRATH. Whenever there is any occasion to give any information to the members, they are all given it at the same time in a mimeographed letter.

Mr. CULKIN. Now, how do you make your disbursements?

Mr. McGRATH. By check.

Mr. CULKIN. And you are the treasurer?

Mr. McGRATH. Yes, sir.

Mr. CULKIN. Is there any audit of that?

Mr. McGRATH. There has not been any audit made yet, but there will be before we are through.

Mr. CULKIN. But you are the sole disbursing outfit?

Mr. McGRATH. No; the checks are signed by Mr. F. S. Davis of Boston, who is the chairman.

Mr. CULKIN. Is he on the pay roll?

Mr. McGRATH. No; he merely gets any traveling expenses he may have in connection with the work.

Mr. CULKIN. How big is your mailing list now?

Mr. McGRATH. I beg your pardon?

Mr. CULKIN. How big is your mailing list now?

Mr. McGRATH. I could not tell you, Mr. Culkin. We have a membership mailing list of 166, and then we have a labor mailing list and then we have some to chambers of commerce and that sort of thing.

Mr. CULKIN. Now, there has been a statement widely circulated and, as I recall, it came from your outfit, that the cost of this seaway to the United States was to be \$1,100,000,000?

Mr. McGRATH. I think that statement was qualified to the extent that it was stated that if the same experience was encountered in this case that had been found in cases like the Panama Canal, the Suez Canal, and the Chicago Drainage Canal, that it would probably exceed a billion dollars, and was based in part also upon the studies made by other engineers, other than—

Mr. CULKIN. You heard the testimony here of General Robins?

Mr. McGRATH. That is correct; I heard the testimony; yes.

Mr. CULKIN. That the cost, if you make allowance for New York State's contribution, would be something less than \$200,000,000 to the United States?

Mr. McGRATH. We include in our figures too, which are based upon the Niagara Frontier Planning Board study, certain cost factors which must necessarily be made that are not included in the engineer's calculations.

Mr. CULKIN. You still contend that the cost will be over \$200,000,000?

Mr. McGRATH. Oh, yes; oh, yes; and there is no getting away from that. It will, eventually.

Mr. CULKIN. You said you heard the testimony of General Robins?

Mr. McGRATH. Yes; and I also heard his admission that there was no consideration given to the interest on the money during the course of construction.

Mr. CULKIN. Yes. Well, now, you talk about the Panama Canal. Do you know that the Panama Canal was completed at \$2,000,000 under the estimate?

Mr. McGRATH. That is not my information, and I have not heard anyone assert that up to this point.

Mr. CULKIN. I read a record here, I think it was stricken out by Mr. Bender, that is by consent, I read into the record a statement that was in a letter written by the Chief of Engineers, then General Markham, that that was the fact; that those figures were 300 million under the estimate?

Mr. McGRATH. It cost \$375,000,000, as I remember it.

Mr. CULKIN. And the Engineers' figures were \$372,000,000, and that was 10 years; those estimates were made 10 years before. I will put that in the record, if I may.

Mr. ANGELL. It will be interesting to know what has been done since that time, and my information is that it will be doubled or trebled before we get through.

Mr. GAVAGAN. They have moved three locks.

The CHAIRMAN. That is a different proposition. That is a new act of Congress, altogether. I was a member of the Committee on the Merchant Marine that authorized it, and it had no connection with the original construction of the Panama Canal.

Mr. ANGELL. As the gentleman said here, before we get through with the Panama Canal we will double or treble the expenditures there.

Mr. CULKIN. I thank the gentleman for his contribution, but I want to get it on the record as it seems to me.

Shall I proceed, Mr. Chairman.

The CHAIRMAN. Go ahead.

Mr. CULKIN. Now, I think you said in your statement that the economic point of view as applied to the St. Lawrence seaway outweighs the national-defense needs?

Mr. McGRATH. I do not believe I said that in so many words, Mr. Culkin.

Mr. CULKIN. That is what I understood you to say, Mr. McGrath. What did you say?

Mr. McGRATH. I said that the men, the businessmen who are members of this conference and have studied this matter felt that there was no justification for building this as a national-defense project, and that, even though there might be some benefit from some phases of it from the standpoint of national defense, that in the long run the people would suffer much more from the economic ills that it would bring about.

Mr. CULKIN. Yes. But did you not speak of or have a sort of qualified position on the needs of national defense as compared with the economic needs of the Nation; is that right?

Mr. McGRATH. Well, I suppose, Mr. Culkin, to illustrate, we might, for instance, build a "Chinese wall" around the United States as a matter of defense. It would not be needed. It might be helpful. Now, it may be possible there are some parts of this that might represent a contribution to national defense, but if they are not needed, or urgently needed, and the people who are helping with this seaway are led to support it by reason of having done it because it is supposed to have these national-defense features, we will have made a mistake.

Mr. CULKIN. Do you think, then, that economy and the individual economic needs should be superior to the needs of national defense?

Mr. McGRATH. No; I think——

Mr. CULKIN. You heard the testimony of Admiral Rock on the question, did you not? You were here at the time?

Mr. McGRATH. Of course, Admiral Rock's testimony did not close this hearing. There will be other testimony on this same subject.

Mr. CULKIN. Or the Secretary of War or the Secretary of the Navy?

Mr. McGRATH. That is right; I have heard their views; yes; but they are not infallible.

Mr. GAVAGAN. Don't you think, from the viewpoint of the needs of national defense, they are better qualified to testify than an ordinary businessman?

Mr. McGRATH. When you say "ordinary businessman"——

Mr. GAVAGAN. Well, unusual or exceptional businessman?

Mr. McGRATH. I beg your pardon?

Mr. GAVAGAN. An unusual or exceptional businessman?

Mr. McGRATH. I would say even that might be true. They have a very good source of information. But I did not hear any of them say that this must necessarily be built for our national defense. There are other ways by which some things can be accomplished with the national-defense demand, which are necessities, absolutely taken care of with no injury to any part or any segment of our population.

But I believe that men experienced in shipping, with the movement of ships, for instance, should know something about the possibilities of building ships and moving them out of the Great Lakes, and that that knowledge might be superior to that had by Admiral Rock or Mr. Stimson, Secretary of War, or Mr. Knox, Secretary of the Navy. That is something for you gentlemen to weigh when you have heard all the testimony.

Mr. CULKIN. Have you finished?

Mr. GAVAGAN. Yes.

Mr. CULKIN. Just one more line of questioning: You said that New York State had claimed to own this water power and was engaged in a fight with the utilities?

Mr. McGRATH. Yes, sir.

Mr. CULKIN. Do you know the history of that fight?

Mr. McGRATH. Why, I have heard it, and I have read it, Mr. Culkin.

Mr. CULKIN. Did you read the law on it, the decisions in the New York State courts?

Mr. McGRATH. No, sir; I have not.

Mr. CULKIN. You have never done that?

Mr. McGRATH. No, sir.

Mr. CULKIN. I suggest that perhaps you had better read those first, before you pretend to discuss it. I think they are very pertinent on the question, and I would be glad to furnish those to you.

Mr. McGRATH. I would not put you to that bother, Mr. Culkin, because I do not think there is any dispute about the fact that ever since the time of Al Smith there has been a struggle for the power companies to get this power and New York has been trying to keep it.

Mr. CULKIN. As I gather, your point is that New York never owned the property?

Mr. McGRATH. Oh, no; I said that to illustrate the fact that New York has for 20 years argued the right to own, and in the course of that time has undertaken to protect and to preserve this water power as one of its assets.

Mr. CULKIN. You do not deprecate them making this point, or that they do not make it with good faith and intelligently?

Mr. McGRATH. Not a bit. It is merely to illustrate a point.

Mr. CULKIN. You are for the New York State group, are you not?

Mr. McGRATH. Yes; I am for it. I am merely illustrating the point that New York says, "This is our water power and we own it and we are going to develop it." I say that the courts have said, have already said, what Mr. Angell read, that United States owns it. That is the only point.

Mr. CULKIN. But as a matter of fact, this bill does not take away any Federal powers; you must recognize that, as a lawyer?

Mr. McGRATH. Oh, I do not. It takes away the power, in the first place, of appointing the people who will conduct the distribution of this power, who will allocate it.

Mr. CULKIN. I know, but it gives the Federal Government and its representatives the power to state how much this water power shall be sold for, does it not?

Mr. McGRATH. No, sir.

Mr. CULKIN. If you will read the bill—

Mr. McGRATH. I have read the bill. It says the Federal Government and the State of New York shall agree on that. Suppose they do not agree. Then what happens?

Mr. CULKIN. I make bold to suggest that you read it again. You know that there is—

Mr. McGRATH. May I read it now, to clear that point up?

Mr. CULKIN. Yes; surely.

Mr. McGRATH (reading):

The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said Power Authority of the power facilities constructed pursuant to this authorization and the right to use the United States share of the waters at the project for hydroelectric power purposes upon such terms and conditions as may be agreed upon.

In other words, they can use that under an agreement that they will enter into with the United States—

including provisions for payment of \$93,375,000—

which is the only point that is fixed in the bill at all—

which represent the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers, United States Army, and the Power Authority of the State of New

York dated February 7, 1933, such payment to be made by the Power Authority over a period of fifty years with interest at the rate of 3 per centum compounded annually. In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances, and provisions for the prior use of such water for the purposes of navigation and the delivery, without charge to the War Department, of so much power as said Department shall need for the operation of navigation facilities. The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

In other words, they have got to work out an agreement, and both parties have got to agree on it.

Mr. CULKIN. There is no doubt about the fact that the whole thing is subject to the ratification of Congress, is it not?

Mr. McGRATH. Suppose Congress does not ratify it? Suppose they cannot agree, and suppose Congress does not ratify it?

Mr. CULKIN. Of course, that presents us with another dilemma.

Mr. McGRATH. Yes.

Mr. CULKIN. And, of course, from your standpoint you welcome that; you manufacture that sort of thing?

Mr. McGRATH. No; I would say—

Mr. CULKIN. That is what you are hired for, as a good lawyer?

Mr. McGRATH. I say as a businessman we should avoid getting into these dilemmas by an understanding beforehand. The United States controls everything and owns the property, and we do not need to get into any dispute with New York State as to how it is going to be distributed. Now, we control it, and why should we enter into any agreement with New York State as to how it should be distributed?

Mr. CULKIN. I suggest, again, that you read those New York State decisions. There is a law on that subject. But the matter is in the hands of Congress eventually, as to the rights of the United States and the rights of New York.

I just want to refer to one other phase of your discussion: Is there anything in the law that says that this power cannot be distributed in New England?

Mr. McGRATH. Not a word; not a word. But I cannot visualize New York, with its 6,600,000,000 kilowatts that it has control over, as allowing distribution to any place except in New York.

Mr. CULKIN. Well, New York is extremely philanthropic, you must know.

Mr. McGRATH. Well, even assuming that to be true, that is a question that should be disposed of before you start out. That is the point I am making. And may I say, also, Mr. Culkin, that I have read a lot of the decisions, and the United States Supreme Court does not show any precedent for such development of the power.

Mr. CULKIN. Well, if we have to have it signed on the dotted line in advance, you are for that, if it means any delay in this procedure; isn't that true?

Mr. McGRATH. Not necessarily.

Mr. CULKIN. Well, I misjudged you, and I am sorry. That is all, Mr. Chairman.

The CHAIRMAN. Now, gentlemen, for the purpose of keeping the record straight, printed evidence is always more reliable than some man's recollection of it.

The letter of the Chief of Engineers, General Markham, giving the figures on the estimates of the Panama Canal, after the plans were prepared for enlarging the Canal, the estimates made in 1908, according to General Markham, called for \$375,301,000. That was made by Mr. Goethals, and under his direction. He was then colonel. He afterward carried out the work at a cost of \$372,391,000.

Estimates on the cost made by the French, perhaps with slave labor, 50 years before that time, Negroes to be imported from San Domingo and from the island of Jamaica, might have been very different from the estimates of our Army engineers, and I would state that a few of those Negroes were living some 5 or 6 years ago, and we passed a bill here in Congress for their relief. They were brought there from the islands.

Mr. DONDERO. Mr. McGrath, if you don't think the language in section 2 of this bill adequately protects the United States, would you suggest language in order to meet the objection you raise?

Mr. McGRATH. Of course, I wouldn't sit here and attempt to rattle off language to go into the bill. I think the principle can well be put into the English language, and that is, that the United States Government retain ownership over this, and the United States Government develop the power. They are going to put up the money anyhow.

Mr. DONDERO. Do you think the United States Government should engage in the distribution of this power?

Mr. McGRATH. I wouldn't say that necessarily. We don't say New York State is going to engage in the distribution of this power. They may sell it to the private power people. They have that right, and I have been told that their legislation setting up the power authority contemplated that they would first undertake to dispose of it through the private power distributing companies. If they could not make favorable deals with them, then they could distribute it themselves. But I do not think this contemplates New York State going into the power business on a retail basis.

Mr. DONDERO. Do you know of any reason why they should not agree on its sale and distribution?

Mr. McGRATH. Do you mean with the private power companies?

Mr. DONDERO. I refer to the State of New York and the Government of the United States.

Mr. McGRATH. Why they should not agree on distribution?

Mr. DONDERO. Yes.

Mr. McGRATH. I can see where there is a possibility of a very serious disagreement. If New York adheres to its position that it is its power and that it should be used for the development of New York State, and the Federal Government says it should be used in Massachusetts, Vermont, New Hampshire, Connecticut, you will have a very serious dispute.

Mr. DONDERO. Don't you think the very fact that New York is willing to pay \$93,000,000 for it precludes any right to question its ownership?

Mr. McGRATH. They are not paying \$93,000,000. That is just on paper. They say that for 50 years the money they collect from the users will be used to amortize this debt of \$93,000,000.

Mr. DONDERO. Don't you think it is an obligation of the State of New York, or is to be made an obligation by its legislature?

Mr. McGRATH. No; the Governor said under its constitution they did not have the power to do it, and it would take 3 years to amend the constitution.

Mr. DONDERO. Do you have the view that the State of New York has no power to enter into a contract of this kind with the United States?

Mr. McGRATH. No; I wouldn't raise that question.

Mr. DONDERO. If they have the right to do it, and make a contract to pay that amount of money, then wherever the money comes from is not the business of the United States. But it is the business of the United States to see that it is paid.

Mr. McGRATH. If the United States wants to sell its natural resources on a shoestring plan, where the buyer does not put up a dime, and turn it over to that buyer to do what he pleases with it, or to get into a serious dispute with him, that is new policy that you can or cannot go into. And I would advise against it, if my advice is worth anything.

Mr. DONDERO. Haven't we done that in the case of the T. V. A. and the Grand Coulee?

Mr. McGRATH. Oh, no.

Mr. DONDERO. The Government has put up the money to establish the improvement and sold the power.

Mr. McGRATH. That is true, but the T. V. A. is a United States governmental agency, isn't it?

Mr. DONDERO. That is possibly so. What have you to say of Boulder Dam, Grand Coulee, and others?

Mr. McGRATH. I assume that is the same arrangement; I don't know. I have read enough about T. V. A. to know we exercise control over T. V. A. Mr. Morgan, the chairman, got into a dispute and was fired, and it stuck. But if Mr. Jones, over here in New York, is not carrying on, we won't have a thing to say about his conduct, or whether he continue or not that will be up to the State of New York.

Mr. DONDERO. Don't you think that will be a matter of contract between the State of New York and the Government of the United States?

Mr. McGRATH. I wouldn't think so. The Government of the United States is not going to continue to exercise joint control over this thing once an agreement is entered into. Once such an agreement is entered into, that settles it.

Mr. DONDERO. That agreement has got to be ratified by the Government of the United States, through its Congress.

Mr. McGRATH. That is right.

Mr. DONDERO. And by the State of New York.

Mr. McGRATH. And suppose it is the kind of an agreement Congress will not accept, then where are we? We are then in a chaotic condition.

Mr. DONDERO. Then the Government of the United States will simply retain the ownership of its power.

Mr. McGRATH. How are you going to back out of the deal after you have made it, and have said, "You can have the power and you pay us \$93,375,000." Then you go on the future disposition of the power and you are in an argument. Does that sound like good business?

Mr. DONDERO. In answer to that, if the State of New York does not see fit to carry out their agreement with the Government of the United States then, as we say in the parlance of the curb, there is no dice, no contract, and the Government still has something to sell.

Mr. McGRATH. Would you come in and repeal this act that you have already passed?

Mr. DONDERO. I don't think it would be necessary to repeal it. We might have to amend it. We have had to do that with many of the basic laws of the country.

Mr. McGRATH. That is true, but that is a matter of judgment, Mr. Dondero. If Congress wants to go ahead and say, "We are willing that the Federal Power Commission and the State Power Authority work out some agreement that they can bring back to Congress," and take our chance on that agreement being satisfactory, that is one thing, but if we say to the Federal Power Commission, or to the State Department, or whoever has the authority to do it, "You figure out your agreement with New York State first, and put it on the table and let us see what it is before we approve it," then you are doing a businesslike thing.

Mr. DONDERO. You think the details ought to be worked out in advance?

Mr. McGRATH. I don't think there are any difficult details to be worked out in advance, but they should be. This question of distribution is one of the important details; that is, the theory of distribution. I know from talks with New York people that they think they are going to get a great block of power and bring a lot of industries into New York. They are talking about the industries that have been weaned away from New York by the South by lower wage rates and that sort of thing. They are going to bring them all back to New York with this cheaper power. They think they are going to get 6,600,000,000 kilowatts of power right in New York State. I think if they are advised they are going to have to divide that and split it with somebody else they may take a different attitude about it. Let us have an understanding about that before we go too far.

Mr. DONDERO. You don't think the Government of the United States is adequately protected by the language of the bill?

Mr. McGRATH. I think not.

Mr. DONDERO. Do you want to make some suggestions and submit them to the committee before the committee is done?

Mr. McGRATH. I shall be very glad to.

Mr. PITTENGER. You mentioned a Mr. F. L. Davis. Do you mean Frank S. Davis, the chairman—

Mr. McGRATH. Yes, sir.

Mr. DONDERO. I have no further questions.

Mr. PITTENGER. Mr. Davis is with the Boston Chamber of Commerce?

Mr. McGRATH. That is right.

Mr. PITTENGER. What is his job in private life? Does he own some boat line or railroad?

Mr. McGRATH. No; he is a paid employee of the Boston Chamber of Commerce, in charge of their maritime association.

Mr. BELL. Mr. McGrath, you were present when the Governor of New York testified here the other day?

Mr. McGRATH. Yes, sir.

Mr. BELL. You heard him testify that the State of New York is claiming title to this power?

Mr. McGRATH. Yes, sir.

Mr. BELL. I believe you also heard him say that the question had never really been decided by the Supreme Court of the United States.

Mr. McGRATH. Yes, sir.

Mr. BELL. In the event that this bill were passed, the bill itself would in some measure settle the question as to who has title to that power, would it not?

Mr. McGRATH. It would then become a question as to the power of Congress to alienate the natural resources owned by the people of the United States. If they have that power, they would have surrendered that ownership to the State of New York, as I understand it.

Mr. BELL. From what you know of the general situation, it is your opinion that this power should be kept in the State of New York, rather than be spread out over the various States of New England?

Mr. McGRATH. I haven't heard anything to indicate any intention to the contrary.

Mr. BELL. Do you think it would be more fair to the people of the United States who pay the bill to let the United States Government continue to own the power, and charge whoever got the power a fair rate and turn the difference into the Treasury of the United States?

Mr. McGRATH. Definitely so. That is our policy, I understand. Here we are being asked to deviate from that policy.

Mr. BELL. Don't you think the same thing ought to be done in other parts of the country where Federal power is being produced and sold to private ownership?

Mr. McGRATH. I would think so, as a matter of policy. I am no expert on these things. I haven't given it such careful consideration, but basically I would say if the United States owns water power, and we are going into the power business, we ought to have a definite policy, and so far as possible it ought to be adhered to in all instances.

Mr. BELL. In other words, if the State of New York could get power very much cheaper than they can in Alabama, naturally industries go to where power can be procured at very cheap rates; isn't that right?

Mr. McGRATH. I think that is probably true.

Mr. BELL. So that in the event this bill should become law and a vast reservoir of very cheap power should be vested in the State of New York, it would mean every other industrial region of the country would lose, in all probability, some of its industries, who would come to New York for the purpose of getting that cheap power.

Mr. McGRATH. That is the view of many of the people who have raised that question, and I concur in that.

Mr. BELL. Have you made any studies of the effect upon transportation throughout the midwestern portion of the country that the completion of this waterway would have?

Mr. McGRATH. I can't say that I personally have made what might be called an intensive study, Mr. Bell. But people in the transportation business, affiliated with our conference, have done that, and of course hope to be able to do it more completely when the Depart-

ment of Commerce has submitted its claims as to what transportation will be handled over this new waterway.

Mr. BELL. You are not yourself prepared to testify on that line?

Mr. McGRATH. It would not be nearly as helpful to the committee as some other witness' testimony might be.

Mr. BELL. No other questions.

The CHAIRMAN. Mr. Angell.

Mr. ANGELL. Mr. Chairman. Is it contemplated, Mr. McGrath, under the provisions of this bill that it should cover all the hydroelectric power developed on the St. Lawrence?

Mr. McGRATH. No; I understand just the American half of it.

Mr. ANGELL. I notice the beginning of the bill says:

For the purpose of promoting interstate and foreign commerce, and national defense, and providing improved waterway on the Great Lakes and the St. Lawrence and connecting waters reaching to the Atlantic Ocean, for generating electric energy as an aid to financing and assisting in such undertaking.

Isn't that language sufficiently broad to include all the hydroelectric projects on the St. Lawrence?

Mr. McGRATH. Of course, that only has direct reference to the treaty with Canada. I don't think it has any reference to the New York proposition. The bill accomplishes two purposes; it ratifies the treaty and then it sets out provisions for making an agreement with New York.

Mr. ANGELL. Were you here when Mr. Olds, chairman of the Federal Power Commission, testified that in his judgment it would be advisable to develop all of the power that is ultimately to be developed on the river under one authority, as one project?

Mr. McGRATH. I don't think I heard that. I was not here all yesterday afternoon.

Mr. ANGELL. That is the policy being adopted by the Government elsewhere, in the Tennessee Valley, for instance. It covers a large area, and a number of States are involved, and the Government established the Tennessee Valley Authority, and on the Columbia River they are developing power from two sources, Bonneville and Grand Coulee.

The CHAIRMAN. They are not under the same management there.

Mr. ANGELL. It is contemplated they will be under the same management. The Bonneville Authority has control over both, and there is legislation now pending in the Congress to establish an authority in the Columbia River similar to the T. V. A.

How far is it from where this proposed power project is situated to New York City?

Mr. McGRATH. Well, it is within the 300-mile radius, I think, or very nearly so.

Mr. ANGELL. How far to Boston?

Mr. McGRATH. Boston is a little closer. If you have the map that Mr. Pittenger furnished—

Mr. ANGELL. How far is Portland, Maine.

Mr. McGRATH. Portland, Maine, is even closer than Boston.

Mr. ANGELL. Isn't it true, then, that the trade area for economic distribution which would be contiguous to this development for the utilization of the hydroelectric power far exceeds any one State, in fact covers a group of States?

Mr. McGRATH. Unless it would be contiguous—

Mr. ANGELL. I mean this particular project. Isn't it true that the trade area of this particular project exceeds a single State and covers a number of States?

Mr. McGRATH. Oh, I think there is no question about that. I am not so sure about what you would call the trade area.

Mr. ANGELL. I mean trade for electric power; the area that would be in the market for this sort of power.

Mr. McGRATH. I can't see how there can be any question about it, because the matter of economically distributing hydroelectric power is governed solely by distance. Atmospheric conditions or topography do not enter into it, so you can transmit it 300 miles in one direction just as well as in another.

Mr. ANGELL. Is it your understanding that power may be transmitted 300 miles economically, and that it is being done?

Mr. McGRATH. I understand that to be a fact.

Mr. ANGELL. So that the area which would be contiguous to the use of this power would go as far as Boston, Mass., Portland, Maine, and all of the intervening places?

Mr. McGRATH. Yes, sir.

Mr. ANGELL. As well as New York.

Mr. McGRATH. Yes, sir.

Mr. ANGELL. Would it reach down into Pennsylvania, 300 miles to Pennsylvania?

Mr. McGRATH. Yes; it would reach into Pennsylvania, western Pennsylvania, and about half way down New Jersey, according to this map. It would take in all of Massachusetts, excepting the cape area; it would take in all of New Hampshire, all of Vermont, and I would say from looking at the map, about half of Maine and all of Connecticut, and about one-third of Rhode Island, within the 300-mile radius.

Mr. ANGELL. I understood you to testify you were a lawyer of some 30 years' experience.

Mr. McGRATH. Yes, sir.

Mr. ANGELL. Have you read those decisions by the United States Supreme Court to which attention has already been directed, one of which was the *Appalachian case*, decided December 16, 1940?

Mr. McGRATH. I read the *Appalachian case*. I did not read the other one that was referred to.

Mr. ANGELL. Is it your understanding that the decision, rendered by the Court, speaking through Justice Reed, in the *Appalachian case*, laid down the rule that water power developed on a navigable stream in connection with the development of navigation is the property of the United States?

Mr. McGRATH. I thought that was very clearly set forth.

Mr. ANGELL. Was not that the real point at issue in that case?

Mr. McGRATH. Yes, sir; I understand it was, because there was so much dispute over the question whether the New River was navigable.

Mr. ANGELL. I understand that 41 of the States of the Union appeared as friends of the Court in that case, resisting the contention of the Government that this power did belong to the Federal Government.

Mr. McGRATH. That is correct.

Mr. ANGELL. If that is true, and that decision is now the holding of the Supreme Court, which is, of course, the highest authority, would it not be a matter of good policy on the part of the Federal Government,

if it owns this power, as it is in a great waterway a natural resource, belonging to all the people, and not only passing through one State but several States, and the hydroelectric power which will be developed through the project will be available to the whole area, wouldn't it be advisable for the Federal Government to retain control?

Mr. McGRATH. I could not characterize any other policy as being a sound one.

Mr. ANGELL. I stated a moment ago that is the policy being pursued by the Federal Government in my territory, in the Columbia River, and it is also the policy that is being pursued in the Tennessee Valley, and, according to my understanding in every other project the Federal Government has developed.

Mr. McGRATH. Well, Mr. Angell, I am in a position where I am not advocating public development of power. I represent clients who disagree with that thought, but if we are going to have a policy—and, of course, we have one, at least in the formative stage in all the States right now, and it is being accelerated by all these new power developments—it certainly should be a sound business policy.

Mr. ANGELL. Is it your understanding that this power as developed here will be available to other States than New York? Will other States have the right to participate in it and buy power?

Mr. McGRATH. I have heard no such suggestion on the part of anyone who is interested in promoting this project.

Mr. ANGELL. My question goes to the point, will other interests located elsewhere, for instance, in Boston or Portland, or some of the other cities in other States, have the right under this legislation, if it is enacted, to buy this power from New York?

Mr. McGRATH. That would depend upon the sort of an agreement New York entered into with the United States Government.

Mr. ANGELL. It would require, then, other legislation, or a private agreement between the Federal Government and the New York authority?

Mr. McGRATH. Under this bill, as I understand it, there would have to be an agreement which would be subject to the approval of Congress. I can foresee the possibility where the New York Staters would say, "We have claimed this power for 20 years; we have put our money into it. We own it. We will not agree that these other States come in and get any of it." And you then reach an impasse.

Mr. ANGELL. If the Federal Government starts from the point that it owns this power and it is for the benefit of all the people, it is going a little far afield, is it not, if it enters into an agreement with one State so that that State will or will not supply power to the other States?

Mr. McGRATH. It reaches about this situation, as I see it: The Federal Government says we will surrender the ownership of this power to you, and then we will fight it out later as to who is to get the power.

Mr. ANGELL. You have called attention here to some reports that have been submitted by the United States Department of Commerce. Do you understand the circumstances under which those reports were made?

Mr. McGRATH. I understand it is a Presidential report of some kind.

Mr. ANGELL. Have you read them?

Mr. McGRATH. I have read those that have been issued.

Mr. ANGELL. Is there any argument in any of them against this project?

Mr. McGRATH. No; they are all favorable to it, as I have read them.

Mr. ANGELL. No argument in opposition?

Mr. McGRATH. No, sir.

Mr. ANGELL. It may be considered a more or less partisan attitude—that is, one side of the project?

Mr. McGRATH. I would say it was a brief for the completion of the project.

Mr. ANGELL. I notice in one of the letters transmitting one of them it says, "presenting arguments pro and con." I haven't had the opportunity of reading all of them that have been published, but I am wondering if there are any arguments against the project.

Mr. McGRATH. As I read them, Mr. Angell, there are arguments against it stated, but immediately those arguments are deprecated and brushed aside. That is my interpretation.

Mr. ANGELL. It is a brief in favor of the project.

Mr. McGRATH. Yes, sir.

Mr. DONDERO. There is one question I forgot to ask you. Of course, we in Michigan and the Middle West quite naturally, being beyond the limit of the distribution of this power, really have no interest in the power distribution. The thought has occurred to me, Mr. McGrath, would your association be favorable to this project if section 2 was worded in a way to suit you?

Mr. McGRATH. I am in no position to commit the association on that subject. But, Mr. Dondero, I must disagree with your statement that you have no interest in power. You are going to be taxed quite heavily to provide that power.

Mr. DONDERO. Oh, yes; I understand that. You don't understand the inference of my statement. We would have no benefit from the use of that power, because we are beyond the reach of its distribution.

Mr. McGRATH. That is right.

Mr. BELL. With reference to the question whether or not the rest of the country has any interest in this power, I will ask you whether or not it is a fact that wherever there is a vast well of cheap power, it draws people away from other parts of the country.

Mr. McGRATH. There isn't any question about that.

Mr. BELL. In addition to that, Mr. McGrath, by comparison, it puts the other parts of the country in an unfortunate economic position.

Mr. McGRATH. There is no question about that.

Mr. BELL. In that they cannot compete with the industries in the locality that has the cheap power; is that right?

Mr. McGRATH. I am satisfied that is definitely true.

Mr. BELL. So that from the standpoint of the other parts of the United States, particularly those States of the United States that have no claim upon such cheap power, it would mean that their industries likewise would suffer; isn't that true?

Mr. McGRATH. Yes; and they would be paying financially to promote that suffering.

Mr. BELL. For instance, if a man were manufacturing shoes, and needed electric power in the manufacture of them, he could not compete with a man somewhere else who had much cheaper power to manufacture them than he could get.

Mr. McGRATH. Of course, the matter of transportation would enter into that, but the cheaper power would give him a greater advantage.

Mr. BELL. Assuming the transportation was on a level at both localities.

Mr. McGRATH. Very definitely the man near the cheap power, who had the cheap power available would have a great advantage.

Mr. BELL. Are you familiar with the fact that already transportation rates are stacked against the Middle West?

Mr. McGRATH. I am not familiar with that.

Mr. BELL. Do you know you can ship an article from San Francisco to New York, or New York to San Francisco for less money than you can ship it from Missouri to either place?

Mr. McGRATH. I have read some statement like that, but I am not a rate expert, Mr. Bell. I don't know about that.

Mr. GAVAGAN. Mr. Chairman, I have a question.

The CHAIRMAN. Mr. Gavagan.

Mr. GAVAGAN. Your answers to Judge Bell would be just as sound an argument against the Tennessee Valley Authority development of electric power?

Mr. McGRATH. I assume that is true.

Mr. GAVAGAN. And Columbia River and Bonneville projects.

Mr. McGRATH. I assume that is true.

Mr. GAVAGAN. You testified here in answer to Mr. Angell's questions as to what you thought was sound public policy. I am going to ask you this question: "Do you think it is sound public policy for the Federal Government to pay States a fixed amount of revenue, to pay the States of Alabama and Tennessee 5 percent of the proceeds, in perpetuity for the use of the water power of those States?" Do you think that is sound public policy?

Mr. McGRATH. Not knowing what the arguments were, pro and con, as to why that should be done, I hardly feel in a position to give an opinion on it.

Mr. GAVAGAN. And yet you take the position that section 2 of this bill is not sound public policy, when the State of New York agrees not to receive anything from the Federal Government, but to pay the Federal Government over \$93,000,000 for the use of the Federal Government's developed hydroelectric power. You don't think that is good public policy?

Mr. McGRATH. Mr. Gavagan, it might develop on proper investigation that there was some justification for paying New York State 5 percent of the proceeds, the same as they are paying Alabama and Tennessee, I don't know. That is a different proposition. But I say, in my judgment, it is not sound policy for the United States to deviate from the practice that they have followed, and that is, retaining ownership and control over the natural resources.

Mr. GAVAGAN. Now, I want to ask you as a lawyer—you testified here in the beginning you are a lawyer.

Mr. McGRATH. Yes, sir.

Mr. GAVAGAN. I want you to answer me as a lawyer; if you will say, as a lawyer, that section 2 is not an assertion of ownership by the Federal Government of Federal power.

Mr. McGRATH. I don't think that it is.

Mr. GAVAGAN. In other words, you say the assertion of the right to grant a thing is not an assertion of the power of ownership in that thing, as a lawyer.

Mr. McGRATH. Well, I think that is begging the question. They do own it; they are surrendering the ownership by those terms.

Mr. GAVAGAN. No; on the contrary, they are not. They are only surrendering the use of it.

Mr. McGRATH. No; I do not think so. Your own question is begging the question. In perpetuity they are surrendering whatever power the Government has over the water power which may be developed in the International Rapids section of the St. Lawrence River.

Mr. GAVAGAN. No; you are begging the question. You claim that section 2 does not give general power to the Government in the ownership of that power. I would like to ask you, as a lawyer, your legal opinion if the assertion of the right to lease or loan or lend a thing is not the assertion of ownership, I would like to know what that is.

Mr. McGRATH. I would say ordinarily that is true, and I do not think that I said anything that necessarily conflicts with that. I said Governor Lehman came in and said they owned it.

Mr. GAVAGAN. But, to understand the argument of Governor Lehman, you have to go back more than 23 years; you must remember that the State of New York was a sovereignty, was a commonwealth, before the Federal Government was ever in existence, and that it has rights coming down over 300 years, before the creation of the Federal Government. The ownership of Federal power is more or less an academic question, but the Supreme Court of the United States has determined that the Federal Government only has the constitutional power to lease hydroelectric power where it is developed as an incident to, attached to navigation on navigable streams, under the Constitution.

Mr. McGRATH. I understand that to be correct.

Mr. GAVAGAN. And then only when the Government has stepped in in some way to regulate its power on navigable streams, either for flood control or some other power, but not directly for the development of hydroelectric power. Now, that is constitutional law.

Mr. McGRATH. I understand that; there is no dispute between you and I on that question.

Mr. GAVAGAN. And the Federal Government has no constitutional power to develop hydroelectric power in priority.

Mr. McGRATH. When they develop a stream for navigable purposes, then the Government has control of that power that may be developed in the stream.

Mr. GAVAGAN. The Government is asserting its constitutional power to develop power on navigable streams.

Mr. McGRATH. I suppose we might have a dispute as to the legal phases of the matter here.

Mr. GAVAGAN. If you are going to talk about section 2 as a constitutional lawyer, let us talk about constitutional law.

Mr. McGRATH. Is this the place for you and I to get into a dispute over that?

Mr. GAVAGAN. But you are discussing this as a lawyer.

Mr. McGRATH. And I say as a lawyer that we should not buy a pig in the poke.

Mr. GAVAGAN. And we are not, either; because that is decided in section 2.

Mr. McGRATH. No; I do not agree with that.

Mr. GAVAGAN. In as fine a constitutional manner as the Federal Government has ever protected its rights.

Mr. McGRATH. All right.

Mr. GAVAGAN. It is not paying the State of New York a penny, but, as a matter of fact, the State of New York is paying it \$93,000,000.

Mr. McGRATH. That is, it is returning \$93,000,000 to the Government, as it gets it in revenues.

Mr. GAVAGAN. And it is perfectly all right.

Mr. McGRATH. It is a bookkeeping proposition, that is all.

Mr. GAVAGAN. Would you call paying the States of Alabama and Tennessee a bookkeeping proposition?

Mr. McGRATH. That is another proposition.

Mr. GAVAGAN. That is in another State—

Mr. McGRATH. I am not going to give a curbstone opinion on something I do not know anything about.

Mr. GAVAGAN. You are advocating the Federal Government establishing a policy for the sale and development of hydroelectric power. You are evidently finding fault with the policy in section 2 of this bill. Now, I ask you do you agree with the policy of the T. V. A.?

Mr. McGRATH. If we are going to have a Federal power policy, I say that the T. V. A. approximates my view of what that should be.

Mr. GAVAGAN. Then, the Federal Government should pay the State governments a fixed sum out of the revenues in perpetuity?

Mr. McGRATH. I did not go into that question. I think it goes to the matter of who shall control the disposition of power.

Mr. CULKIN. May I observe to the gentleman from New York that the Federal Government is paying 15 percent of the gross receipts after the construction of the Norris Dam to the States of Tennessee and Alabama? Prior to the construction of the Norris Dam it was paying 7½ percent of the gross receipts. Now, as I recall quite distinctly, the Government is paying 15 percent to those States. Is it not 15 percent now?

Mr. ANGELL. Yes; there is a sliding-scale payment now.

Mr. GAVAGAN. For the use of the rights of the States?

Mr. ANGELL. Yes; that is, in the upper valley.

Mr. GAVAGAN. And the Federal Government has agreed to pay a certain percentage of it in perpetuity to these States.

Mr. McGRATH. The same thing could apply in New York State, Mr. Gavagan.

Mr. ANGELL. May I ask one or two questions, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ANGELL. You called attention to this colored map. I notice it has some lines on it showing distances up to 300 miles from this proposed power project?

Mr. McGRATH. Yes, sir.

Mr. ANGELL. And from those lines I note that all of Vermont and all of New Hampshire and the greater part of Massachusetts, and all of Connecticut, and a very considerable portion of Pennsylvania,

New Jersey, Rhode Island, and Maine in addition to the State of New York itself, is within the 300-mile limit.

Mr. McGRATH. I think, perhaps, Mr. Angell, you made a mistake on it and got confused with the 250-mile limit, because all of Connecticut is.

Mr. ANGELL. They are within the 300-mile limit?

Mr. McGRATH. Yes; and all of Rhode Island is within the 300-mile limit. It does not extend up there, but if extended it would bring it all in except a little point up here on Cape Cod.

Mr. ANGELL. Practically all of the New England States, and New York, and a very considerable portion of Pennsylvania, and the greater portion of New Jersey are all within the area for the distribution of power from this project?

Mr. McGRATH. That is exactly right.

Mr. ANGELL. So that if it is power belonging to the Federal Government, it would not be a wise national policy to turn over to one State the administration of so large a project where the power is going to a great many States.

Mr. McGRATH. That is just the point I have been trying to make.

The CHAIRMAN. But, Mr. Angell, why should any of those States have any more rights than the others?

Mr. ANGELL. We have not in Oregon claimed the ownership of the Bonneville project. The Federal Government holds control over it.

The CHAIRMAN. From my viewpoint, you have as much right to that power as the State of New York, but how are you going to get the benefit of it in your State?

Mr. ANGELL. By letting the Federal Government develop and control it. This is power which comes from a great national resource belonging to the Federal Government, and the benefit of it will accrue to a large part of this area. Why should the Federal Government turn it all over to one State to administer?

The CHAIRMAN. On that I take the view that the New England States are no more entitled to it than Oregon or Texas.

Mr. ANGELL. They are the only ones that can use it, which is the reason they get the benefit. Following out your view, then, Mr. Chairman, I think it would be advisable for the Federal Government to impound all proceeds from power sales from this project, and when the Government has been reimbursed for all of the costs and operations, then, any additional revenues from it would go to the Federal Government, and then, as you say, Texas and all of the other States would share in it, but as we are planning this law it will all go to New York.

The CHAIRMAN. Well, because it is located in New York and New York has claimed and is claiming some of the power.

Mr. ANGELL. But the power is not all located in New York.

The CHAIRMAN. They have claimed the power in their State belongs to them.

Mr. ANGELL. But unfortunately the Supreme Court said no, that it does not.

Mr. GAVAGAN. The Supreme Court has said no such thing, properly read.

Mr. ANGELL. The Supreme Court has said New York does not own the power, that the Federal Government owns it.

Mr. GAVAGAN. The Supreme Court of the United States has held that only where the Federal Government exercised its constitutional power over the navigable streams of the United States, and in the exercise of that power it developed incidental hydroelectric power, that the Government may dispose of it.

Mr. ANGELL. That is the case here.

Mr. GAVAGAN. Yes; when it is developed.

Mr. ANGELL. Yes; but they own it now.

Mr. GAVAGAN. They do not own it now, not presently.

Mr. ANGELL. This decision goes so far as to say the Government owns complete control of the project—

Mr. GAVAGAN. Yes; control of the project. When the Federal Government has developed a project under its constitutional powers; but if the Federal Government came into the State of New York and said, "Here, we want the use of your power, as a priority right," they could not do that.

Mr. ANGELL. According to the Supreme Court, the State of New York has no power.

Mr. GAVAGAN. I disagree with that.

Mr. ANGELL. You may disagree with the Supreme Court; some gentlemen do.

Mr. GAVAGAN. I do not disagree with the Supreme Court when it properly decides a matter, and that is the decision as properly read, in my opinion.

I have another question to ask the witness.

Now, there has been some talk here about the State of Vermont and the State of Massachusetts being within the economic area for the distribution of hydroelectric power, and I am going to ask the witness if he has before him page 3, line 9, of the bill, down to line 21?

Mr. McGRATH. I have read all of the bill.

Mr. GAVAGAN. Let me read this part of it to you.

Mr. McGRATH. Mr. Gavagan, I do not have the printed copy before me.

Mr. GAVAGAN. I will read the language.

Mr. McCann, will you give the witness a copy of the bill, please?

Mr. McGRATH. Where is that point again?

Mr. GAVAGAN. Page 3, line 9, after the period:

In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances.

Now, in your opinion, does not that protect the rights of adjacent States?

Mr. McGRATH. I would not say that it does.

Mr. GAVAGAN. You would not say that it does?

Mr. McGRATH. No.

Mr. GAVAGAN. Then, what do you think this language means, "within economic transmission distances"?

Mr. McGRATH. I think this: You have a limited output of power. Now, you cannot supply all of the demands in the New England area and New York, and New York claims to own that power, and is going to handle the distribution.

Mr. GAVAGAN. Just a minute, on that point. Does not this provision of the bill deny the right of the State of New York to handle the distribution of that power, and is it not the assertion that the Federal Government will enter into an agreement with New York as to how it is to be distributed?

Mr. McGRATH. That is to be part of the agreement, that is true.

Mr. GAVAGAN. Yes; so that the rights of adjacent States, if any there be, in the distribution of this power, within a radius of 300 miles, will be properly protected. Would not that be your honest opinion?

Mr. McGRATH. Not necessarily. I do not know what New York will assert its rights to be when it undertakes to negotiate an agreement on the distribution of power.

Mr. GAVAGAN. You assume if we pass this bill with this provision in it that the Federal Government will faithfully carry out the intent of Congress, do you not?

Mr. McGRATH. Oh, yes, sir.

Mr. GAVAGAN. And that the Federal Government will see that the agreement between the parties and the State of New York will take care of the equitable distribution, within economic transmission distances of Federal hydroelectric power?

Mr. McGRATH. The United States can exercise no compulsion on the State of New York to enter into any certain kind of an agreement. They can say, we disagree, and where do you go from there?

Mr. GAVAGAN. But the Federal Government will insist upon its right with the State of New York on how that power load will be distributed under the specific terms of this bill, is not that so?

Mr. McGRATH. Assuming that the Federal Government might attempt to do that, and New York says we do not agree with that; we own this power; we are going to use that for the State of New York; then, what is the situation?

Mr. GAVAGAN. Now you are assuming something that is absolutely beyond the realm of possibilities or probabilities, because the State of New York could not take that position under the terms of this bill.

Mr. McGRATH. They have been taking that position for 20 years.

Mr. GAVAGAN. They have been taking it for 300 years.

Mr. McGRATH. Yes.

Mr. GAVAGAN. They have been taking the position that undeveloped hydroelectric power or electric power in water belongs to the sovereign State.

Mr. McGRATH. And when they develop it, they own it, and they control the distribution of it.

Mr. GAVAGAN. If they develop it within their own State authority, yes; but they do not do that, and they cannot do that under this bill.

Mr. McGRATH. Why could not they?

Mr. GAVAGAN. Because the other States, or the Dominion of Canada, could rob them of it very quickly by the erection of a dam to cut them off.

Mr. McGRATH. They could not do that without violating this agreement or treaty with Canada. There has to be an equal division.

Mr. GAVAGAN. They cannot violate anything. Now, is not that a protection of the rights of the Federal Government and the adjacent

States, that language in this bill: "In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances?" Is not that an answer to this bugaboo that you have raised about the rights of adjacent States?

Mr. McGRATH. No; I do not think it is.

Mr. GAVAGAN. If you admit it, your case falls, that is all.

Mr. McGRATH. That is one reason why I will not admit it, because I think I have a good case.

Mr. GAVAGAN. You are here as a special pleader; you would not admit anything in favor of this bill, would you?

Mr. McGRATH. That is covering quite a broad field, now.

Mr. GAVAGAN. You have been very frank about it; you said you would not admit it.

Mr. McGRATH. I said I will not answer your question in the affirmative, because I believe I have a good case.

Mr. CARTER. I move we adjourn, Mr. Chairman.

Mr. GAVAGAN. You are at least the frankest witness I have ever heard. You are here as a special pleader, and you are sticking to it.

The CHAIRMAN. We will adjourn until 2 o'clock.

(Thereupon, at 12:15 p. m., an adjournment was taken until 2 p. m. of the same day.)

AFTER RECESS

The committee reassembled, pursuant to the taking of recess, at 2 o'clock p. m., Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will please be in order. Mr. McGrath was on when we adjourned for lunch. Are there any further questions?

STATEMENT OF TOM J. McGRATH—Resumed

Mr. McGRATH. Mr. Chairman, may I say something.

The CHAIRMAN. Yes, sir.

Mr. McGRATH. Before we get off of the subject, Mr. Gavagan and I were discussing, may I call the committee's attention to what I think possibly evidences better than anything—

Mr. PITTINGER. Might we wait until Mr. Gavagan comes in; it will be just a repetition if we do not.

Mr. McGRATH. I do not mind waiting, if I may be permitted to do so.

Mr. PITTINGER. How long will it take?

Mr. McGRATH. It will not take over a couple of minutes.

Mr. PITTINGER. All right; go ahead.

Mr. McGRATH. I want to quote from the law of 1931, of New York, which sets up the power authority and defines its duties and responsibilities and authority.

It starts out by saying:

"The power authority is authorized and directed," among other things in paragraph 4 of that section it says this:

4. To study the desirability and means of attracting industry to the State of New York, consistent with and in effectuation of the policy declared in subparagraph 5 immediately following.

Then subparagraph 5 reads as follows:

5. To develop, maintain, manage, and operate that part of the project owned or controlled by it in such manner as to give effect to the policy hereby declared (and all plans and acts, and all contracts for the use, sale, transmission, and distribution of the power generated by the project, shall be made in the light of, consistent with and subject to this policy) namely, that the said project shall be in all respects for the aid, improvement and benefit of commerce and navigation in, through, along and past the St. Lawrence River and the International Rapids section thereof, and that in the development of hydroelectric power therefrom the said project shall be considered primarily as for the benefit of the people of the State as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity. In furtherance of this policy and to secure a wider distribution of the said power and use of the greatest value to the general public of the State, the power authority shall in addition to other methods which it may find advantageous make provision so that municipalities and other political subdivisions of the State now or hereafter authorized by law to engage in the distribution of electrical current may secure a reasonable share of the power generated at the project, and shall sell the same or cause the same to be sold to such municipalities and political subdivisions at prices representing cost of generation, plus capital and operating charges, plus a fair cost of transmission and all as determined by the trustees, and subject to conditions which shall assure the resale of such power to domestic and rural consumers at the lowest possible price. To that end, the power authority may provide in any contract or contracts which it may make for the sale, transmission, and distribution of the said power that the purchaser, transmitter, or distributor shall construct, maintain, and operate, on such terms as the power authority may deem proper, such connecting lines as may be necessary for transmission of the power from main transmission lines to such municipalities or political subdivisions.

That is the end of the quotation. In other words, the law itself clearly sets out that this power shall be sold in New York State.

I just wanted to call that to the attention of the committee.

Mr. BELL. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes, Judge Bell.

Mr. BELL. This morning in your testimony you were asked questions as a constitutional lawyer about the title to this power. I will ask you if the arrangement set forth in this bill is not in the nature of the United States giving a sort of a quitclaim deed to the State of New York for the power rather than giving a warranty deed.

Mr. McGRATH. Well, I think that is true.

Mr. BELL. I ask you that as a "main-street lawyer," and not as a constitutional lawyer.

Mr. McGRATH. Do not get into any state of confusion on my classification as a lawyer. I am not a constitutional lawyer. I have been a labor lawyer principally during most of my experience, but as I understand the situation, New York State, as one of the colonies probably acquired ownership of this power, but their sovereignty became subject to whatever superior interest the United States Government might have; but I think that is particularly true, that whatever the interest may be on one side or on the other, the United States is giving it in the nature of a quitclaim deed. It is surrendering its rights.

Mr. PITTINGER. Mr. Chairman.

The CHAIRMAN. Mr. Pittenger.

MR. PITTIENGER. I would like to make this comment, Mr. Chairman. I am going to forego some questions in the interest of economy of time, but I would like to say that in addition to being a very eminent lawyer, Mr. McGrath is also a statesman. I served with him in 1917 and again in 1919 in the Minnesota State Legislature, and following his experience as a lawmaker, he has had a great career as an attorney and for several years represented the Standard Railroad Brotherhoods as their general counsel, if my recollection is correct, and we both come from Minnesota, and both are very fond of each other, but each admits that the other is wrong on this particular argument.

MR. McGRATH. Thank you.

THE CHAIRMAN. Gentlemen, unless there are further questions—you have nothing further, have you, to suggest?

MR. McGRATH. No; I have not, except this one thought, Mr. Chairman, that was called to my attention. It is not original with me by any means. But, in connection with the question that Mr. Angell and I seem to be particularly interested in, the bill calls for the expenditure on the part of New York, what we may say for brevity's sake, of \$93,375,000, but we will remember that General Robins said that their figures might be very substantially increased, even bringing the total up to \$500,000,000, and that same thing may be said with equal validity with respect to the cost of the power to New York State and, of course, the Government is binding itself to a positive limitation whereas it may cost even more than that.

MR. DONDERO. You do not mean to infer that General Robins' statement was that the share of the United States Government would be \$500,000,000?

MR. McGRATH. No; the entire cost, Mr. Congressman. If I said the United States Government, I did not mean that.

MR. ELLIS. Mr. Chairman.

THE CHAIRMAN. Mr. Ellis.

MR. ELLIS. Mr. Chairman, in view of these last statements I would like to ask one question.

THE CHAIRMAN. Yes.

MR. ELLIS. Mr. McGrath, I am sorry I did not get to hear you this morning, but I understand you did say that if for instance we should put some kind of a recapture clause in here in case we did not get along with New York all right in the handling of the power, you would be for the project.

MR. McGRATH. No; I think that this project has many other features that would make it entirely objectionable.

MR. ELLIS. That objection then is not the controlling factor?

MR. McGRATH. No; it is not.

MR. ELLIS. That is all, Mr. Chairman.

THE CHAIRMAN. Any further questions? Thank you.

MR. McGRATH. Thank you.

THE CHAIRMAN. Who will you call next, Mr. McGrath?

MR. McGRATH. I think Captain England of Cleveland is the next witness.

STATEMENT OF CAPT. RICHARD W. ENGLAND, APPEARING ON
BEHALF OF THE LAKE CARRIERS' ASSOCIATION, CLEVELAND,
OHIO

The CHAIRMAN. Captain England, we will be glad to hear you. You are representing the Lake Carriers' Association here?

Captain ENGLAND. Yes, sir.

The CHAIRMAN. Will you give your full name to the reporter.

Captain ENGLAND. Richard W. England.

Mr. Chairman, I appear before you on behalf of the Lake Carriers' Association. I might say that I was a lake sailor for 28 years; 4 years as a seaman, 24 years as an officer, 17 of those years as a master of lake ships.

The CHAIRMAN. You have had sufficient experience; you ought to know.

Captain ENGLAND. I am sorry to say this is my fifty-third year at the business. Perhaps that will qualify me to say what I am going to say.

During the World War years—from August 1917 to July 1920—I was assistant manager and later manager on the Great Lakes of the Emergency Fleet Corporation District No. 9, which was the construction division of the United States Shipping Board. We built and accepted 430 steel seagoing cargo ships, 1 wooden cargo ship, 48 tugs, both seagoing and harbor, a total of 481 vessels.

The seagoing cargo ships were full Welland Canal size of that day and are commonly known as lake type. These little vessels, while not economical as seagoing ships for commercial use, made ideal cargo ships under war conditions, for if a unit was destroyed only 4,000-ton cargo and 36 men were lost as against the ships of large tonnage and a much larger crew.

The "lake" type proved themselves splendid seagoing ships in the North Atlantic in the most severe weather of the winter months and many of them are still traveling the seven seas.

The shipbuilding facilities of the Great Lakes are still here for all types of the smaller tonnage, both for the merchant marine, the Navy, Army, and Coast Guard.

In connection with the navigation of the Great Lakes and the St. Lawrence waterway and the use of large-type seagoing cargo ships, it should always be remembered that serious fog, ice, and snow conditions cause serious delay in these waters, and some testimony has been given here indicating the opening and closing dates of navigation which to me are questionable. At times there will be one or two ships which have been delayed by bad weather and these ships are assisted down the St. Lawrence River by the use of large ice breakers, which the Canadian Government operate to keep the channels open. This involves large expense and at times causes serious damage to ships and is not a practical way to operate ships, therefore it appears to me that these dates do not tell the true story of actual open navigation, as some long interval may have ensued from the time of free navigation to this reported time of forced navigation.

The navigation through locks by the typical seagoing cargo ships is accompanied by great difficulty as these ships are not equipped

for the trade, the large lake cargo ships are equipped with mooring engines and chocks of a special type for the purpose of negotiating locks and also have large counterbalanced rudders, also the personnel of lake ships are trained in the trade, whereas the seagoing personnel have had no experience, or at least very limited.

In the Panama Canal the ships are handled by canal pilots, and in the locks the electric mules, so-called, place steel cables on each ship and have complete control of the ship. All ships are required to have Panama Canal chocks for this use.

In the Suez Canal, which is really what is known as a long level—and I might explain the use of the word “level” here from the sailor’s standpoint. The canal covers the whole waterway. The locks, the locks and the stretches in between the locks are called levels, and I always think that a better definition than “canal” covering everything.

The ordinary typical cargo ship is required to attach what is known as a salmon tail, which is an extension of the rudder to increase the ship’s steering capacity in narrow channels. I may say that the Suez Canal is nothing but a long ditch. That is all it is. Its channel banks are very prominent.

Mr. PITTINGER. May I ask a question?

Captain ENGLAND. Yes.

Mr. PITTINGER. Are there any locks in the Suez Canal?

Captain ENGLAND. No; no locks.

Mr. PITTINGER. None whatever?

Captain ENGLAND. No.

Ships designed for canal trade have very little flare to their bows; seagoing cargo ships and liners have flaring bows for buoyancy at sea. These bows suffer severe damage negotiating canals on account of the overhanging bows contacting the canal walls. In the Panama Canal this is overcome by the mules holding the ship in the middle of the lock, thereby not making contact with the canal walls at any time.

The facilities of the Panama Canal are furnished for the very reason that the typical seagoing ship is not built or designed for canaling, neither is her crew by experience qualified to operate these ships under such conditions.

In the movement of the small lake-type seagoing ship from the Great Lakes to tidewater, great difficulty was encountered, due to the construction of these ocean-type ships in negotiating the canals and narrow channels, and heavy expense was encountered through damage to hulls, cables, and deck equipment; commercial operators could not afford the delay and expense of this type of operation, and the only excuse for it is war, which is waste, and the ship operators do not want waste.

It would therefore seem unnecessary and unwarranted to expend the vast sums required to open up the St. Lawrence waterway for the building of ships for ocean cargo ships of the large size, when it is remembered that the United States has miles of harbors and coast line perfectly adapted for the building of ships of all types, and in the case of peacetime operating, the ill-equipped seagoing ship is not an economical ship for the canal trade; and any ocean operator who ever had a vessel up in the waters of the Great Lakes that met with an accident in the month of November and did not get his ship out until the following

May would see red and never again would he be inveigled into a lake cargo; once would be a plenty.

In my opinion, therefore, the St. Lawrence waterway for navigation of typical seagoing ships is not practical or economical, and the reason the Great Lakes fleet is the success it is because a wide departure was made in ship construction and a ship designed to meet the requirements of the trade and route she was designed to negotiate.

I have about 25 records, Mr. Chairman, of all of the ships that left the Great Lakes that were constructed by the Emergency Fleet Corporation for the United States Shipping Board. Among them are many ships that were originally designed and built for many governments—for England; for Norway; for Sweden; for France; and these ships were all seized under President Wilson's requisitioning orders, and we finished them and then we started the contract ships with the United States Shipping Board, but the full list appears in these records.

Mr. DONDERO. Between what periods were those constructed, Captain?

Captain ENGLAND. The requisitioned ships that the Shipping Board took; they started in 1916, some of them, and I entered the Shipping Board in August 1917, and I finished in July 1920. I would suggest, Mr. Chairman, that these might be distributed, for the gentlemen of the committee to look at as to different types.

Mr. BETTER. Mr. Chairman, I think it would be well for those to be inserted in the record.

Captain ENGLAND. It is not very large; four sheets.

The CHAIRMAN. What does it purport to show?

Captain ENGLAND. The ships. It shows, Mr. Chairman—the real meat of this thing is the last page, I think—it shows all of the ships, who built them, and the years, and whether they were requisition ships or contract ships. The requisition ships were contracted for originally by Great Britain and other governments through the Cunard Line, for instance, and that is the whole fleet, 481.

Mr. BETTER. I think it is important, Mr. Chairman, in view of the proponents' contention.

The CHAIRMAN. Without objection, that will be incorporated in the hearings. Pass it to the reporter.

(The statement referred to is as follows:)

LIST OF REQUISITIONED AND CONTRACT VESSELS BUILT IN THE GREAT LAKES DISTRICT BY THE UNITED STATES SHIPPING BOARD, EMERGENCY FLEET CORPORATION, CLEVELAND, OHIO

(Capt. R. W. England, District Manager)

ORIGINAL OWNERS OF REQUISITIONED SHIPS

Compagnie de Chemins de Fer Algerienne de L. Ethe; agent, Oriental Navigation Co., 17 Battery Place, New York, N. Y.: Hulls Nos. 168, 172, 173.

Compagnie de Chemins de Fer de Paris A Lyon Et A La Mediterranee; agents, Oriental Navigation Co., 17 Battery Place, New York, N. Y.: Hull No. 169.

Cunard Steamship Co., Ltd., 21-24 State Street, New York, N. Y.: Hulls Nos. 82, 83; Chicago, 85, 86, 90, 91, 93, 94, 95, 140, 141, 142, 143, 144, 145, 146, 174, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 467, 468, 469, 470, 528, 529, 530, 531, 725, 726, 727, 728, 729, 730, 731, 732, 733.

Christoffer Hannevig, Christiania, Norway; then to Cunard Steamship Co., Ltd.: Hulls Nos. 83; Manitowoc 84, 87, 88.

Albert A. Dodero; then to Cunard Steamship Co., Ltd.: Hull No. 3.
 Robert Nilson Nilquist, Christiania, Norway; Bank Guarantee-Brown Bros. Co.,
 59 Wall Street, New York, N. Y.: Hull No. 175.
 Richard Peterson, Christiania, Norway; agents, Boulder, Weir & Boyd, 22
 State Street, New York, N. Y.: Hull No. 176.
 Arthur P. Lewis, New York, N. Y.: Hulls Nos. 147, 148
 Atlantic Gulf & West Indies Steamship Lines, 111 Broadway, New York, N. Y.:
 Hull No. 81 Chicago.
 Clinchfield Navigation Co., Inc., 24 Broadway, New York, N. Y.: Hulls Nos.
 194, 195, 196, 197, 198, 199.
 John Russell Smith, of Fort William, Ontario: Hulls Nos. 103, 104.
 Berg Hansen & Co., Kristianna, Norway: Hulls Nos. 80, 81 Manitowoc.
 T. Lawrence Smith, Inc., New York, N. Y.: Hull No. 86.
 Nilson Nilquist Co., Christiania, Norway: Hull No. 92.
 Christian Grau, Bergen, Norway; then to Mr. T. Hellesoe, Bergen, Norway:
 Hull No. 2.
 Compagnie Generale Transatlantique: Hulls Nos. 4, 5, 6, 7, 8.
 Christoffer Hannevig, Kristianna, Norway: Hulls Nos. 101, 102.
 T. Lawrence Smith, Inc.: then to Arthur P. Lewis; delivered to Oriental
 Navigation Co.: Hull No. 139.
 Luke & Ocean Navigation Co., Chicago, Ill.: Hull No. 191.
 McDougall-Duluth Co.: Hulls Nos. 9, 10.
 Total, 101.

Total number of vessels built

	Requisitioned, 1917	Requisitioned, 1918	Continued, 1918	Continued, 1919	Continued, 1920	Total
American Ship Building Co.	12	22	65	91	20	210
Great Lakes Engineering Works.....	6	24	9	38	7	84
Toledo Shipbuilding Co.	4	6	5	12	6	33
Manitowoc Shipbuilding Co.	4	9	3	12	6	34
Saginaw Shipbuilding Co.			4	9	5	18
Globe Shipbuilding Co.		4	1	9	5	19
McDougall-Duluth Co.	1	8	1	16	8	34
Lake & Ocean Navigation Co. (wood)			1			1
Tugs:						
Whitney Bros. Co.				10		10
Northwest Engineering Works.....				14	7	21
Leatham & Smith T. & W. Co.				6	3	9
Burger Boat Co.				4	2	6
Dachel-Carter Shipbuilding Co.					2	2
Total	27	73	89	221	71	481
Requisitioned cargo vessels.....						101
Contract cargo vessels.....						332
Contract tugboats.....						48
Grand total						481

Captain ENGLAND. Mr. Chairman, I have some pictures that we have had printed from old copies of mine.

The CHAIRMAN. I do not believe we can put pictures in the record.

Captain ENGLAND. No I am not suggesting that you put them in the record. They are put up in blocks. I think we have four or five blocks. I think you might be interested to see them.

Mr. BEITER. You might pass them along.

Captain ENGLAND. I think it will remind some of you gentlemen who were here in the war days what was going on.

The CHAIRMAN. Captain, in your experience, you have handled all of the types of freight that are handled on the Great Lakes?

Captain ENGLAND. All types of freight, Mr. Chairman; yes, sir; I think I have.

The CHAIRMAN. With the possible exception of car ferrying perhaps I do not know about that.

Captain ENGLAND. No car-ferry traffic and limestone. I have never been shipmates with those two cargoes.

The CHAIRMAN. Now, you have a great system there and what is thought by many of us to be the cheapest system of transportation we have.

Captain ENGLAND. Yes, sir.

The CHAIRMAN. Perhaps in this or any other country.

Captain ENGLAND. I think that is true.

The CHAIRMAN. If I am correctly informed, last year it amounted to only about seven-tenths of 1 mill per ton-mile; something like that.

Captain ENGLAND. That might be correct.

The CHAIRMAN. And that, however, only applies to the heavy traffic that is handled in bulk.

Captain ENGLAND. That is correct.

The CHAIRMAN. I suppose it includes grain, does it not?

Captain ENGLAND. It includes grain.

The CHAIRMAN. The same as ore?

Captain ENGLAND. Grain, ore, coal, limestone; bulk cargoes.

The CHAIRMAN. Can you give us any idea as to what the cost would be per ton-mile if that freight were handled by ocean steamers; ocean ships?

Captain ENGLAND. Well, I could not tell you that.

The CHAIRMAN. Can you make a reasonable guess?

Captain ENGLAND. I would say this, that we have no fear of any type of ocean steamer.

The CHAIRMAN. Competing with you?

Captain ENGLAND. Competing with the lake-type ship in the bulk-freight trade.

You know, to put it simply, so every one can understand it, we haul a ton of coal a thousand miles for 40 cents. Well, you cannot get it carried from the curbstone into your cellar for 40 cents.

So, I do not know any form or type of freight movement under any such rates as that.

Now, the lake ship is a specially designed ship for the trade and all of the docks fit the ships and all of the ships fit the docks of all types, both loading and unloading, and it is a special trade by itself; and it is a pity that the people in the United States are not a maritime nation. We have more 600-foot cargo ships than any other country in the world. We have the largest cargo ships in the world, and I doubt whether 5 percent of the people in Cleveland know it. If that were England or Norway or Sweden, or some other country, they would all be hurrahing about it. We do not pay any attention to it. That is one of the sad things of the maritime industry in this country.

The CHAIRMAN. I remember in 1924 when we were having the hearings on the 10,000 second-feet diversion at Chicago, Mr. Goulder, then general counsel of the Lake Carriers presented evidence before us showing the type of boats of the lake type you had then. I think they were about 600 feet long, as well as I remember.

Captain ENGLAND. Yes.

The CHAIRMAN. And that 80 percent of the hull space was devoted to cargo, while it was shown that only about 33 $\frac{1}{3}$ percent of ocean ships were devoted to cargo.

Captain ENGLAND. That is true.

The CHAIRMAN. And that being the case, I do not see that ocean ships could possibly compete with your type of lake ships on the Lakes.

Captain ENGLAND. Well, the construction, Mr. Chairman, of the ocean steamer, is bad, as you all know. I think the average and the ordinary seagoing type of cargo ship has a great shaft alley from the midship section aft, because they have their engine and machinery amidships.

And, their decks are all cluttered up with booms and cargo hoists of all kinds.

The CHAIRMAN. And they have quarters for the men and other things in addition to what you have.

Captain ENGLAND. Yes. Now, with the lake ships we have the engine in the stern and the machinery for the most part. We have the navigating bridge in the other end and the cargo space is all clear; clear for operating and cargo. They are designed for that.

The only ship I know of in the deep sea service that is comparable to them would be the Bethlehem ships running to Chile. They are built something on the type of the lakers and larger cargo carriers. They move as much as 21,000 tons through the Panama Canal, and they are pretty much of the same type, except that they are designed for that long trade, of course, from Sparrow's Point to Chile.

The CHAIRMAN. That ore comes into Baltimore?

Captain ENGLAND. Yes, sir; Baltimore and Sparrows Point.

The CHAIRMAN. Yes; and they were contemplating 11 years ago when we enlarged the channel to Sparrows Point there and above, they were then contemplating building ships with 30,000-ton capacity.

Captain ENGLAND. Yes.

The CHAIRMAN. I do not know whether they have carried that out or not.

Captain ENGLAND. On the Lakes, you mean?

The CHAIRMAN. No; on the ocean ships.

Captain ENGLAND. I do not think so. I do not know of anything as large as that.

The CHAIRMAN. Those boats were built especially for that type of trade, as I understand it.

Captain ENGLAND. That is right, Mr. Chairman, and drew about 35 feet, loaded with 20,000 tons.

I was just checking up on them, and I noticed that one carried 22,000 tons then drawing 34 feet and a few inches in the Panama Canal.

The CHAIRMAN. Yes.

Captain ENGLAND. We have ships, you know, on the Great Lakes, the steamer *Colby*, has just broken the record. She carried fifteen-thousand-and-something, over 15,000 tons.

The CHAIRMAN. You have never carried more than 15,000 tons, on ships up there, have you, on the Lakes?

Captain ENGLAND. Yes; the steamer *Colby* carried 15,000 tons, and we have a lot of steamers carrying 14,000, and 13,500. Those are gross, not net tons.

The CHAIRMAN. The majority of them run from 9 to 13 thousand, as I understand.

Captain ENGLAND. Yes; I would say that the great mass of ships run about 9,500 to 15,000 tons.

For instance, in one fleet, the Pittsburgh Steamship Co., there are 54 steamers, all practically duplicates, 605 feet over all, and carry about 13,500 tons. That is more ships in that fleet than you have got in any American-flag fleet on the high seas.

The CHAIRMAN. Do you have any trouble with the locks at the Sault in operating that type of ship?

Captain ENGLAND. Not our ships. You see our ships have mooring engines, and I do not know whether any of you are mechanically minded, but the mooring engine we use is different entirely from the cargo-hoisting engines which are used in loading and discharging their cargoes which is generally package freight.

Now, this does not connect with the Bethlehem ship at all, because the Bethlehem ship is loaded and unloaded by what is called a Hulett's bucket, being a 17-ton clam, but the ordinary typical sea-going cargo ship, her decks are all encumbered with booms for hoisting cargo, and then they have deck winches. Those deck winches do not lend themselves to mooring the ship and our ships on account of negotiation through the locks and moving so much at the docks, why, we have a special mooring engine and it very seldom will part a cable. It is under the absolute control of the operator, and as I said, in my paper, the ships are designed in particular for the trade, and no other ship is built that way on the high seas because they do not have any demand or any call for that kind of trade.

In the Suez Canal they do not tie up; they do not do any locking; just navigate through a ditch, but they have to extend their rudders, because the rudders do not have enough area for close work, and they do not want a large area when they are on the high seas, because they might lose their rudder, put numerous strains on the steering engines.

Now, in the Panama Canal, as I told you, they handle those ships, with those mules, and perhaps some of you gentlemen have been on the Panama Canal. Those mules pull those ships right out into the middle of the lock. The ship does not touch anything. The men do not do anything. All the men do is to look after heaving a line ashore and get a cable off the mule and put it on, and passing through the Panama Canal they have chocks. Those are put on each ship that goes through the Canal has to stop and put those on the ship before they will canal her.

The CHAIRMAN. Now, how about the locks in the Welland Canal; will they accommodate your large-type ships?

Captain ENGLAND. Yes. I went down through the new Welland Canal with a 600-foot ship, with 14,000 tons of soft coal on her, and it is a beautiful operating canal.

The CHAIRMAN. You have to go down about seven lifts there, do you not?

Captain ENGLAND. Yes. There is a flight of three locks which is tremendously interesting to me, and they are duplicates, right alongside each other, and I am not an engineer, nor a canal man; but I still have a lot of enthusiasm for the sea and everything connected with it, and I think that the Welland Canal is well worthy of a trip to see it. I saw something about you gentlemen proposing to make a trip, and I

certainly suggest that you go through the Welland Canal, if you do not do anything else. I think the Welland Canal is probably the finest piece of engineering I have ever seen. I think it is far superior to the Panama Canal from the seaman's standpoint.

Mr. CULKIN. Of course, Captain, that is wholly in Canadian territory.

Captain ENGLAND. That is all in Canadian territory. There is no reason for a board of this kind considering that. I think that the Canadians will welcome you.

Mr. PITTINGER. One of the objections used to this project is that it is mostly in Canadian territory.

Captain ENGLAND. I beg your pardon.

Mr. PITTINGER. That is one of the objections used against the project.

Captain ENGLAND. Yes.

Mr. CULKIN. There is no possibility of you extending your enthusiasm to the proposed St. Lawrence Canal?

Captain ENGLAND. I did not get your question. I did not get that.

Mr. CULKIN. I say, there is no possibility of your extending your enthusiasm to the proposed St. Lawrence waterway?

Captain ENGLAND. No. It is not practical. Those locks are not built in such a manner as to allow ocean cargo ships to negotiate them. I was very much enthused about those locks.

The CHAIRMAN. Your ships, however, could not negotiate the ocean?

Captain ENGLAND. Well, not as they are; no. They would have to make many changes, but I might say to you there is a misapprehension about the lake ship.

A number of years ago Professor Sadler, who was professor of naval architecture and steam engineering at the University of Michigan, was greatly bothered by some of the constructors doing queer things to ships in their design, and the question arose as to how high the seas were on the Great Lakes, anyway. So he sent out 100 questionnaires to 100 masters and had a formula on those questionnaires for the master to observe the seas and the result was that they found that the seas on the Great Lakes, in gales of wind, are higher than the seas on the North Atlantic, but not of such length. They are short seas, choppy, but higher; actually higher and deeper. It is a very strange thing.

And I think that the Great Lakes ships, their construction, is just as good as any seagoing ship, but her deck arrangement is not the same at all on account of this cargo business.

The CHAIRMAN. Any further questions?

Mr. GAVAGAN. What is the average tonnage of these ships, Captain, which were requisitioned and built by the Emergency Fleet Corporation during the war?

Captain ENGLAND. Well, they ran from about 2,800 tons to about 3,500. The Norwegian ships were typical Norwegian. The Scandinavian people are the finest ship operators in the world, fine ships. Nobody else can even touch them. They go all over the world; the Near East, the East; and they are great on small ships, and I might tell you that when we took some of those ships over—that was my job, taking ships over and seeing that they were completed for final acceptance—we found, for instance, that the Norwegians had no heating

arrangement in the rooms. They had no refrigerators. They had nothing like that. They had reduced them to the minimum.

Mr. GAVAGAN. Their officers evidently are hard men.

Captain ENGLAND. Yes; they are hard-boiled. And we have nothing on them, and that is the way they compete. Now, as the war went along and the demands of the seamen became more general, we wound up by building contract ships for the United States Shipping Board, that were like young liners. We had to have silver with the name of the captain on it, and the first officer, and so forth, and we had beautiful napkins, floor coverings, and all of the refinements you could imagine.

I have no objection to that at all, but you cannot do that and also compete with that other type, and that is the problem that you are looking at if you build a big canal. You will have a lot of interference of that nature. It will not help American shipping. We cannot compete, neither can American shipping.

The CHAIRMAN. Captain, does your experience go back to the whale-backs?

Captain ENGLAND. Oh, yes.

The CHAIRMAN. There are not any of those in operation now?

Captain ENGLAND. There are a few left. I should say that there are four or five perhaps on the Lakes.

Mr. GAVAGAN. That is all.

Mr. CULKIN. Captain, I understood you to say you do not fear the competition of these foreign ships?

Captain ENGLAND. Not in the bulk-freight trade on the Great Lakes.

Mr. CULKIN. Well, that is the main trade now, is it not?

Captain ENGLAND. It is the only trade really that I am interested in.

Mr. CULKIN. Yes.

Captain ENGLAND. The bulk trade.

Mr. CULKIN. I mean is it really the bulk of the freight now?

Captain ENGLAND. Oh, yes, sir; it is the whole trade.

Mr. CULKIN. It is the whole trade?

Captain ENGLAND. In general, in tonnage.

Mr. CULKIN. So that so far as the intrusion of foreign flagships is concerned, it would not affect the status of the operating steamship lines there?

Captain ENGLAND. Well, it certainly would in the grain, in the foreign trade.

Mr. CULKIN. Grain, of course, is bulk.

Captain ENGLAND. And it might develop that foreign ore could be brought in, of a much higher content of iron than our lake ores, and another thing would be the bringing in of coal, because west-bound in the North Atlantic, in normal times, ships come across in what they call in ballast, and they bring a cargo for nothing.

Mr. CULKIN. In both of those cases, that would inure to the benefit of somebody, would it not? I mean it would inure to the benefit of the whole country; would it not be of benefit to the farmers, for example, in an effort to get lower rates to Europe on their grain?

Captain ENGLAND. Well, I doubt very much whether a deep-sea ship could move freight from the head of the Lakes to Montreal as cheap as the Great Lakes steamers.

Mr. CULKIN. I am talking about overseas, Captain.

Captain ENGLAND. I know; but I think that the Great Lakes ship can move grain from, well, Port Arthur and Duluth to Montreal cheaper than the deep-sea ship, and unload it and then load the deep-sea ship cheaper than the deep-sea ship could handle it, from Duluth. In other words, you could load it at Duluth and then unload it and load it in the deep-sea ship cheaper than you could take it all of the way from Duluth and load it on the deep-sea ship.

Mr. CULKIN. That is, you do not see any evil in the breaking of cargo and the consequent expense?

Captain ENGLAND. No.

Mr. CULKIN. Well, that is an expense.

Captain ENGLAND. I do not see it now. I think our big ships move that stuff so cheap that they cannot compete with them.

Mr. CULKIN. But the bulk of the ships on the Great Lakes would not be affected by this seaway?

Captain ENGLAND. Not the iron-ore and canal ships, except by the bringing in of coal.

Mr. CULKIN. The only item that would be affected would be grain?

Captain ENGLAND. No; coal too. They bring coal over there. They bring coal in now, and they have been bringing in coal for years from Wales and all over in those same ships. If you had a big canal, they could bring big ships in and bring in a lot of coal, bring a lot of coal over.

Mr. CULKIN. Now, Mr. Sabin—you know him?

Captain ENGLAND. Oh, yes; I know him.

Mr. CULKIN. He is associated with you?

Captain ENGLAND. Sitting right behind me.

Mr. CULKIN. I notice you have great respect for his suggestions, at least.

Captain ENGLAND. I beg your pardon.

Mr. CULKIN. I will withdraw that with the chairman's permission.

Now, here is what Mr. Sabin—by the way, what is Mr. Sabin's organization?

Captain ENGLAND. He is vice president of the Lake Carriers.

Mr. CULKIN. He is associated with you and you have a high opinion of his sagacity?

Captain ENGLAND. I should have. He was in the Government employ some years ago as an engineer and I was the chairman of the Shore Captains' Committee—

Mr. CULKIN. You endorse the gentleman?

Captain ENGLAND. Yes; he is all right.

Mr. CULKIN. You endorse the United States engineers?

Captain ENGLAND. Surely; absolutely.

Mr. CULKIN. By the way, they recommend the seaway, do they not?

Captain ENGLAND. I do not know. I imagine they do. I have seen some stuff in the papers, but I have not read their testimony.

Mr. CULKIN. Now, in 1933—

Captain ENGLAND (interposing). That is, if you will excuse me, Mr. Chairman, while I say that, that does not say that I agree with the engineers from a practical standpoint.

Mr. CULKIN. I am willing to allow you that line of retreat if you want to take it.

Captain ENGLAND. Yes.

Mr. CULKIN. In 1933, after the Senate hearings, that is, the former treaty hearings on this same project, Mr. Sabin testified, and testifying on behalf of the Lake Carriers' Association, said, and I quote:

I do not think our members are particularly afraid of the foreign boats coming in and taking our trade. You know, of course, they are not subject to any competition in regard to coastwise trade; only American shipping can engage in coastwise trade.

Do you agree with your distinguished conferee?

Captain ENGLAND. Absolutely.

Mr. CULKIN. In other words, we have a coastwise law that absolutely prohibits them from competing?

Captain ENGLAND. Absolutely.

The CHAIRMAN. In coastwise trade, but not foreign trade.

Captain ENGLAND. But, Mr. Congressman, if a Norwegian or a British ship brings a million tons of coal into the Great Lakes area, we lose a million tons, on the Great Lakes, a million tons of our local capacity for the coastwise.

Mr. CULKIN. It applies and so far as the coastwise trade is concerned you are out of all risk.

Captain ENGLAND. No; not at all.

Mr. CULKIN. You do not agree with Mr. Sabin?

Captain ENGLAND. I agree with all that statement that you read. That is perfectly proper. I would make the same statement, but if you build big locks and allow big ships to come up on the Great Lakes in the fall and spring and get grain and they bring 10,000 tons of soft coal from Wales, we will lose 10,000 tons of domestic coal to carry on the Great Lakes.

Mr. CULKIN. I will yield to the chairman.

The CHAIRMAN. Those vessels can come to Montreal now, can they not?

Captain ENGLAND. Yes.

The CHAIRMAN. Do you know that American importation of coal into the Province of Quebec is something like three or four times as much as the importation from England and Wales?

Captain ENGLAND. Yes.

The CHAIRMAN. Even including Nova Scotia?

Captain ENGLAND. Yes; I am quite aware of that.

Mr. Chairman, there are a lot of peculiar things like that all over. You can cite instance after instance of that kind. You cannot always explain it. You will find that in the world trade all over; you will find those curious things.

The CHAIRMAN. Yes; I have found some curious things in connection with the tariff laws, where they worked out very differently from what the people who wrote them anticipated; but they can bring coal from England to Montreal cheaper than they can take it to Duluth.

Captain ENGLAND. Oh, yes; without any question.

The CHAIRMAN. And American coal can go to Duluth cheaper than it can to Montreal.

Mr. ENGLAND. Absolutely.

The CHAIRMAN. Then they cannot compete with Montreal.

Captain ENGLAND. With this difference, that the fellow who comes from Wales with a cargo, assuming that he has got big locks in the Welland Canal and can go through that, he is handling nothing, so

he can take a cargo of coal and take it right through and unload it and to get a load of grain for Great Britain. That is the thing you have got to look at. That is not competitive.

The CHAIRMAN. I live on the coast myself.

Captain ENGLAND. I beg your pardon?

The CHAIRMAN. I say, I live on the coast country myself, and I come in contact with a good bit of shipping, and we have never been—on the Gulf coast—we have never been troubled with anything like that.

Captain ENGLAND. You do not have any cold weather down there. You are warm all the time.

The CHAIRMAN. We produce but very little coal.

Captain ENGLAND. Yes.

The CHAIRMAN. And we never produced oil until long within my recollection. Of course, the oil is a big thing with us now down there, but before that they brought coal in there from the eastern United States. I do not recall any coming in from abroad.

Captain ENGLAND. No; I do not think so. Well, Mr. Chairman, there may be something about the trade there that does not call for that. For instance, there is a great deal of grain which goes out of Houston and Galveston.

The CHAIRMAN. How is that?

Captain ENGLAND. I say there is a pretty good amount of grain from Houston and Galveston.

The CHAIRMAN. A very large grain trade.

Captain ENGLAND. It may be that west-bound cargoes from Europe to the Gulf are obtainable and there may not be anything of this competitive nature of someone wanting some ballast to get across the western ocean. I do not know; I am not familiar with that trade; but because the ships are going to Montreal, and there is not very much west-bound cargo—the liners carry most of it—and the result is that the cargo ship is out of luck, and they have got to get across the western ocean. They do not want to go across light. They want to have something to keep them down, and that is why they carry ballast. They carry this cement or paper stuff that they shine paper with. They carry it to Portland, Maine. They carry it all over, and they carry it as nothing but ballast from Wales. They do a tremendous business in carrying stuff for nothing that we do not hear anything about in our country.

Mr. BEITER. Another commodity that they carry is peat moss.

Captain ENGLAND. Yes.

Mr. BEITER. That is carried, is it not?

Captain ENGLAND. That is carried, too.

The CHAIRMAN. What is that?

Mr. BEITER. Peat moss from Ireland.

Mr. CULKIN. Now, as a matter of fact, the Pennsylvania mines are now supplying the coal to Ontario and Montreal. It is supplied by American mines.

Captain ENGLAND. A big share of it; yes.

Mr. CULKIN. Yes.

Captain ENGLAND. Pennsylvania and West Virginia.

Mr. CULKIN. And it would seem that your fear that foreign ships would take away the coal trade is a little bit exaggerated, because experience has shown that we ourselves furnish that. I know out of my own home port—you have been to Oswego, have you not?

Captain ENGLAND. No; I have never been to Oswego.

Mr. CULKIN. You know that Oswego has an old port.

Captain ENGLAND. I did not know that there was a port there that could be entered when I sailed. I have sailed to Ogdensburg.

Mr. CULKIN. As a matter of fact, it is an older port than Cleveland and Buffalo.

Captain ENGLAND. I did not know that.

The CHAIRMAN. And has become more famous since Judge Culkin represents it.

Captain ENGLAND. Who would want to go to Oswego with a ship, except in the later days. Now they have a port, just in recent years.

Mr. CULKIN. Now they have had it for many years. Do you remember the schooner days. Did you ever sail those, Captain?

Captain ENGLAND. No; I went sailing just as they were going out.

Mr. CULKIN. You have always been a monkey-wrench sailor?

Captain ENGLAND. I have always been a monkey-wrench sailor, if you want to put it that way, although the ships I went on first all had sails. They were steamships with sails.

Mr. CULKIN. They had sails and power, too?

Captain ENGLAND. Yes.

Mr. CULKIN. We ship an awful lot of coal out of that port to Canada. I think that the Delaware, Lackawanna & Western has vessels running on schedule and to capacity, carrying coal into Canada. Do you not think that we send down to Montreal tremendous quantities of coal? You have been in Lake Ontario.

Captain ENGLAND. Yes; I sailed down there 3 years and I have been a passenger down there.

Mr. CULKIN. You must have observed the towboats full of coal which went through Montreal?

Captain ENGLAND. Oh, yes; no doubt about it.

Mr. CULKIN. So I cannot quite figure out your apprehension on the thing?

Captain ENGLAND. Don't you think a man would buy all the coal he could have, all he could get carted across the Atlantic for nothing? He cannot get all he needs, so he has to make up for it with buying United States coal.

Mr. CULKIN. I think, myself, that is more or less polite fiction. But the fact is, and you know from your large experience, that we are now selling coal to the great Province of Ontario and we are sending it to Montreal, both types, bituminous and anthracite?

Captain ENGLAND. That is perfectly true.

Mr. CULKIN. No doubt about it?

Captain ENGLAND. No; not a bit.

Mr. CULKIN. That would seem to be the basis of your contention. Now, in the World War you built 430 ships in the Great Lakes?

Captain ENGLAND. 480.

Mr. CULKIN. 480?

Captain ENGLAND. 480.

Mr. CULKIN. That was new construction?

Captain ENGLAND. All new; yes, sir.

Mr. CULKIN. And was the new Welland Canal then used?

Captain ENGLAND. No; they used the old canal.

Mr. CULKIN. But that was the canal size?

Captain ENGLAND. The canal size; 250 feet was the size of the canal, and there were very few ships that long; however, just a few.

The CHAIRMAN. They just commenced the construction of the Welland before that?

Captain ENGLAND. Yes, sir.

Mr. CULKIN. Canada had built the Welland Canal as a connection between Lake Ontario and Lake Erie?

Captain ENGLAND. Yes.

Mr. CULKIN. And that serves the surrounding Niagara Falls area, does it not?

Captain ENGLAND. That is right.

Mr. CULKIN. And those ships were limited to 250 feet?

Captain ENGLAND. That is right.

Mr. CULKIN. Of course, that is not a workable ocean boat, is it?

Captain ENGLAND. No.

Mr. CULKIN. And in the ocean the seas are much longer, as you have just stated, than the locks?

Captain ENGLAND. Yes.

Mr. CULKIN. The lake seas are short, breaking seas, as we both know.

Captain ENGLAND. Mr. Congressman, I am not going to follow that line of reasoning at all. You would be more comfortable traveling across the North Atlantic in the dead of winter on those little ships than you would on the *America* or the *Queen Mary*.

Mr. CULKIN. Well, I am sorry I don't agree with you.

Captain ENGLAND. Well, I know. It is not a question of agreeing, but I know.

Mr. CULKIN. I enjoy a small boat, but I confess I like to have a larger ship when I cross the ocean.

Captain ENGLAND. That is the wrong impression, that the ordinary man in the street has. That little ship has bilge keels. I know of one that went across the Atlantic, and the captain told me you could not spill water out of a glass. I have never crossed on them, but I have crossed on the *Queen Mary*, and she moves around a lot.

Mr. CULKIN. Those ships are all developed to an extraordinary degree, but that is due to the character of the tremendous power.

Captain ENGLAND. They lay over on the side and pitch. But if you want to go to sea in a comfortable ship, go in a small boat. It is the high power that causes all of the disturbance.

Mr. CULKIN. What I was getting at, there is no capacity, of course, which is the important thing; it was in the World War, and it is now cargo-carrying capacity; isn't that true?

Captain ENGLAND. Mr. Schwab said that Germany had information of every ship we launched. And one April we had 71 ships ready that had been built during the winter, and every hull was brought down, one after the other, and Mr. Schwab said at that time that they know that in Germany, the whole business, but he said that 71 of these was better than 40 or 30 10,000-ton ships.

Mr. CULKIN. I cannot get his reasoning, but I am interested in that.

Captain ENGLAND. It was what he said.

Mr. CULKIN. Now, there were a number of other ships that were built at the same time in the Lakes, during that period besides those 480; they built ships that were built in sections in Chicago?

Captain ENGLAND. Just two ships, Mr. Congressman.

Mr. CULKIN. Is that only two?

Captain ENGLAND. That is only two of those ships. There were a lot of ships cut in two on the Lakes.

Mr. CULKIN. That is what I mean. How many of those were built?

Captain ENGLAND. I could not tell you; I don't know. That was only being done by a special agent of the Shipping Board, Mr. Eustis, of Boston.

Mr. CULKIN. There is one more question, Captain. I have enjoyed your statements immensely, and you look like a real sailor, yourself.

I am going to ask you this: I do not know that this is in the sailor's school, particularly, but did you ever hear of such a thing as a tariff, the iniquitous thing called a tariff?

Captain ENGLAND. I have bumped into it when I have bought things, and found there was a tariff on it, that it costs me more.

Mr. CULKIN. Exactly. Assuming there was a menace to any American industry by reason of the infiltration of a particular product, say coal, the tariff would stop it in its tracks, would it not?

Captain ENGLAND. Oh, yes; if it came to the United States.

Mr. CULKIN. You are not a free-trader, yourself?

Captain ENGLAND. I don't know what I am. The economic situation of the world has got me today all up in the air; I don't know where I am.

Mr. CULKIN. It has got everybody that way.

Captain ENGLAND. I will say it has.

Mr. CULKIN. But the operation of the iniquitous tariff still helps, doesn't it?

Captain ENGLAND. Oh, yes.

Mr. CULKIN. It is in the power of Congress to stop those ships by a brief enactment?

Captain ENGLAND. You don't stop it today. You will have to have a different tariff.

Mr. CULKIN. If the canal, the seaway was built——

Captain ENGLAND. I beg your pardon?

Mr. CULKIN. If the seaway was built and these products were susceptible of importation in any number of our ports, then the tariff would stop the importation of that product?

Captain ENGLAND. It would not affect the ships carrying coal to Fort William and Port Arthur at the head of the Great Lakes, which we now hold. If you ship a million tons from Wales to Fort William in Canada, we have lost it.

Mr. CULKIN. Of course, you have got coal from the United States now?

Captain ENGLAND. No.

Mr. CULKIN. Why is it that Canada now buys—the Judge referred to the figure, and I should have known the figure, myself—why is it that Canada is now buying these great quantities of American coal?

Captain ENGLAND. Of course, they cannot get it, now; they cannot get coal from England now.

Mr. CULKIN. I know, but they could. There are tramp steamers coming into the Lakes now.

Captain ENGLAND. Not British ships; only a few.

Mr. CULKIN. I know, but you can get those tramps. The tramps do not know any particular flag. They come from all over the world to get the cargo.

Captain ENGLAND. Well, Mr. Congressman—

Mr. CULKIN. Your conclusion is correct. The present small tramp ships which can now negotiate the present St. Lawrence Canal would haul coal in now. Do you know how much they are carrying in, of those ships that are carrying coal in?

Captain ENGLAND. Yes; surely; lots of them. They went all the way to Fort William with a sample cargo about 15 years ago.

Mr. CULKIN. And they have not brought any in since.

Captain ENGLAND. Yes; they have brought large amounts of coal, Welsh coal.

Mr. CULKIN. Not very much.

Captain ENGLAND. They take it to Montreal.

Mr. CULKIN. But I want to know why Ontario and Quebec continue to haul American coal, if your fears are sound? I wish you would explain that.

Captain ENGLAND. I cannot explain it.

Mr. CULKIN. All right; that is all.

The CHAIRMAN. The Canadian tariff against American coal is about three times the tariff they have against the British coal, as I understand. I am sorry that I do not remember the exact figures.

Captain ENGLAND. Well, I am not informed on that, Mr. Chairman, at all. I think, Mr. Congressman, the answer to that question of yours on the coal is this: The United States has such a huge production of coal, and Canada has such a huge demand, because they do have a large demand for coal in Canada, that they cannot possibly carry all the coal from Wales or any other section of Europe. Now, if you build big locks so the big ships can go through, then you will introduce the coal trade into Canada, and will short-change us.

Mr. CULKIN. And if that apprehension is correct, which I challenge, the tariffs proposed on the importation of coal can be carried out.

Captain ENGLAND. How would Canada; Canada would not enforce a tariff on British coal.

Mr. CULKIN. We would do it.

Captain ENGLAND. We could not stop coal going to Fort William and Port Arthur in Canada.

The CHAIRMAN. Increase it.

Mr. CULKIN. It would be increased to the point necessary.

Captain ENGLAND. We cannot stop that coal. If we lose a million tons of coal on the Great Lakes at the ports, and if somebody furnishes that we have lost it.

Mr. CULKIN. But we are still selling coal to Canada now.

Captain ENGLAND. I know, but they are not getting any coal from the Empire. No coal from Wales.

Mr. CULKIN. Yes; that is the situation.

Captain ENGLAND. There is no use talking about what might be.

Mr. CULKIN. Any possibility, because they don't get it.

Captain ENGLAND. Oh, yes; they do. Pardon me; the records will disclose that.

Mr. CULKIN. I have seen them. I have seen our exports to Canada.

Captain ENGLAND. They take over cargoes of Scotch whisky.

Mr. CULKIN. That is not coal. That may be a form of coal, I don't know. It may be heat. That is all.

Captain ENGLAND. It is heat.

The CHAIRMAN. Mr. Dondero?

Mr. DONDERO. Captain England, I have been greatly interested in your details of experience on the Great Lakes. What time does navigation open up in the spring on the Great Lakes?

Captain ENGLAND. Well, it varies, varies tremendously.

Mr. DONDERO. Give us the benefit of your experience.

Captain ENGLAND. That is such a variable thing. I will say this to you: In 1917, 1918, and 1919, we call them the war years, and while the war was all over in 1919 we were still building those miserable ships and spending that money because they were contracted for. We had a battle each April getting those ships down through the St. Lawrence Canal, and we had to send tugs to Duluth all the way from Cleveland, because we did not have enough tugs in the Port of Montreal to handle it. We had a flock of ships and of course we had a regular battle in November, fighting ice. And this lock when the port of Montreal opened is quite a different matter from when the Lachine Canal opens up, because the ice locks definitely in that length of canal and does it very quickly, whereas in the great port of Montreal the Canadian steamers, the ice breakers keep it open, to bring them out. So between those we let them out whenever it is practical to do it.

Mr. DONDERO. From what point is it, April, May, or June?

Captain ENGLAND. O. K.; it varies all the way from April 2 or 3 to May 5, practically.

Mr. DONDERO. When does it close in the fall?

Captain ENGLAND. It varies all the way from November 15 to December 10 or 12. There is not much navigation anywhere after December 12 on the Great Lakes. That is, in the regular program. We have Lake Michigan, which practically runs all the year, of course, with the car ferries.

Mr. DONDERO. Now then, Captain, the total commerce of the United States, water-borne commerce, is about 470,000,000 tons, we will say last year or the year before. Of that amount, about 22 percent, or 98,000,000 tons, moves on the Great Lakes; is not that correct?

Captain ENGLAND. I could not tell you; I expect it is. It sounds all right.

Mr. DONDERO. Do you know the percentage of that 98,000,000 tons that is all what we call a bulk cargo?

Captain ENGLAND. Yes.

Mr. DONDERO. Do you know the percentage?

Captain ENGLAND. No; I do not.

Mr. DONDERO. It is nearly 90 percent.

Captain ENGLAND. Yes.

Mr. DONDERO. Do you think that traffic would in any way be affected by the St. Lawrence seaway, such as the moving of grain, the moving of iron ore, and the moving of coal by the Lakes?

Captain ENGLAND. The movement of iron ore; I do not believe it would be affected on the Great Lakes, excepting for the introduction of foreign commerce. The movement of coal would not be affected entirely by the introduction of foreign coal coming in for nothing.

Mr. DONDERO. Do you believe they could bring it in for nothing?

Captain ENGLAND. They do it all the time; that is how they get it across the western ocean.

The CHAIRMAN. Let me ask him a question right there: Can you have the competition of foreign commerce if they come in ships drawing 33 to 35 feet, and this waterway only proposes to have 27 feet?

Captain ENGLAND. How much; 27?

The CHAIRMAN. Twenty-seven feet.

Captain ENGLAND. I will tell you, Judge, there are very few ships that require a 34-foot draft. The greater amount of ships in the world, I think—

The CHAIRMAN. I am talking about that type of ships that brings in the ore from South America.

Captain ENGLAND. That is the big ships?

The CHAIRMAN. Yes.

Captain ENGLAND. They could not get up there. But there are thousands of other ships that only want 24 or 25 feet.

The CHAIRMAN. Eleven years ago when we had a hearing on Baltimore Harbor, the people from Baltimore came over and it was shown that unless they had a depth of about 37 feet they could not haul ore here from Chile or Brazil at a profit. It would cost them more to get to the Great Lakes than to Baltimore, would it not?

Captain ENGLAND. Oh, yes; absolutely.

The CHAIRMAN. And consequently you have got no fear of the foreign ore trade, because the ships, the only type of ships that can engage in that trade, could not possibly get into the Great Lakes on the 27-foot channel.

Captain ENGLAND. All I can say, gentlemen, is I do not know what the economic conditions are going to be after this war is over. I do not know what the world competition will be in the way of getting trade. But if all good Americans are going to preserve the Great Lakes, where we have a wonderful shipping industry, it should not be controlled by anybody, or anything, or any foreign nation. So, safeguard it is all I can say to you. I cannot tell you what the economic condition is going to be after this war is over. Does anyone know?

Mr. DONDERO. Captain, are you interested in shipbuilding?

Captain ENGLAND. Of course I am.

Mr. DONDERO. The other day we had a bill before the House for some \$300,000,000 to build over 200 ships for the merchant marine. Do you know of any of those ships that are being built on the Great Lakes today?

Captain ENGLAND. I don't think so, because—

Mr. DONDERO. They cannot be built there under the present conditions?

Captain ENGLAND. On account of the size.

Mr. DONDERO. As we cannot get them out of there because of the shallowness of the St. Lawrence Canal?

Captain ENGLAND. That is correct.

Mr. DONDERO. And if the canal was deepened, undoubtedly the shipyards of the Great Lakes would have received some of that business?

Captain ENGLAND. That is true.

Mr. DONDERO. Now, did you build any ships for the United States Navy during the World War?

Captain ENGLAND. I think there was nothing but those—

Mr. DONDERO. Subchasers?

Captain ENGLAND. The subchasers that Ford built.

Mr. DONDERO. The same ones?

Captain ENGLAND. The same vessels.

Mr. DONDERO. But nothing of any large type?

Captain ENGLAND. No.

Mr. DONDERO. If those shipbuilding facilities of the Great Lakes were now available for this Government, would they not be an element of national defense at the present time?

Captain ENGLAND. They would. But I do not see the necessity of building the ships when we have got these enormous seaways and coast lines of our country already for shipyards. Why go up into such places as the Great Lakes to build these ships?

Mr. DONDERO. Do you know that every yard in this country is now working to capacity every day?

Captain ENGLAND. Why don't they build more shipyards?

Mr. DONDERO. Because they do not have the capacity to do it.

Captain ENGLAND. Let them build more shipyards.

Mr. DONDERO. You think that they all ought to be built on the coast line?

Captain ENGLAND. Yes.

Mr. DONDERO. Don't you think they will be safer if they were built inland?

Captain ENGLAND. Let them go up into the seaway of Mobile or up the Mississippi for a hundred miles. They could build a shipyard up there, with just as much excuse.

Mr. DONDERO. Do you think a hundred miles means anything today with the range of bombers now used in Europe?

Captain ENGLAND. I am not a naval officer or soldier, and I don't know about those things.

Mr. DONDERO. It is not very far. That is what I wanted to ask you about. Thank you.

The CHAIRMAN. Any questions, gentlemen? Mr. Osmers?

Mr. OSMERS. I was just going to ask, Captain, whether the ships now engaged in the Great Lakes trade that can go through the existing St. Lawrence waterway, whether they would be suitable for coastwise trade between the Atlantic and the Gulf of Mexico?

Captain ENGLAND. Well, there are so very few American-flag ships of that type—

Mr. OSMERS. No; I am not referring strictly to the American-flag ships; I am referring to the Canadian ships.

Captain ENGLAND. Oh, yes; I think they would be. I think they would be used for that purpose. I see no reason why they could not use them for coastwise trade.

Mr. OSMERS. Could you do it?

Captain ENGLAND. Yes.

Mr. OSMERS. Have you heard of any movement on foot whereby the United States Government is to take over or attempt to acquire some of these ships for the coastwise trade?

Captain ENGLAND. No; I have not.

Mr. OSMERS. You have not heard of that?

Captain ENGLAND. I have not heard of it at all.

Mr. CULKIN. That is not a fact.

Mr. OSMERS. What is not a fact?

Mr. CULKIN. It is not a fact. The change is now to permit, as I understand, in the ore trade alone on the Great Lakes, permit them to get the Canadian-flag ships which operate in that trade to go through. But that is the only change; there is no change otherwise.

Mr. OSMERS. I am glad for that information. I am not familiar with that.

Mr. CULKIN. That is the fact; yes.

Mr. OSMERS. That is all.

The CHAIRMAN. Well, ships to go to the ocean now could not draw more than about 12 feet, safely, could they?

Captain ENGLAND. About 13 feet at the present time.

The CHAIRMAN. About 13 feet?

Captain ENGLAND. Thirteen feet.

The CHAIRMAN. That gives about 1 foot under the keel?

Captain ENGLAND. That is all.

The CHAIRMAN. That would not be safe?

Captain ENGLAND. More or less.

The CHAIRMAN. That would not be safe sailing in rough weather, would it?

Captain ENGLAND. Those little ships seem to perform pretty good. They go across the Atlantic. They come from England and go across the North Atlantic and into the Great Lakes, and they go along, not as good as the big ships, but they seem to keep on top, and a lot of them have heavy cargoes.

The CHAIRMAN. Several ships have been engaged in trading in some kind of clay; I don't know what it is used for?

Captain ENGLAND. Used for polishing paper, Mr. Chairman, for the high gloss on wrapping paper, they put on by that clay.

The CHAIRMAN. They bring that from China, don't they?

Captain ENGLAND. Yes; and they bring it from Wales, too; a lot from Wales. They take a lot to Portland, Maine, where it is used by the International Paper Co.

Mr. RODGERS. How long does it take, Captain, to make one of these trips in one of these large boats, say to Montreal, on the average?

Captain ENGLAND. A large boat?

Mr. RODGERS. Yes.

Captain ENGLAND. We have never moved them up to Montreal.

Mr. RODGERS. I know; but assuming we could. Supposing this canal was in operation, what would be the probable lapsed time, under ordinary weather conditions?

Captain ENGLAND. Well, I have no information as to how many locks are proposed in the canal. That would tell you.

Mr. RODGERS. Just the same number as there are now.

Captain ENGLAND. Oh, no; you would not have as many locks. You have 22 locks. Surely you would get around that. That would be terrible, to have 22 locks. The old Welland Canal had 26, and now they only have 8, because they make them much deeper.

The CHAIRMAN. They only have seven in this that they use. One is the guard lock.

Captain ENGLAND. There are only seven that they use?

The CHAIRMAN. Yes.

Captain ENGLAND. Though, in the St. Lawrence, I imagine the engineers would reduce that tremendously.

The CHAIRMAN. My understanding is there are to be 16 locks on the entire channel, but I do not know whether I am correct or not.

Captain ENGLAND. I don't know; I have never seen any information in reference to how many locks there eventually will be. You see, in building the new seaway, there will be a dam, of course, which will lower the river, and they can therefore make that lock channel very much deeper. For instance, the Welland Canal has locks 46 feet, 6 inches, and that is more than the Panama Canal. That is how they can avoid having so many locks.

The locks are what takes the time to navigate. I would say roughly—where would you want that from, Congressman, Cleveland?

Mr. RODGERS. Say from Duluth to Montreal?

Captain ENGLAND. Oh, from Duluth I would say it would take, if they had the same number of locks as in the Welland, that would be somewhere in the neighborhood of 8 days, about the best they could do, 7 or 8 days.

The CHAIRMAN. That is about 2,000 miles?

Captain ENGLAND. Yes; much more than that.

Mr. RODGERS. How long does it take to lock through the Welland Canal?

Captain ENGLAND. They would not do any better than that through from Duluth.

Mr. RODGERS. How long does it take to lock through the Welland Canal, now?

Captain ENGLAND. About 6 to 8 hours. I went through in about 5½ hours, in fact, in going back, I was very much surprised by the trip I made through there. But it takes about 8 hours.

Mr. RODGERS. Thank you.

The CHAIRMAN. Judge Bell?

Mr. BELL. Captain, I just wanted to find out how large in tonnage a ship can be built and floated to the ocean from the Great Lakes under present conditions?

Captain ENGLAND. Well, just the same as those bottoms, those little ships of 4,000 tons. And I might say that those ships were built at the instance of Mr. Schwab.

Mr. BELL. You think they are as large as ships can be built and floated to the seaway?

Captain ENGLAND. In one piece. You can build a ship and cut it in two and take it down and put it together at Montreal, a larger ship.

Mr. BELL. There was some testimony before the committee the other day, Captain, that at present certain ships are being built on the Great Lakes, leaving off some of the upper deck and machinery, and floated down the Ohio and floated into the Mississippi. Do you know how large those vessels are?

Captain ENGLAND. No; I think they are all on blueprints, those ships. I do not think they have done anything with them.

Mr. BELL. You think there has been no actual construction of that type, yet?

Captain ENGLAND. No.

The CHAIRMAN. I understand they have got some under construction, but I do not think they have taken any of them out yet.

Captain ENGLAND. No.

Mr. BELL. Do you know how large those vessels will be, or what the tonnage will be?

Captain ENGLAND. You may be talking about the submarines at Manitowoc. The submarines at Manitowoc, I am inclined to think they were sent down the Mississippi. But they are hardly ships. I think there is quite a problem how to get them out. They are going to use pontoons to float them down the Illinois River, and there are all sorts of problems to getting them out. They are building 10 submarines at Manitowoc, but there is some talk about building a cargo ship, and there is no difference. If they could float the submarine down the Illinois, they could take the big ships down.

Mr. BELL. Do you know how large those ships would be, in tonnage?

Captain ENGLAND. I could not tell you. They could build quite a large ship, because the Chicago Drainage Canal has locks a thousand feet long; bigger than the Welland.

The CHAIRMAN. The greatest problem would be after they got down near St. Louis.

Captain ENGLAND. Bridges, and all such things would bother them. But if they built a ship and did not finish it and then finished it at New Orleans or some place, I should think they could float the major part of the hull down but that is a cumbersome process and that is a war measure, and it is not an economical thing in time of peace for a shipbuilding operation.

Mr. CULKIN. Judge Bell, there is an article on that subject in the Sunday Times; I did not know whether you saw it or not?

Mr. BELL. No; I did not see it.

Mr. CULKIN. A very elaborate discussion of that whole question.

Mr. BELL. The reason I am asking you these questions, Captain England, is because it has been testified that the construction of this St. Lawrence Canal, that is, the deepening of it to the proposed depth, would be a great benefit to the country in constructing ships for war purposes. I am trying to get at what sort of ships can be constructed now and what could be constructed in the event the project was carried out.

Captain ENGLAND. Well, you certainly could build all kinds of merchant ships if you ever built that canal and got the locks as long as the Welland Canal; there would be no limit to the size in that class as a merchant ship. You could not build a liner or the *America* or anything like that.

Mr. BELL. Any sort of a warship, up to a battleship; could you build that?

Captain ENGLAND. Well, I don't know. They are pretty deep, those hulls, and it is a pretty delicate thing to take heavy cruisers down through those rocky channels. I do not think the Navy would want to do that, and I do not think they ought to do it. They could build light cruisers.

Mr. BELL. You think it would be in the construction of merchant ships?

Captain ENGLAND. Merchant ships and possibly light cruisers, very light cruisers. When you have built a warship, you have got a whale

of a lot of money in it, and it is not an easy piece of navigation, down the St. Lawrence. If you ever lost one of those hulls, it is deep; there is not any bottom, right out of sight, that is all there is to it. And you have to take a bad loss.

The CHAIRMAN. It is a heavy loss.

Captain ENGLAND. It surely would be.

The CHAIRMAN. A good many millions of dollars.

Captain ENGLAND. You cannot get away from it, the St. Lawrence has that kind of navigation. It has always been that way, and the underwriters recognize that in their rates. They have abnormal rates for that deep section.

Mr. BELL. That is all.

Mr. DONDERO. One question I wanted to ask the captain before passing on: Captain, the ports of our country on the Atlantic Ocean have been exposed to foreign importations of coal as long as our Government has been in existence. Do you know the amount of coal that came to this country in the last 2 or 3 or 4 or 5 years?

Captain ENGLAND. From foreign?

Mr. DONDERO. From foreign countries.

Captain ENGLAND. I do not imagine any came. Haven't you got a tariff that stops it?

The CHAIRMAN. No; we have no tariff.

Captain ENGLAND. No tariff on coal? Why don't they bring it over? They bring over that clay and all those things.

Mr. DONDERO. I am calling your attention to that fact, Captain, because you expressed fear that coal would be brought to this country as ballast, come for nothing; I think that is your statement? Now, why does it not come in now?

Captain ENGLAND. I could not tell you; I don't know. Maybe there are other commodities that can come as ballast from Europe to America, or because they cannot take it to the Great Lakes; the only thing I know.

I know I was in Duluth a couple of years ago when a friend of mine who is in the shipping business, he said, "By God, if they get any more of this damn Welsh coal in, they are going to put us out of business, and a little more," referring to this Welsh coal.

Mr. DONDERO. Do you know that in 1933, according to the statistics furnished by the Department of Commerce, the State of Massachusetts did not receive as much as 270,000 tons of coal; that is all they got in the entire State of foreign importations. And yet, their ports are wide open and nothing to stop them, and that in the whole country about a half a million tons of coal came in for all the ports on the Atlantic side? How do you explain that?

Captain ENGLAND. I do not explain it. I am neither a traffic man nor an economist, and not in the world business, either. I cannot explain it. You will find how little I know if you ask me enough questions. [Laughter.]

The CHAIRMAN. Mr. Bender?

Mr. BENDER. Captain, under normal peacetime conditions we could not compete with Scotland and Norway and Denmark in building cargo ships; is that your opinion?

Captain ENGLAND. Oh, yes; absolutely no question about that. That has always been true. That is nothing new.

The CHAIRMAN. Do they have ship subsidies now for ship construction, those countries you have named?

Mr. CULKIN. There are some that do. I think Sweden does.

The CHAIRMAN. I know when we had the ship-subsidy bill up before the Merchant Marine Committee not long ago, it was shown that all the foreign countries are paying ship subsidies and they claimed that this country should do it in order to equalize.

Mr. CULKIN. In some north countries that is not done, but I think Denmark and Sweden do.

The CHAIRMAN. Any further questions, Mr. Bender?

Mr. BENDER. No.

The CHAIRMAN. Any other questions, gentlemen?

Mr. BEITER. Yes, Mr. Chairman.

Mr. CULKIN. I would like to ask—I will defer to the gentleman.

Mr. BEITER. I notice you are a typical seaman, and if you care to emphasize your statements in any way, I do not object.

Captain ENGLAND. I am not that kind of a seaman. I can, but I do not have to.

Mr. BEITER. Proponents of the seaway claim that the canal is to be built to accommodate oceangoing vessels. How do the standards of working and living conditions on board ships on the Great Lakes generally compare with oceangoing vessels?

Captain ENGLAND. Oh, I think it is always a great deal better; they are far better. We are more of a family affair, and we have fine quarters, and in the trade that we are in, going through rich agricultural sections of the United States, we have all kinds of green vegetables and all that sort of thing. The best living I know of in the world. It is too good for me; I would not ride on them, I get too heavy.

Mr. BEITER. How does that compare with the oceangoing vessels?

Captain ENGLAND. In the nature of things, on cargo ships—I am now talking about cargo ships. On cargo ships they cannot possibly give the same kind of service in that way, in the way of food on those ships, because they are at sea a long time. It cannot be done.

Mr. BEITER. Then, does the Lake Carriers Association maintain a marine-engineering school?

Captain ENGLAND. Yes; they have schools for the seamen in the winter.

Mr. BEITER. How many students usually attend those schools?

Captain ENGLAND. Now, I could not tell you. It may be in the book here.

Mr. BEITER. Well, would these schools be open to students of foreign countries?

Captain ENGLAND. No; they are open to any seaman of any ship that serves on one of the ships. It is free tuition in the winter, when they are not doing anything.

Mr. BEITER. Then, seamen who are employed on the Great Lakes have a better knowledge of conditions on the Lakes, and higher living standards, and receive a better rate of pay than the seamen employed on oceangoing vessels?

Captain ENGLAND. I think that is perfectly true.

Mr. BEITER. Then, if the seaway is constructed and the men employed on the oceangoing vessels are permitted to go into the Lakes, they would observe the conditions and the basis of living in the Great

Lakes. Would that disrupt in any way your organization on the Lakes?

Captain ENGLAND. No; I do not think so. We assimilate a lot of deep-sea men coming from the west coast and the east coast who sail on the Lakes all summer.

Mr. BEITER. Do you assimilate any of the foreign sailors?

Captain ENGLAND. Well, not so many. We do have foreigners, of course; what we call "foreigners," sailors of all nationalities on those ships. Some are American, and some applying for citizenship, and some aliens. But there is a law that controls that, that they can only have so many aliens on any one ship, a certain percentage of the crew. That is all controlled by law. In fact, we do not do anything except what is regulated by law.

Mr. BEITER. Congress takes care of that, I suppose.

The rapids in the St. Lawrence River are treacherous and dangerous at times, are they not?

Captain ENGLAND. Well, what do you refer to, the navigation of a boat?

Mr. BEITER. Yes; the navigation of a boat through the rapids.

Captain ENGLAND. Well, they do not run the cargo ships through rapids, that is, any large rapids. They might run through a rather swift current, like at Port Huron, at the head of the St. Clair River where there is a rather heavy current.

Mr. BEITER. You really ought to have an experienced pilot to be able to navigate it?

Captain ENGLAND. Not necessarily. You have got to have a pilot, but you do not navigate those through the rapids. They go through the locks, generally, through the long levels.

Mr. BEITER. In going through the locks, it is necessary to have an experienced pilot—someone familiar with the locks?

Captain ENGLAND. No lake sailor needs a particular pilot. He can navigate the locks as well as the river. All of the captains and all of the officers are pilots for those waters, and they negotiate all the locks.

Mr. BEITER. Could a pilot who navigates an oceangoing vessel pilot a boat through the locks?

Captain ENGLAND. No; he would get a lake pilot, then, to navigate the locks.

Mr. BEITER. Would it be necessary to change pilots? On an oceangoing vessel traveling through the St. Lawrence Canal, or any one of the canals, would it be necessary to change pilots?

Captain ENGLAND. Well, he would not change; he would take on two lake pilots.

Mr. BEITER. He would take on two pilots?

Captain ENGLAND. Yes; take a cargo ship, she would have a captain and three deck officers, and they navigate the ship across the Atlantic and part way up the coast, but when they get to Montreal, they take on two pilots extra, to take on the piloting through the closed areas.

Mr. BEITER. Those pilots, of course, can issue instructions and orders to the balance of the crew? It is not necessary to put on additional crew members?

Captain ENGLAND. Oh, no.

Mr. BEITER. They can operate with them?

Captain ENGLAND. Surely.

Mr. BEITER. Do they do the same things in the Panama Canal?

Captain ENGLAND. Well, in the Panama Canal they put on a regular Government pilot aboard the ship and he navigates the ship through the Canal, but that is a stretch of only 42 miles. I know the Panama Canal.

Mr. BEITER. Would not the insurance rates be higher in the St. Lawrence than on the ocean?

Captain ENGLAND. Insurance rates? Oh, yes; they always are.

Mr. BEITER. How much?

Captain ENGLAND. I could not tell you. It varies. It goes by the season, commencing the 15th of September, I think, and every 10 days shifts, or every 15 days.

Mr. BEITER. If you do not know—is there somebody here who can give us the difference in the insurance rates?

Captain ENGLAND. You would have to find somebody. You see, I am not in that area. I am not connected with any ships down there, so I am not familiar with it, now.

Mr. BEITER. Probably at some later time a witness can give us these insurance rates?

The CHAIRMAN. I do not think we will have any trouble in ascertaining those rates.

Captain ENGLAND. No. You must have had some witness who has testified to that, I imagine.

Mr. BEITER. I do not think we have, so far.

The CHAIRMAN. Not yet.

Mr. BEITER. Would not the locks be vulnerable?

Captain ENGLAND. What is that?

Mr. BEITER. Would not the locks be vulnerable and subject to attack?

Captain ENGLAND. Oh, yes; like anything else of that nature. That is why we are guarding the Panama Canal, guarding the Soo locks with soldiers and everything else, now.

Mr. BEITER. Would not the destruction—

The CHAIRMAN. Even human life is not always safe, in wartimes?

Captain ENGLAND. I beg your pardon?

The CHAIRMAN. Even human life is not always safe in wartimes, is it?

Captain ENGLAND. No; I should say not.

Mr. BEITER. Would not the destruction of one lock in the canal bottle up any boat or large vessel in the Great Lakes?

Captain ENGLAND. Oh, absolutely.

Mr. BEITER. Assuming that one of the locks were destroyed, under ordinary engineering conditions how long would it take for its repair?

Captain ENGLAND. Well, it all depends on what the damage was.

Mr. BEITER. You say it depends upon the damage. Suppose it was completely destroyed?

Captain ENGLAND. Well, I don't know. You must have some figures as to how long the engineers claim it would take.

Mr. BEITER. It would take 3 weeks to a month or more?

Captain ENGLAND. Three weeks to a month? They could not build any lock in 3 weeks to a month. They would not do it in 3 months or 6 months, or anything like that. If you blew up a whole lock,

destroyed it completely, one of these big locks, I could not tell you how long it would take to replace that lock.

Mr. BEITER. The Secretary of Commerce, Jesse Jones, testified before this committee several days ago, and among other things, he suggested that if the waterway is authorized it should be a toll canal. Do you agree with him?

Captain ENGLAND. I don't know anything about that, but I certainly don't agree with the Panama Canal arrangement, where American ships are assessed exactly the same rate as all foreign ships. We built the Canal and bought the land, and everything else. I don't know what kind of a treaty it is. That is not a treaty, that is a joke.

Mr. CULKIN. That is fine.

Captain ENGLAND. What is that?

Mr. CULKIN. That is fine; your statement is splendid.

Mr. BEITER. The same thing would apply to St. Lawrence shipping. They would not have any difference. If they are charging the same thing to American vessels they are charging vessels of a foreign country, they probably would not make any difference.

Mr. CULKIN. I object to that question.

Captain ENGLAND. This is a general affair, is it not?

The CHAIRMAN. The Panama Canal arrangement was claimed by England to have been in violation of a previous treaty that had been entered into by the United States and Great Britain. Congress about 1918 or somewhere along there changed it, and we made the American tonnage free, at first; and under the protest of the British Government we changed it because it was said to be in violation of a previous treaty with Great Britain. It was on that ground, I remember that distinctly.

Captain ENGLAND. I still do not agree with it, Mr. Chairman.

The CHAIRMAN. No; I am like you, I do not agree with it.

Captain ENGLAND. I remember that, distinctly.

The CHAIRMAN. We put our money into it, and our commerce should be free, the same as with any other waterway.

Captain ENGLAND. Absolutely.

Mr. BEITER. Is it not true, Captain, that any saving in the shipment of wheat would be so slight it would not be of any benefit to the American farmer? Would not the foreign competitor of the American farmer meet the competition, in other words, because the saving would be so slight?

Captain ENGLAND. I could not tell you what will happen if you build those big locks. They will be hauling Argentine grain up here in the Great Lakes country and perhaps take from the farmer a lot of that business.

Mr. BEITER. There is some Argentine grain going through the Canal now, is there not?

Captain ENGLAND. Yes.

Mr. BEITER. I know at the elevators in Buffalo—

Captain ENGLAND. You know, Mr. Congressmen, the whole economic picture would be changed when you introduced the large type of ships. You can readily see that a 1-ton truck cannot carry something for the same rate that a 10-ton truck can carry. Is that not true?

Mr. BEITER. That is true.

Captain ENGLAND. And you have got one man on a 10-ton truck and one man on a 1-ton truck. The same with ships. A ship can go to the Argentine and load 500,000 bushels of wheat and she can take it up to Chicago or any other place; whereas the little ship, perhaps with 80,000, could not make that voyage at all, could not make his expenses. Now, what the economic working of it is going to be, I cannot tell you. I am not an economist, and neither can I see into the future, what is going to happen.

Mr. BEITER. Would it not be cheaper to go by motor ship to the west coast and reload to ocean freighters and ship to foreign ports than it would to travel the St. Lawrence and the Great Lakes in ocean freighters?

Captain ENGLAND. I would like to have you read that again. That is a long question.

Mr. BEITER. Would it not be cheaper to ship from the Great Lakes in motor ships to the west coast and reload to ocean freighters and ship to foreign ports than it would to travel the St. Lawrence and the Great Lakes in ocean freighters?

Captain ENGLAND. I would not say that, because I do not exactly understand your question.

Mr. BEITER. What I am trying to do is to point out that you would have to reload the ships at the ports; for instance, when you go up the St. Lawrence seaway?

The CHAIRMAN. Say at Montreal?

Mr. BEITER. Say at Montreal.

The CHAIRMAN. Yes.

Captain ENGLAND. Well, you introduced the words "motorship," and one thing or another, that rather indicates a canal or something. That is what prevented me from answering your question. I did not know what you were trying to get at.

Mr. BEITER. Well, I was trying to state it would be cheaper to load a motorboat or the smaller boats that we operated and go up through the locks and reload at Montreal to the oceangoing vessel. Would it be cheaper to have that operation than it would to have the oceangoing vessel go down through the St. Lawrence seaway and through the Great Lakes and on to Duluth?

Captain ENGLAND. No; not if you get into the big locks and get a big ship. Take an ocean steamer, it can go to Fort William and take grain about as cheap, or cheaper, than the lake steamer. They can come in and cut into our business.

Mr. BEITER. Would it cost more to negotiate the inland waterway than to sail the open sea or ocean?

Captain ENGLAND. Oh, yes; surely.

Mr. BEITER. How does that compare for miles; do you have any idea?

Captain ENGLAND. Well, from what points do you mean?

Mr. BEITER. We will say a distance of about a thousand miles; what is the difference in cost in navigating the ocean as compared with the Great Lakes?

Captain ENGLAND. Well, there is no difference in the open water. The difference is in delays, in the closed areas, in the locks.

Mr. BEITER. Yes; that is true. Of course, I have in mind taking in the locks.

Captain ENGLAND. Yes.

Mr. BEITER. Through the Welland Canal?

Captain ENGLAND. It is approximately 2,800 miles from New York to Liverpool, we will say. That is all straight running. You cannot make 2,800 miles of waterway on the Great Lakes anywhere by starting at Duluth and ending at Quebec, and you cannot make the same time, naturally. It would take twice as much time.

Mr. BEITER. Some reference was made a few moments ago—I think Mr. Dondero raises the question about navigation on the Great Lakes when the season opened and when it closed.

Mr. PITTINGER. We have got all that evidence in the record now. Why not proceed?

Mr. BEITER. I am not—

Mr. PITTINGER. If this is likely to continue, it is the last chance the opponents have on the testimony, as far as I am concerned.

Mr. BEITER. I am referring to Mr. Dondero. Did you refer to that?

Mr. DONDERO. I was not aware, however, that that information had already gone into the record, or I would not have asked the question.

The CHAIRMAN. We put into the record the date of opening and closing these seasons for the past 20 years.

Mr. BEITER. That is all right, then.

Mr. BENDER. Captain England, what are your views about making Lake Michigan an international waterway? Do you care to comment on that?

Captain ENGLAND. Well, I have not any opinion on it. But I do not see why it should be. What would be the reason, why?

Mr. BENDER. As a part of this development as an international development, the question would arise, naturally.

Captain ENGLAND. What would we get in exchange for it?

Mr. BENDER. That is what I want to know. I think you answer the questions by asking a question.

Captain ENGLAND. That is what the Irishman does.

The CHAIRMAN. Well, isn't it an international waterway now?

Mr. DONDERO. That is exactly the question I was going to ask.

The CHAIRMAN. There is no change at all. And that clay that was spoken of awhile ago comes to the Michigan side, 40 miles across from Chicago, and is used there.

Mr. CULKIN. It is shipped in the Sault Ste. Marie, and we use the channel.

The CHAIRMAN. The Canadians have a channel there?

Captain ENGLAND. No; we do not use that now, very little. They have not got enough water over there, Mr. Congressman.

The CHAIRMAN. Can they enlarge their facilities there? We are proceeding there and they are not, is that it?

Captain ENGLAND. No; they are not.

The CHAIRMAN. They do not operate the large type of boats that you do there?

Captain ENGLAND. They have a few large fine ships, they have got about 16 or 18 ships, and the Canadian Steamship has a very large fleet, in fact the largest in the trade on the Great Lakes.

The CHAIRMAN. But they do not engage in the coal and ore trade, do they?

Captain ENGLAND. Yes; they carry ore from American ports to Hamilton, those big ships, and go down through the Welland Canal; 12,000-ton ships.

The CHAIRMAN. Yes. And carry wheat, of course?

Captain ENGLAND. Yes. Of course, you will remember you have waived the coastwise law, so they can come in our commerce now.

The CHAIRMAN. Yes.

Captain ENGLAND. I do not think we are going to need them. I think they are going to go a little higher for that grain than we pay for ore.

The CHAIRMAN. Well, Captain, on behalf of the committee, I want to thank you for your statement.

Captain ENGLAND. Well, thank you very much. I hope I have said something helpful. I have my limitations. Mr. Chairman, here is a little pamphlet issued by the Marine Review. Perhaps you might all like to look at it. It shows the construction program on the Great Lakes.

(Whereupon the committee recessed for roll call.)

The CHAIRMAN. Mr. Sabin, are you ready?

Mr. SABIN. Yes, sir, Mr. Chairman.

STATEMENT OF L. C. SABIN, VICE PRESIDENT, LAKE CARRIERS' ASSOCIATION

Mr. SABIN. I think the statement, of which I have a copy, has been distributed to the members of the committee.

The CHAIRMAN. We have copies of it here.

Mr. SABIN. My name is L. C. Sabin. I am a civil engineer. After some early work I went to Sault Ste. Marie on lock construction. I was there about 7 years. Following that I was for a short time at Galveston, on precise measurements, the next 4 years making surveys on the Great Lakes, and in 1904-5 in the study of movable dams for the Sault, 1906 to 1925 I was at Sault Ste. Marie on the construction of the Sault locks, and from 1925 to date vice president of the Lake Carriers' Association.

This statement refers only to part II of the St. Lawrence survey report, covering shipping services on the St. Lawrence River.

Under date of December 20, 1940, the Acting Secretary of Commerce transmitted to the President part II of the Reports of the St. Lawrence Survey conducted by the office of the Secretary of Commerce. This part of the report pertains to the navigational aspects of the proposed St. Lawrence seaway, and the possibility of ocean shipping.

The report covers the following subjects: (1) A general description of the existing waterway facilities from Duluth to the open ocean, and the proposed improvements to give 27-foot depth throughout; (2) the present St. Lawrence Canal traffic; (3) the navigation conditions, particularly with respect to the length of the season; (4) the time of passage through the various sections of the proposed system, touching the allowable speed in canals, channels, and lakes, and the total time required to traverse the waterway from Duluth to Montreal; (5) the hazards of navigation with respect to tortuous and rock-bound channels, fog, and so forth, resting mainly upon past experience with vessels of smaller type; and (6) the required draft

of vessels, including the necessary allowance for clearance between keel and channel bottoms, the number of vessels available for the service so far as relates to depth, and the availability of the channels to pass naval vessels which might be built in the Great Lakes area.

The following comments are submitted regarding this part II of the report:

Section 1. Seaway project: As a preliminary to the brief description of the proposed project the report refers to the heavy traffic on the Great Lakes and points out the large proportion of this traffic accounted for by bulk freight of raw materials.

The statement immediately following—

Unfortunately, this great body of water, which acts as a channel of transportation for the products of rich mines, agriculture, and industry, is sealed to the outside world by obstructions in the path of the St. Lawrence which carries the flow of the Lakes to the Atlantic Ocean—

seems to imply that this volume of traffic has some relation to the commerce that may be reasonably expected to use the St. Lawrence. There is no such relation. On the contrary, if the canal is used, some of the freight now carried by the United States and Canadian vessels would be replaced by freight handled in foreign vessels. Grain is the only bulk commodity of great volume seeking an outlet to the ocean and the United States' interest in grain export has seriously declined during the past decade.

The report points out that—

Only in a brief distance of 119 miles from Ogdensburg, N. Y., and Prescott, Ontario, to Montreal, Quebec, are there obstructions preventing ordinary ocean-going vessels from navigating into the heart of the American continent.

It fails to point out, however, that the estimated cost of the proposed construction in this 119 miles is \$350,000,000 or four times the total cost to the United States of improving the connecting channels of the Great Lakes during the past 100 years, providing 1,000 miles of transportation lanes.

In describing the plan proposed, the report makes the statement that the route from Duluth to the Atlantic would involve only 8 miles of restricted channel and 67 miles of canal navigation. Such a statement is based on the assumption that where there are no governmental restrictions on speed the route may be traversed at the usual speed in the open lake or ocean.

Section 2. Traffic on the present St. Lawrence Canals: The report points out that despite its limited depth of 14 feet the present lower St. Lawrence canal system is a busy waterway, the traffic having grown in 30 years from 2,000,000 to 8,000,000 net tons. The inference is again that with a deeper channel much greater use would be made of this outlet to the sea. Tables are presented showing the annual through traffic on the canals for the years 1910-38, and the number of vessel passages for the years 1929-38. Also table 5 shows the amounts of the several commodities carried in 1938. By referring to the source of these data (Canal Statistics, Ottawa, 1938) it is possible to separate from the total the amount of freight shipped from or to the United States ports.

Out of a total traffic of 8,285,167 tons, 1,317,280 tons, or 15.9 percent was shipped from United States ports; 848,206 net tons, or 10.3 percent, was received at United States ports. As 143,507 tons was shipped

entirely between United States ports and thus appears in both of the above figures, the total from or to United States ports was 1,879,372 tons, or 22.7 percent of the aggregate tonnage.

Shipments and receipts of agricultural products, mainly grain, amounted to 4,675,000 tons, or 56.5 percent of the total traffic, but interest of United States ports was confined to the receipt of 23,430 tons up-bound, and 32,042 tons down-bound and the shipment of 606,600 tons down-bound. Thus less than 8 percent of these agricultural products was shipped from or delivered to an American port.

Turning to coal and coke, 418,474 tons were shipped upbound from Canadian to Canadian ports, while 524,815 tons were shipped down-stream from United States to Canadian ports. The combined traffic in these commodities amounted to 965,773 tons, or 11.7 percent of the total. Petroleum products totaled 878,986 tons, accounting for 10.6 percent, and paper, wood pulp, and pulpwood amounted to 786,361 tons, or 9.5 percent of the total traffic.

Thus these bulk commodities, agricultural products, mainly grain, coal, and coke, petroleum products, and wood and paper make up 7,305,940 tons, or 88 percent of the total. Less than 1,000,000 tons covered all other mine products, manufactures, and miscellaneous freight.

The present St. Lawrence canals between the Great Lakes and the ocean have a minimum depth of 14 feet. Vessels built to operate on a draft adapted to these canals carry about 1,500 tons per trip. These vessels taking moderate cargoes are otherwise adapted to the service required. If there is dire need of a deeper route to Montreal why has not greater use been made of the present canals for the carriage of miscellaneous cargoes?

Tables are also presented showing the exports and imports of the United States to and from overseas countries. It is of interest to segregate this traffic as to the character of the commodities and this appears in the following compilation taken from tables 6 and 6-A of the report.

I shall not attempt to read this table, but it shows that classified products—

The CHAIRMAN. Mr. Sabin, you spoke of petroleum products. Was that gasoline, principally?

Mr. SABIN. Yes. The up-bound is mainly gasoline. I think there is some crude petroleum comes in, a small amount.

The CHAIRMAN. Is that handled in tank barges?

Mr. SABIN. Yes, sir.

Mr. DONDERO. Mr. Sabin, do you want to complete your statement before we ask you questions?

Mr. SABIN. That has been the usual procedure, I think. It doesn't matter particularly. Perhaps it will keep it a little straighter if I might go ahead.

The CHAIRMAN. An occasional question will not hurt, but an extended cross-examination like we carry on sometimes tears a man's statement all to pieces.

Mr. SABIN. This table showing the United States exports and imports through the St. Lawrence canals, to and from overseas countries, shows there are 44,695 tons of exports of designated commodities, and 13,723 of other items; total gross tons of 58,000, and total net tons of 65,000 of exports, and of the imports there are 64,000.

United States exports and imports through St. Lawrence canals to and from overseas countries, cargo tons of 2,240 pounds, year 1938

Commodity	Exports	Commodity	Imports
Grain, grain products, animal feed, fodder..	22,540	Grain and grain products	1,740
Iron and steel	6,564	Iron and steel	590
Chemicals	5,042	Wood pulp and paper	28,689
Vehicles	3,800	Ores and nonmetallic	5,560
Coal and coke	3,170	Clay, cements, etc	5,378
Heavy machinery	2,332	Animal products	2,893
Petroleum products	1,310		
		Total above	44,850
Total above	44,695	Other items	12,102
Other items	13,723		
		Total gross tons	56,952
Total gross tons	58,418	Total net tons	63,786
Total net tons	65,428		

From this table it appears that grain, animal feed, and fodder accounted for 39 percent of the exports, while wood pulp and paper formed 50 percent of the imports.

The vessels capable of operating on these canals in our overseas trade are especially suited to handling such lightweight cargoes as automobiles and package freight but in spite of these facilities a combined total traffic of only about 130,000 net tons of exports and imports annually had developed by 1938. Is this likely to be expanded 100 times or to 13,000,000 tons, by the completion of the deep waterway, as claimed by the survey report of 1934? This is the Survey of the Great Lakes-St. Lawrence Waterway Project (Senate Doc. No. 116, 73d Cong., 2d sess., p. 127).

Mr. SABIN. We must refer back to the survey report for 1934, for the reason that we have not been given the present report of this present St. Lawrence survey. That is, that is being held back, and we have not yet seen it.

The CHAIRMAN. Is this data from this report you speak of taken from records of the War Department, or entirely the Commerce Department?

Mr. SABIN. In this tabulation I have just been reading, Judge?

The CHAIRMAN. Yes.

Mr. SABIN. That comes from the reports of the Department of Transport of Canada.

The CHAIRMAN. Oh, I see.

Mr. SABIN. The same source from which Part II comes.

Section 3. Conditions of navigation on the St. Lawrence River: This section is designed to show that because of ice conditions the route is not closed to navigation 5½ months of the year but in reality is open 7 months. Also, that the time that a ship may be in operation on a route including the Great Lakes may be increased by sailing from a distant port in time to reach the canal at the opportune moment when the channel may be open in the spring, and on the last trip of the season, leaving the Lakes just before the ice closes the channel in the fall. By choosing the outside ocean port at sufficient distance and planning a month or two for needed repairs, the vessel could occupy nearly the entire year in this trade.

The date of opening and closing of navigation at St. Mary's Falls Canal, as presented in table 9 for the years 1930-39, shows an average length of season of 243 days, or from April 19 to December 17. It

may be pointed out, however, that the navigation in April and December is comparatively unimportant.

In 1937, 5.6 percent of the traffic passed in April and December, or in 14.7 percent of the open period. In 1938 only 3.2 percent of the traffic, and in 1939 only 1.4 percent of the traffic passed in these months at the opening and closing of the season. Likewise, on the St. Lawrence canals the traffic in April and December has averaged 3 percent of the total in the past 5 years.

The reason for this is evident: With this late navigation a steamboat operator gets a cargo or two that he must deliver in that year, and the same thing applies in the spring. Some steel manufacturer may be in dire need of ore, and he sends one or two boats out to get a load of ore, but the main part of the traffic is carried from May to November.

Table 10 for the St. Lawrence canals shows average date of opening, April 19, latest, May 1; average date of closing, December 11, earliest, December 5. This gives the average season 237 days, and the minimum to be expected 219 days, or 60 percent of the year.

At Montreal the average dates of opening and closing are April 21 and December 7, an average season of 231 days. From the latest opening, May 3, to the earliest closing, December 1, would give a safe season of 213 days, or 58.5 percent of the year.

Assuming 6 days is required for the trip between Montreal and Duluth, the possible date of first-season arrival at Duluth is May 9, and the safe last date of leaving Duluth, November 25. Thus, the Duluth season for the shipper is 201 days, or 55 percent of the year.

The report points out that a ship operating in foreign commerce to and from the Lakes is not confined to these extremely short seasons in which little more than half the year is available. It attempts to show that a ship operating to and from Brazil might be in commission in this trade for 8½ months. The reasoning is unique that, because 45 days might be required for the trip to and from Montreal, it adds 1½ months to the time during which the St. Lawrence route is available. Apparently, if the foreign port is far enough removed to require 5 months for a return trip to Montreal, the use of the St. Lawrence would not be restricted by the winter season but would serve the traffic the year around.

A vessel to leave Brazil with cargo for Duluth, expecting to return the same season, must leave Rio October 27 to reach Montreal November 18 and arrive at Duluth November 24. If 1 day only be allowed to load, the vessel leaving Duluth November 25 would thus reach Montreal December 1, the anticipated closing date.

In the same trade a vessel could not leave Rio earlier than April 11 to reach Montreal May 3, the supposed opening date. Thus, the season at Rio for this out-bound trade is April 11 to October 27, or 200 days, 55 percent of the year.

It seems evident that a ship in this trade must find other business for nearly half of the year. A similar curtailment of the shipper's season at either end of the route is an important element.

If the Lakes manufacturer is using ships in direct foreign trade, he must look to the railroads or other means of transport to obtain raw materials or ship his products for over 5 months of each year.

SECTION 4. TIME OF PASSAGE OVER THE ST. LAWRENCE SEAWAY

This section is devoted to the question of the permissible speed in the waterway in an attempt to show that a vessel having normal speed of 12 miles per hour on the ocean would be able to maintain that speed over all waters except for about 75 miles of restricted channels and canals, including 18 locks. This results in a time passage of less than 5½ days between Duluth and Montreal.

The report assumes that oceangoing foreign ships—the class that would use the waterway, if any—would be able to move with the same facility as the vessels now operating on the Great Lakes. This is considered an unwarranted assumption. Lake vessels are designed for lake traffic, and are provided with large rudders for safe and convenient maneuvering in narrow channels. Lake masters make a trip every week or two and become familiar with all channels, including locks. Neither of these conditions would apply to ocean vessels and their personnel.

In the waters connecting Duluth and Montreal, a distance of about 1,348 miles, 265 miles are in rivers or connecting channels, of which 203 miles will have been improved by dredging with fairly narrow channels, and 75 miles in canals with 18 locks.

The report computes the time of transit for a ship having speed in open water of 12 statute miles per hour as follows, for a distance of 1,348 miles.

One thousand two hundred and seventy-three miles so-called open water, at 11.9 miles per hour, 107.2 hours; 75 miles restricted channels, including 18 locks, 21.6 hours; 1,348 miles total distance—average speed 10.5 miles per hour—128.8 hours, or 5.37 days.

The assumption is made that ships can and may travel at full speed except where reduced speed is required by Government regulations, but, of course, this is not the only controlling factor.

The report says:

In the open waters of the Lakes, as well as in channels where there are no speed limits, an average of 12 miles per hour has been assumed.

In the passage of the Welland Canal, where actual results are known, the apparent allowance is 4 hours for locking and 5 hours for the canal, or at the rate of less than 6 miles per hour in the open channels of the canal. This canal has a bottom width of 200 feet, while some of the channels in the Lakes are only 300 feet wide.

It is thought that masters not thoroughly familiar with conditions in the narrow waterway where currents frequently exist would reduce speed throughout the 202 miles of improved channels as well as in the 75 miles of canal. Also, no account is taken of delays due to fog and other causes.

A more reasonable computation of the time of passage required between Duluth and Montreal through present channels to Ogdensburg and the proposed improvement in the St. Lawrence is believed to be as follows:

One thousand and seventy miles reasonably open waterway, at 11.9 miles per hour, 90 hours; 203 miles restricted channels, at 10 miles per hour, 20 hours; 75 miles canal, 18 locks, 25 hours; average delay, 9 hours; 1,348 miles, 144 hours or 6 days, per trip.

Mr. DONDERO. Do you want to yield at that point, Mr. Sabin, and tell this committee what the average speed is of the average freighter on the Great Lakes?

Mr. SABIN. I think it is about 12 miles light, and 11 miles loaded; it is about 12 to 13 miles light, and about 11 to 12 miles loaded.

Perhaps I should ask Captain England that question, as he could answer it better than I could.

Captain ENGLAND. That is a good average.

Mr. DONDERO. Do you disagree with the report that the rate of speed could be stepped up?

Mr. SABIN. Oh, no; I do not know why it could not be 24 miles an hour.

Mr. DONDERO. It seems very low to me, when you do not travel more than 12 miles an hour in open water.

Mr. SABIN. The point is, he considers it a 12-mile boat. If he is talking about a 15-mile boat, that is a different thing, and a different cost is involved, but having settled on a 12-mile boat, then, they should stick to their argument and not change in the middle of it and say, "Oh, well, if this does not come out right, we will speed up this boat a little," but we are talking about a 12-mile-an-hour boat.

Mr. DONDERO. That is the reason for my question as to whether or not the boats on the Great Lakes do not make more than 12 miles an hour in open water.

Mr. SABIN. No; they do not, on an average.

Mr. DONDERO. But could that rate be speeded up?

Mr. SABIN. Yes; it could be, at greater expense.

Mr. DONDERO. Could it be speeded up?

Captain ENGLAND. Not much.

Mr. SABIN. The Captain says, not much, and he knows more about it than I do.

Mr. DONDERO. The tendency of the age in which we live is speed and more speed.

Captain ENGLAND. You could construct boats to go faster, Mr. Congressman, sure, but the present speed of those boats cannot be stepped up very much. They are driving them as hard as they can right now, to move iron ore to the foundries, and 11¼ miles an hour would be the average speed at the most.

Mr. SABIN. I suppose you men know boats could be built for greater speed.

Mr. DONDERO. It is a surprising thing that the rate of speed of those boats is kept down so low.

The CHAIRMAN. Those boats are constructed for economy in handling a large amount of cargo and not for speed.

Mr. SABIN. Yes; that is the whole thing.

The report makes a typical suggestion, in referring to the reduced speed required, by saying:

This delay can be compensated for by speeding up travel in the open stretches of water above 12 miles per hour. Such a feat is not beyond the bounds of possibility.

In other words, after assuming a boat of a certain speed, it suggests that this speed might be greater.

Section 5. Hazards on the St. Lawrence Route: The report refers to the statement frequently made that the St. Lawrence Route is

tortuous, often fog-bound, and therefore offers dangerous navigation, and this part of the report attempts to show that these statements are exaggerated.

The statement is made in the report, "The best indication of the hazards to navigation in the St. Lawrence River is in the record of accidents over a number of years," and a table is included giving the number of accidents involving merchant vessels on the St. Lawrence River between Montreal and Lake Ontario for the 5 years 1935-39. But these accidents relate to canal vessels, not over 250 feet in length, that can pass the present locks, the masters of which are passing up and down frequently and are thus familiar with the navigation.

The passage of ships of a much greater size is a quite different matter.

These accidents reported for the St. Lawrence are compared with those occurring on the Panama Canal, with the conclusion that the experience on the St. Lawrence is more favorable. But the conditions are entirely dissimilar. The ships using the St. Lawrence are small and easily managed, and the pilots are making frequent trips through the canals.

The Panama report lists such accidents as striking walls and docks, which evidently are not included in the St. Lawrence data.

The only pertinent comparison is to note the number of collisions and strandings or groundings in the two cases. The following table presents such a comparison, from which it appears that during the 5-year period there were 11 accidents of this character on the Panama, and 110 or 10 times as many, on the St. Lawrence.

Comparison of number of accidents, Panama and St. Lawrence Canals

Year	Stranding or grounding		Collisions		Total number of accidents	
	Panama	St. Lawrence	Panama	St. Lawrence	Panama	St. Lawrence
1935.....	2	5	.....	5	2	10
1936.....	1	23	.....	9	1	32
1937.....	.....	14	.....	7	.....	21
1938.....	1	23	1	4	2	27
1939.....	4	13	2	7	6	20
Total.....	8	78	3	32	11	110

Incidentally, the report gives the length of the St. Lawrence as 183 miles, while the accident records apparently apply only to the canals which have a combined length of 90 miles. Also, the number of locks in the Panama Canal is given as three, whereas there are six. On the whole, the comparison made in the report is not reassuring as to the hazards of navigation on the entire St. Lawrence waterway.

In the St. Lawrence River, shoals are generally of rock. A vessel's bow striking one of these shoals may have her stern in very deep water, making salvage difficult or impossible.

Moreover, the channel as planned over the international section is indeed tortuous; one need only look at the plans of the proposed navigation channel to be convinced of this point. Currents and cross-currents of considerable velocity will exist.

The navigation of ocean vessels of 5,000 gross tons, the typical ship cited in prior Department of Commerce reports, is possible, but not without considerable hazard, as insurance rates will indicate.

As to fog, the report presents records submitted at the Senate hearing on the treaty in 1934, comparing hours of fog at Montreal with other areas, all of which are adjacent to the route which must be traversed from the head of the river to Lake Superior. The records show 4 days per year at Montreal as against 18.3 days at Toronto, and 17 days at the outlet of Lake Superior.

The heavy percentage of days of fog in the St. Lawrence does not appear at Montreal, but in the narrow and tortuous channels upstream. This is shown by records furnished by the Department of Transport, Canada.

For the 12-year period at St. Hubert, which is the airport of Montreal, fog occurred an average of 13.6 days per year, while at Morrisburg on the Rapide Plat Canal, records for a 5-year period show 37.8 days per year. During the months, May to November, the average number of days of fog per year was, for Montreal, 7.2 and, for Morrisburg, 19.2. Thus, the record for Morrisburg is 2.7 times that for Montreal.

The conditions of navigation are best reflected in the lake time clauses required by the marine-insurance companies from which the following is quoted:

It is understood and agreed that permission is hereby granted the within insured vessel to navigate between Kingston/Cape Vincent, and Prescott/Ogdensburg, subject to the following restrictions—

That is, the 67 miles in the upper part of the river which has already been improved to a 450-foot width.

Warranted not to be engaged in navigation except between April 15 and November 30, both days inclusive.

Warranted vessel shall navigate the connecting waters between Clayton, N. Y., and McNair Island east-bound during daylight hours only, and warranted that while the vessel is navigating these waters it shall at all times be equipped with a suitable stern anchor of sufficient weight and appropriate design, and the master shall be on active duty at all times, and there shall also be on active duty with him one other licensed navigating officer.

Thus, it appears that navigation in the international section is now restricted to daylight hours and to the period from April 15 to November 30. The report admits that insurance rates will be "fractionally higher" over the St. Lawrence route as compared with Atlantic ports.

The crooked rock channels and the narrow canals will not be inviting to ship operators. However, if sufficient freight is available, ships undoubtedly will be found to traverse the system, but in endeavoring to arrive at applicable freight rates the various hindrances to free navigation must be recognized and the effect of slow progress and high insurance rates must be considered. These questions affect the computation of possible savings of water transport.

The report assumes no hindrances, except for locks, and reduced speed for 8 miles, except in canals, and those questions must be considered in the part which we have not yet been able to see, part III of this series.

SECTION 6. REQUIRED DRAFT OF VESSELS

The report states that—

one of the most insistent objections to the St. Lawrence seaway has been that a 27-foot project would not permit any appreciable proportion of ships engaged in American traffic to utilize it.

The report then presents tables showing the vessels of different classes now in existence segregated for each foot of designed draft from 18 to 3½ feet.

By assuming that only 1 foot of free-way is necessary in a canal the conclusion is drawn that vessels having 25-foot salt-water draft can traverse the waterway and that, accordingly, a large percentage of ocean vessels are suited to the service.

The present proposed depth of the St. Lawrence project is 27 feet and the question is presented as to the safe salt-water draft available to a ship to traverse the St. Lawrence and lake channels excavated to this depth. The report states that—

In this survey a normal depth of 27 feet in canals is assumed as the controlling depth, with full expectation that open channels, particularly rocky and dangerous points on the route, would have additional safeguards.

It is understood the plans propose only a 27-foot depth and that computations of cost, if they are held of any importance in this project, are based on excavation to this depth. Accordingly, there appears no justification for the assumption that a depth greater than 27 feet is contemplated.

As a matter of fact, in his testimony a few days ago General Robins mentioned Livingstone Channel as having already a depth of 26 or 27 feet, but he indicated, I understood, that that would not require deepening to fulfill the requirements of this waterway.

The CHAIRMAN. How long a distance would that be, Mr. Sabin?

Mr. SABIN. Through Livingstone Channel? Well, it is one of the most expensive projects to be undertaken in the Great Lakes, Judge.

The CHAIRMAN. Yes. There is another channel there paralleling it.

Mr. SABIN. Yes; that Amherstburg Channel in the Detroit River.

The CHAIRMAN. Yes.

Mr. SABIN. But that, of course, will have to be deepened because that is only about 20 feet deep.

Mr. DONDERO. Do they use it now, Mr. Sabin?

Mr. SABIN. Yes; they use it for up-bound traffic.

Mr. DONDERO. That is not quite as deep as Livingstone Channel?

Mr. SABIN. No, sir; it is 21 feet, within a fraction of 21 feet.

Mr. DONDERO. Would it be necessary to use the Amherstburg Channel?

Mr. SABIN. Yes; for up-bound. I suppose that this actually would anticipate practically as heavy loads going up as going down, but that is another thing that we cannot tell anything about until this part 3 report is received, as to what they propose to take on it. We do not know whether they want to deepen the up-bound channels or not.

Mr. DONDERO. Could they use the Livingstone Channel for both up-bound and down-bound freight?

Mr. SABIN. They could, but we do not think they should. We would not do it ourselves, and we confine our own ships to going up the Canadian Channel because we want to preserve the up- and down-bound channels separate in all traffic as much as possible in the interest of safety, so that we restrict our up-bound boats to pass up the Amherstburg Channel in the Detroit River and the Middle Neebish Channel in the St. Mary's River, although if we had them go both ways in the upper channels they could load to full depth, but for the sake of safety we restrict these up-bound vessels to those two channels.

Mr. CULKIN. Did I understand the gentleman to question the report of the engineers as to its completeness on the disbursements required for completing this seaway?

Mr. SABIN. I did not get your question.

Mr. CULKIN. Did I understand you to question the evidence as to the completeness of the statement of disbursements required to complete this seaway?

Mr. SABIN. I have not touched on that, sir, as yet.

Mr. CULKIN. I misunderstood you then. If that is the case, you have a very distinguished counsel representing you here, and General Robins is coming back, and I for one would like to have that developed if that is a fact.

Mr. BEITER. He has not testified on that at all.

Mr. CULKIN. He does not need any coaching.

Mr. SABIN. I did not mention that.

Mr. CULKIN. I understood you to question that.

Mr. SABIN. Where?

Mr. CULKIN. It was back a while ago.

Mr. SABIN. I only referred to the question of whether cost had any effect on this project.

Mr. CULKIN. I still make the same suggestion. If the gentleman has any evidence to show that there is not a complete statement on the disbursement I would like to have it.

Mr. SABIN. Whatever General Robins said is true, as far as he goes, I am sure of that.

Mr. CULKIN. But you say he does not go far enough?

Mr. SABIN. I would say there are other expenses not included, and that he says are not included.

Mr. CULKIN. I think those ought to be developed by counsel or someone else. Will you try to find out what they are so they won't be forgotten?

Mr. SABIN. Well, they have been mentioned here, such as the interest during construction, for instance.

Mr. CULKIN. Yes, I have heard that before. What else is there that he did not mention? I asked you, Mr. Sabin, if there was anything else that had not been mentioned in the way of needed disbursement?

Mr. SABIN. Needed disbursement?

Mr. CULKIN. Yes.

Mr. SABIN. Why, there are the expenses that have to be covered by someone for preparing reports.

Mr. CULKIN. What else?

Mr. SABIN. And interest during construction.

Mr. CULKIN. Yes, we have had that frequently mentioned, among other things.

Mr. SABIN. I have not gone into that in this statement at all. It is rather aside from the point at present.

Mr. CULKIN. No; I think it is very much to the point. The assertion has been made repeatedly, and erroneously based on General Robins' testimony, that this seaway was going to cost the United States \$1,100,000,000. According to him if we put the seaway in the seaway is going to cost the United States something like \$200,000,000. If that is not true we ought to know it and the country ought to know it.

Mr. SABIN. You will have that covered in detail, Judge. I think it will figure out about \$300,000,000, and that will not cover, as I understand, the full installation of power machinery, and so forth, and that the expense to the United States of maintaining the waterway and operating it will be somewhere between \$10,000,000 and \$15,000,000 a year.

Mr. CULKIN. How much do you say the seaway itself will cost?

Mr. SABIN. I think about \$300,000,000 figures out as reasonable.

Mr. CULKIN. You do not agree with the figures that are given by General Robins?

Mr. SABIN. As far as they go; yes.

Mr. CULKIN. Did you see any of the borings up there?

Mr. SABIN. No; I did not.

Mr. CULKIN. Did you participate in any of them?

Mr. SABIN. Oh, no; I was not there to bore.

Mr. CULKIN. Did you derive this knowledge from the propaganda that has been given out?

Mr. SABIN. No; by studying the reports that were made.

Mr. CULKIN. You were formerly a member of the Engineers, were you not?

Mr. SABIN. No, sir; I was not a member; I was an employee.

Mr. CULKIN. Well, you were a civil engineer.

Mr. SABIN. Yes.

Mr. CULKIN. You know their methods, do you not?

Mr. SABIN. Yes.

Mr. CULKIN. Did you think their theory effective?

Mr. SABIN. Yes; in general.

Mr. CULKIN. And you would generally accept their findings?

Mr. SABIN. In general; yes.

Mr. CULKIN. Well, I suggest that your counsel examine, and I am not trying to dictate your procedure to you, that your counsel examine the Engineers about those items that are in dispute. You have that figure in evidence, of \$300,000—

Mr. SABIN. No; that is \$300,000,000, not \$300,000, and not \$300,000,000,000. As I understand it, it is \$300,000,000. You want to get that straight, first.

Mr. CULKIN. Those figures correct themselves. We get mixed up in them once in a while here. I hope you and your counsel will examine the Engineers on that; I am interested in it.

Anyway, you chipped it down \$700,000,000 from the propaganda statement; that is one gain.

Mr. SABIN. I had no connection with the billion-dollar figure, but it was arrived at by some very eminent engineers. But they, of course, included things that the United States Engineers are not including

and are not pretending to include, and right in that connection these greater costs that have been spoken of, where the works have gone beyond their estimated cost, that is not necessarily the fault of the Engineers. It is the fact that when you start to build a project you have a certain idea of what you are going to do, and before you get through with it you have done twice as much work on it.

Mr. CULKIN. That is right, the project was changed.

Mr. SABIN. That is right; the project is changed, and that is what may happen in this thing, that this will be changed and doubled, but it is not the fault of the Engineers, who made the original estimates, based on a certain plan.

The CHAIRMAN. And another thing, there is the difference in the price of material or wages which may be changed.

Mr. SABIN. Yes; they may change. They think they have covered that, I believe, in the last statement of the Engineers. I think they think they have covered it.

The CHAIRMAN. By allowing a percentage of increase?

Mr. SABIN. Yes, sir.

Mr. CULKIN. They have added 25 percent in addition to the estimated cost to cover contingencies.

The CHAIRMAN. Something like that.

Mr. SABIN. I thought it was 12½.

Mr. CULKIN. You are now at \$300,000,000 on the cost with your complete figure now.

Mr. SABIN. I just mentioned that as a figure I had arrived at in my mind.

Mr. CULKIN. But you had discussed the \$1,200,000,000 propaganda figure.

Mr. SABIN. No; I did not discuss that.

Mr. CULKIN. Did you stand on that?

Mr. SABIN. No; I did not stand on it, and I did not discuss it.

Mr. BENDER. Mr. Chairman, the witness is speaking for himself. This is not a court room, and he has a right to his own opinion without having words put in his mouth.

Mr. CULKIN. I understand the sympathetic bond existing between the gentleman from Ohio and this witness, but I am trying to get at the facts here.

Mr. BENDER. And to be fair to all witnesses.

Mr. CULKIN. But I am going to suggest to the distinguished witness, let us get down to facts and get away from this propaganda.

Mr. SABIN. Judge, I have spent considerable time on this matter, and I have probably spent about as much time on it as I should.

Mr. CULKIN. I am now impairing my standing with the gentleman from Ohio. We are only looking for light on this.

Mr. BETTER. Mr. Chairman, may I just call my distinguished colleague's attention to the estimate presented to the members of the committee made by the Engineers? In that figure he stated it would cost to complete the project \$285,056,000, and when you referred to various figures in the last 10 minutes your own figures have been reduced from \$285,000,000 to \$200,000,000, and finally you dropped down to \$300,000 as the cost of the project.

Mr. CULKIN. Well, that speaks for itself.

Mr. BETTER. It is as big a joke as your referring to the \$1,200,000,000 figure.

The CHAIRMAN. I think you gentlemen are all in accord, if you get down and reason the thing out. The General deducts from that \$93,000,000, and that is where he gets the \$200,000,000. I thought you all understood that.

Mr. BENDER. Judge, the only thing I object to is the continuous reference to ourselves, among ourselves, as distinguished colleagues, when we know we do not mean it.

The CHAIRMAN. You mean our distinguished or extinguished colleagues?

Mr. PITTENGER. I think we ought to let the witness finish his statement before we have any more questions.

The CHAIRMAN. Yes.

Mr. SABIN. Based on the assumption that a 27-foot waterway means an actual depth of not less than 28½ feet in some reaches and on the further assumption that 1-foot clearance is sufficient in canals, the report concludes:

The analysis of shipping, therefore, may be based upon the assumption that ships with salt water loaded draft of 2 feet (fresh water, 1½ feet) less than the depth of canals would be able to utilize this route safely. This allows 1½ feet clearance as compared with the present regulations of 1 foot. Hence a ship of 25 feet loaded draft in salt water could proceed up the proposed St. Lawrence canals without danger.

It goes on, however, to beg the question by stating:

To permit the full utilization of canals of 27-foot depth it would be advisable to deepen open channels with soft bottom to 27½ feet, bends to 28 feet, and rocky sections to 28½ feet.

Thus it is admitted that an allowance should be made of 3.5 feet between salt-water draft of 25 feet and actual fresh-water depth in rock of 28.5 feet. The report remarks "there has developed considerable confusion with regard to this question of clearance because insufficient consideration is given to the differences between canals and channels, and to the variety of conditions encountered in different sections of a channel." A reading of the report does not relieve this "confusion" except it be admitted that a 27-foot channel means an actual depth of 28.5 feet.

Relative to the amount of clearance required, the port warden of Montreal advises that in that harbor small tramp steamers must have 2.5 feet under keel; vessels over 10,000 tons, 3 feet; and large passenger steamers 3.5-foot clearance.

The United States Engineers, in an old report of 1928, considering the draft in down-bound channels, suggested a clearance of only 1 foot in soft bottom and up to 3 feet in rock or boulders. But more recent consideration of the actual safe draft available as a result of the completion of the channels intended for 24-foot draft shows a maximum safe draft of 22.5 feet using bottom clearances or differences between mean depth and still-water draft, of from 1.3 to 3.8 feet below present low-water levels according to character of bottom, degree of exposure, and the effect of temporary depression of water levels due to wind and barometer.

A vessel in motion has greater draft than when at rest. As the result of tests it was found this increase in draft, referred to as "squat," amounts to about 1 foot for lake vessels at 10-mile speed. Similar tests in New York Harbor gave results as high as 3.5 feet for ocean vessels of higher speed.

On the Great Lakes, levels are changing almost continuously by reason of the effect of winds and barometer. These changes frequently amount to from 6 inches to a foot but infrequently assume the nature of a seiche, in which the level in a certain reach may vary 2 feet or more in as many hours. Extreme cases may be mentioned, such as in June 1939 when the level at Marquette on Lake Superior varied 6 feet in 40 minutes. At Iroquois Point in St. Marys River the level varied 5 feet in 2 hours, and in the upper canal at St. Marys Falls it varied 3 feet in 2 hours.

A careful consideration of this question would seem to give the following guide as to reasonable clearance to be allowed and resulting safe salt-water draft:

	<i>Feet</i>
Greater draft required in fresh water than in salt.....	0.5
Allowance for squat of vessel.....	1.0
Temporary low water.....	1.0
Clearance for free navigation.....	1.0
Or a total of.....	3.5
Safe salt-water draft (27.0—3.5).....	23.5

SECTION 6 (CONTINUED). OCEAN SHIPS AVAILABLE AS TO DRAFT REQUIREMENTS

The above discussion of the safe salt-water draft for ships navigating the waterway is used to determine the percentage of ocean vessels available for such service. Whether ships of 23.5-, 24.5-, or 25.5-foot draft may so navigate is important for two reasons: First, the percentage of

TABLE A.—*Oceangoing merchant fleets classified as to draft*

Draft	Freight vessels				Tankers			
	Num-ber	Percent of total	Gross tons	Percent of total	Num-ber	Percent of total	Gross tons	Percent of total
Principal maritime nations:								
25-26 feet.....	1,107	17.28	5,638,000	18.77	82	5.27	439,000	3.95
24-25 feet.....	933	14.57	4,242,000	14.12	60	3.86	274,000	2.46
23-24 feet.....	554	8.65	2,131,000	7.10	40	2.57	163,000	1.46
22-23 feet.....	436	6.81	1,469,000	4.89	15	.96	53,000	.48
United States only:								
25-26 feet.....	127	15.84	636,000	15.62	22	6.24	114,000	4.40
24-25 feet.....	222	26.68	1,093,000	26.84	11	3.12	46,000	1.79
23-24 feet.....	70	8.73	243,000	5.97	10	2.84	42,000	1.61
22-23 feet.....	28	3.49	90,000	2.22	1	.28	3,000	.12

TABLE B.—*Oceangoing freight vessels and tankers classified as to draft*

Draft	Freight vessels				Tankers			
	Principal maritime nations		United States only		Principal maritime nations		United States only	
	Tonnages, gross tons	Percent of total	Tonnages, gross tons	Percent of total	Tonnages, gross tons	Percent of total	Tonnages, gross tons	Percent of total
Less than 26 feet.....	17,720,000	59.0	2,270,000	55.8	1,368,000	12.3	209,000	8.1
Less than 25 feet.....	12,080,000	40.2	1,640,000	40.2	927,000	8.3	95,000	3.7
Less than 24 feet.....	7,840,000	26.1	540,000	13.3	563,000	5.9	49,000	1.9
Less than 23 feet.....	5,710,000	19.0	300,000	7.4	490,000	4.4	8,000	.3

ships' tonnage available changes rapidly at these several drafts. Second, the cost of transport is affected if the rates are to be derived by dividing the assumed cost of ship operation by the number of tons carried in a full cargo. The latter is not considered a reliable method but it is one used in prior studies by a similiar governmental agency.

The report presents in tabular form an analysis of the oceangoing vessels of 2,000 gross tons and over of the principal maritime nations and separately of United States vessels as of December 31, 1939. Of the 9,161 vessels listed with total tonnage of 52,000,000 gross tons, freight vessels number 6,403 with tonnage of 30,000,000. This class thus constitutes 70 percent of the number and 58 percent of the tonnage of all vessels. The tables show also the number and tonnage of the fleets classified as to draft.

The CHAIRMAN. That applied to vessels before this present war condition, did it not?

Mr. SABIN. Yes.

The CHAIRMAN. Nobody knows what it is now?

Mr. SABIN. This was as of December 31, 1939.

The CHAIRMAN. Yes.

Mr. SABIN. In the use of these tables the Report makes an error of 1 foot in respect to the draft represented. The draft indicating "25 feet" means a draft of 25 feet to 26 feet, "33 feet" means 33 feet to 34 feet, followed by "34 feet and over."

These tables are condensed in accompanying tables A and B wherein this error is corrected. It is admitted that combination passenger and freight vessels would not be likely to carry any large amount of freight in lake traffic even if it were available, and this class is omitted from the condensed tables.

Table A shows that freight vessels designed for 25- to 26-foot draft constitute 17 percent of the number and 19 percent of the tonnage of oceangoing merchant vessels of the principal maritime nations, while those designed for 23- to 24-foot draft constitute 9 percent of the number and 7 percent of the tonnage, and vessels designed for 22- to 23-foot draft make up only 7 percent of the number and 5 percent of the tonnage.

Of the tankers, 5 percent of the number and 4 percent of the tonnage have draft between 25 and 26 feet, but less than 3 percent of the number and 1½ percent of the tonnage are designed for draft 23 to 24 feet.

Referring to United States vessels alone, 16 percent of the freight vessels have designed draft of 25 to 26 feet, while only 9 percent of the number and 6 percent of the tonnage are designed for draft 23 to 24 feet.

Of the United States tankers, 6¼ percent of the number and 4½ percent of the tonnage are designed for draft 25 to 26 feet, but less than 3 percent of the number and 1.6 percent of the tonnage are designed for draft of 23 to 24 feet. Only 1 tanker is designed for draft of 22 to 23 feet.

Table B shows that if a salt-water draft of 25 feet were available freight vessels of the principal maritime nations having 40 percent of the tonnage could use the St. Lawrence, but only 26 percent of the tonnage is designed for draft less than 24 feet and if confined to 23-foot-draft vessels, only 19 percent of the tonnage would be available.

For tankers having draft of 25 feet or less, 8.3 percent of the tonnage could use the waterway, but only 6 percent is designed for draft less than 24 feet and if confined to not over 23-foot draft, only 4.4 percent of the tonnage would be available.

The CHAIRMAN. A very small percentage of the tankers is less than 25 feet?

Mr. SABIN. Yes, sir.

The CHAIRMAN. You do not know the percentage, do you?

Mr. SABIN. Yes, sir; I think that is shown on the table, Judge.

The CHAIRMAN. Is it?

Mr. SABIN. Yes.

The CHAIRMAN. I did not know.

Mr. SABIN. Of tankers having a draft of less than 25 feet of the principal maritime nations, it is 8.3 percent of the total.

The CHAIRMAN. Yes; I thought it was small.

Mr. SABIN. Yes, sir; it is.

Of the United States freight vessels, 40 percent of the tonnage could use the waterway if 25-foot draft were allowable, 13 percent have designed draft less than 24 feet, but only 7.4 percent would be available if confined to 23-foot draft. Similar figures for United States tankers show less than 4 percent of tonnage available even if 25-foot draft were permitted, while only 13 tankers could carry a full load on less than 24-foot draft, and only 3 on less than 23-foot draft.

These numbers and percentages assume that all vessels of draft less than that stated would be available for the service.

It is clear that the claim made in the report that of the world's merchant fleet of freight vessels, "71 percent of the vessels and 59 percent of the freighter gross tonnage would find safe and convenient navigation in the 27-foot project," and the further claim that of the United States freighters, "the project would accommodate 65 percent of these freighters and 56 percent of their gross tonnage" are choice examples of gross exaggeration. ((a) Report, The St. Lawrence Survey, pt. II, p. VIII.)

To add further to the tonnage purported to be suitable to navigate the proposed waterway, the report assumes that ships will be built of special design for this service. It says "when the 27-foot canals are established through the St. Lawrence and the Great Lakes, not only will a large proportion of existing world shipping be able to utilize it, but new ships to fit that service will certainly be constructed." Other points mentioned are that vessels need not operate at full-capacity loads and that the timing of the take of fuel, water, and supplies may be such as to permit lighter draft in the lake area. The above analysis shows how far the figures depart from actual conditions.

Although the report is far too optimistic as to the amount of tonnage suitable to navigating the proposed route it is considered that even the 19 percent of the world's tonnage of freighters able to operate on a salt-water draft of less than 23 feet may be sufficient to carry all the traffic that will be offered, but the United States merchant marine is not likely to share in such traffic. How much freight will be available to move and the freight charges applying are the principal questions to be considered with a study of the economic justification for the immense expenditure involved. That is supposed to be in part III of the report which is not available.

Shipbuilding on the Great Lakes: The report points out that certain naval vessels could be built at shipyards to be located on the Great Lakes. Many of the smaller classes are being built there now and can be sent to sea through channels already available. If the construction of all naval vessels of the smaller classes were allocated to Great Lakes yards, they would be not only fully occupied but would require enlargement of facilities. This would release Ocean and Gulf yards for the construction of the larger classes.

The facilities now existing for the transfer of these smaller ships to the sea are not likely to be severely interfered with. On the other hand, ships built in lake yards dependent on the deepening of the St. Lawrence for passage to the sea, might be bottled up indefinitely by the blasting of the huge dams and locks required for the development. Destruction of a lock or dam would prevent the movement of even the smaller ships of the classes now building, or which might be built.

This procedure would thus be truly building ships in a bottle. Moreover, the lower canals in the section entirely controlled by Canada are not to be completed for 7 or 8 years. Accordingly, the yards built in the lake area would not serve for larger ships in the present emergency.

In a Government report one looks for a thorough collection and investigation of relevant facts, an unbiased approach to the problem presented, a careful and able analysis of the pertinent data and a judicial decision of the point at issue. This report gives one the impression it was compiled by an advocate rather than a judge.

The primary purpose of the report appears to be to prove that there are enough ships existing to carry the available traffic, that the short season will be sufficient to carry this traffic and that the admitted hazards of navigation are not so pronounced as to make extensive utilization impossible.

Whether this is true depends on the amount of traffic anticipated, which is not divulged in the present part II of the report. The comments herein presented are believed to establish the fact that if the claims as to the amount of traffic made in prior reports are adhered to, the costs of transport heretofore claimed will have to be revised upward. On the other hand, if the justification of the project rests on considerable quantities of export, than the introduction of certain imports to the lake area will be found to incur heavy losses to industry and transportation already established.

Mr. DONDERO. Mr. Chairman, I suggest, due to the lateness of the hour, that we suspend now before taking up the cross-examination of Mr. Sabin.

The CHAIRMAN. What is the pleasure of the committee?

Mr. CULKIN. I move we adjourn.

The CHAIRMAN. Suppose we convene at 10:30 in the morning?

Mr. CULKIN. I move we adjourn until 10:30 tomorrow morning.

Mr. PITTENGER. I second the motion.

The CHAIRMAN. We will adjourn until 10:30 tomorrow morning. (Thereupon, at 5:25 p. m., the committee adjourned until tomorrow, Wednesday, June 25, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

WEDNESDAY, JUNE 25, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

(The committee met, pursuant to adjournment, at 10:30 a. m., in the committee room, New House Office Building, Hon. Joseph J. Mansfield (chairman) presiding, for further consideration of H. R. 4927).

The CHAIRMAN. The committee will please come to order.

Mr. BENDER. Mr. Chairman, before we proceed, I would like to inquire regarding some of these Federal employees who have been attending the sessions of this committee during these hearings. Have we subpoenaed any Federal employees other than those who have testified so far?

The CHAIRMAN. We have never subpoenaed any of them. We have no authority to subpoena any.

Mr. CARTER. Have we requested any of them to be here, Mr. Chairman?

Mr. BENDER. Yes; have we requested any of them to be here?

The CHAIRMAN. You will find that out from the clerk. I have written a lot of letters, but I do not recall all of those to whom letters were written.

Mr. BENDER. Frankly, there are a good many Federal employees who have been attending the sessions of this committee ever since we have started the hearings. They are on the pay roll, and unless they are subpoenaed here and requested to be here, they have no business here in this committee room.

Mr. DONDERO. I resent that. That would apply to the five members of the President's Cabinet; they are on the Federal pay roll.

Mr. BENDER. But they were requested to come here.

Mr. DONDERO. The chairman has announced that he has written letters to others, but he does not know whom. I hope this is still a free country.

Mr. BENDER. Of course, it is a free country.

Mr. MACIEJEWSKI. They are probably here on their own time. I do not think there is any ground for that. I think that is very unfair.

Mr. SCHULTE. That is uncalled for. We are trying to take away the rights of these employees.

Mr. BENDER. No; I am not trying to take away the rights of employees, but I do know this, that in any branch of the Government, when you have employees serving in various departments to do a specific job, and they are spending their time attending a committee hearing rather than being on that job, it is something that should be called to the attention of the taxpayers of the country.

Mr. CARTER. Have you any evidence that there has been such procedure as that followed here?

Mr. BENDER. There is a gentleman by the name of Daniclian in the Department of Commerce who, I understand, has been conducting the procedure so far as witnesses for the project are concerned.

Mr. FITTINGER. And very properly so, because the President asked the Department of Commerce to make this survey, and I take it that Mr. Jesse Jones, in whose department that man works, asked the right to have him up here, because he could not be here himself. Would you overrule a member of the President's Cabinet?

The CHAIRMAN. I especially requested him to be here.

Mr. BENDER. That answers my question regarding him, Mr. Chairman.

The CHAIRMAN. But I do not think he is here now. He and others helped me to prepare a program of who was to come before us. They assisted in doing that, just as Mr. McGrath has assisted me in arranging the same thing for the opposition.

Mr. BENDER. I have nothing further to say, but I have other names that I will submit to the chairman of the committee privately and inquire of him as to whether they were requested to be here.

The CHAIRMAN. Yes, sir.

Mr. SCHULTE. Mr. Chairman, by virtue of the fact that they are working for the Federal Government, it is not any reason why this committee, or any other committee of the House, has a right to deny them that privilege.

Mr. CARTER. But Mr. Bender's point is this: I take it from his statement that he thinks they have just walked away from their regular work, and are not here on any particular assignment. If they are neglecting their regular work, are not here on any particular assignment, or at the request of the chairman of the committee, or are not assisting in any way officially, then he wants to know it. I believe we are entitled to know that, too.

Mr. SCHULTE. That is the first time that point has ever arisen in my memory.

Mr. CARTER. I do not know but that it is a pretty good point.

Mr. SCHULTE. I differ with my friend.

Mr. MACIEJEWSKI. Let us proceed, Mr. Chairman

Mr. PITTENGER. I second the motion, Mr. Chairman.

FURTHER STATEMENT OF L. C. SABIN, REPRESENTING THE LAKE CARRIERS ASSOCIATION, CLEVELAND, OHIO

The CHAIRMAN. Had we concluded with you, Mr. Sabin?

Mr. SABIN. I do not know.

The CHAIRMAN. You had concluded your statement, and you were asked many questions. I did not know whether you had concluded or not.

Mr. MACIEJEWSKI. I have a question, Mr. Chairman.

The CHAIRMAN. Mr. Maciejewski.

Mr. MACIEJEWSKI. Mr. Sabin, I see you are a member of the executive committee of this organization; you are not on the pay roll, are you?

Mr. SABIN. No, sir.

Mr. CARTER. You mean the Lake Carriers Association?

Mr. MACIEJEWSKI. Yes; this association that Mr. McGrath is chairman and executive secretary of.

Mr. SABIN. He asked me if I was on the pay roll of this St. Lawrence Conference.

Mr. CARTER. The St. Lawrence Conference?

Mr. SABIN. Yes.

Mr. CARTER. I thought you meant the Great Lakes Carriers Association.

Mr. SABIN. By the way, it is the Lake Carriers Association. You get the "Great" on it because there is another association called the Great Lakes Protective Association, but this is the Lake Carriers Association.

Mr. CARTER. I thought you were asking in reference to that.

Mr. MACIEJEWSKI. No; just this association that Mr. McGrath is secretary-treasurer of.

The CHAIRMAN. He appears here as a representative of the Lake Carriers.

Mr. CARTER. As a representative of the Lake Carriers?'

The CHAIRMAN. Yes.

Mr. MACIEJEWSKI. He is also a member of this executive committee of this other organization.

The CHAIRMAN. I did not know about that.

Mr. MACIEJEWSKI. Yes, he is; he is listed here.

The CHAIRMAN. Mr. McGrath?

Mr. MACIEJEWSKI. Yes.

The CHAIRMAN. That is all right.

Mr. DONDERO. I have one question, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. DONDERO. How large ships have you built in the Great Lakes shipyards?

Mr. SABIN. I do not know that it would be limited to the present ships that are being built. I think they are 637- by 64- by 35-foot molded depth. They might be built still longer than that, but that ship is still being built, and it is larger than any cargo carrier you have on the ocean.

The CHAIRMAN. I would like to ask Mr. Sabin a question or two that I forgot.

Mr. Sabin, referring to the ore that comes into Lake Erie ports there, going down to Pittsburgh, do you know what the rail charge is from the Lake to the Pittsburgh district on ore?

Mr. SABIN. I do not carry that in my mind.

The CHAIRMAN. From Conneaut, Ashtabula, Cleveland, and Lorain.

Mr. RODGERS. And do not forget Erie.

The CHAIRMAN. Yes, sir; and Erie.

Mr. SABIN. I can say that it is higher than the Lake freight from Duluth to Lorain.

The CHAIRMAN. I am sure of that, but I did not know how much; I did not know what it was.

Mr. SABIN. I haven't that figure with me; I think I can hand it in.

The CHAIRMAN. Mr. McGann, can you look up that hearing and see what the figures were that were brought out in the Beaver and Mahoning hearings?

Mr. DONDERO. Suppose Mr. Sabin finds that out later and puts it in the record.

The CHAIRMAN. When we had the Beaver and Mahoning hearings those figures were brought out.

Now, is Mr. Hamlin the next to appear?

Mr. BENDER. I would like to ask Mr. Sabin a question.

The CHAIRMAN. Yes, sir.

Mr. BENDER. Mr. Sabin, in the improvement of lake channels was the eventual construction of the St. Lawrence waterway kept in mind, as has been suggested in the hearings?

Mr. SABIN. I do not think there was any relation in general between the improvement of the channels through the Lakes, looking forward to any such thing as this, because that was years ago when those projects were made, and the deepening was done purely for the Lake commerce, so far as I know.

Of course, it may have been in somebody's mind, down the line, that it would be useful if this thing were ever done, but it certainly was not a controlling factor in any way with the improvements made in the channel. I think that would be evident to the members of this committee who were here at the time those projects were considered.

Mr. DONDERO. Mr. Sabin, you are strong for water transportation?

Mr. SABIN. I am strong for water transportation where it is economical to transport that way; yes, indeed.

Mr. CULKIN. Do you remember, Mr. Sabin, when the St. Lawrence was deepened between Chimney Point and Ogdensburg to a depth of 27 feet?

Mr. SABIN. Yes, sir.

Mr. CULKIN. It was authorized in 1930.

Mr. SABIN. Yes.

Mr. CULKIN. And it was prosecuted the next year, or within 2 years, that is, where the pinnacles of the rocks were removed there in that section of the St. Lawrence. The authorization was \$1,000,000, and it was expressly stated that it was one of the items of the proposed St. Lawrence seaway. Your recollection must be fresh on that, Mr. Sabin.

Mr. SABIN. It may have been stated at that time that it was. It also had another purpose, to protect deep water navigation down to Ogdensburg.

Mr. CULKIN. An existing bottleneck was present then. I do not want to get into any controversy with you on that, but if you will examine the project, the authorization, and the discussion, you will find that that was done in contemplation of the deeper waterway to the sea.

Mr. SABIN. I am not saying that someone might not have had that in his mind.

Mr. CULKIN. It was expressly stated, both in committee and out, in 1930, that that was the specific purpose of that particular section, and the authorization, I remember, was \$1,000,000, and the work has been done. Later, Mr. Chairman, I will put that in the record, if I may do so.

The CHAIRMAN. What is that?

Mr. CULKIN. The authorization between Ogdensburg and Chimney Point to increase the depth to 27 feet.

The CHAIRMAN. It was in 1930 and also in 1935. I was chairman when the last act was passed

Mr. CULKIN. The point I make, Judge, is that that was part of the contemplated seaway. I would like permission to have some brief extracts on that project put in the record later.

The CHAIRMAN. That may be done.

I am informed that the present charge on ore to Pittsburgh is \$1.29 a ton by rail.

Mr. SABIN. What?

The CHAIRMAN. \$1.29 a ton.

Mr. SABIN. Yes.

The CHAIRMAN. And to Youngstown, 88 cents.

Mr. DONDERO. Is that the water charge or the rail charge?

The CHAIRMAN. That is the rail charge from Lake Erie.

Mr. CULKIN. Mr. Sabin, what is your position; you are general manager of the Lake Carriers Association?

Mr. SABIN. Vice president.

Mr. CULKIN. Vice president?

Mr. SABIN. Yes.

Mr. CULKIN. How many ships does the Steel Trust, so-called, how many boats do they now own in that trade?

Mr. SABIN. Something around 70 ships.

Mr. CULKIN. Who handles those boats? Does that come within your scope?

Mr. SABIN. The Pittsburgh Steamship Co. operates those boats. They are enrolled in our association.

Mr. CULKIN. And are you associated with them?

Mr. SABIN. I am associated with the association, is that what you mean?

Mr. CULKIN. Are you on their pay roll in any degree?

Mr. SABIN. No.

Mr. CULKIN. Where is their headquarters?

Mr. SABIN. The headquarters of the steamship company?

Mr. CULKIN. Yes.

Mr. SABIN. In Cleveland.

Mr. CULKIN. What?

Mr. SABIN. In Cleveland.

Mr. CULKIN. No; I mean the headquarters of the steel company.

Mr. SABIN. Well, they have a number of headquarters, I suppose. It is rather difficult to say. I suppose you know more about that than I do, Judge.

Mr. CULKIN. No; I would not be vain enough to admit that. Where is their headquarters?

Mr. SABIN. I believe they call their headquarters New York; I do not know. Of course, you are technically wrong in saying it is the Steel Trust, because there is no such name as that.

Mr. CULKIN. United States Steel, is it?

Mr. SABIN. No; that is not it either.

Mr. CULKIN. I did not mean anything invidious when I used that expression. I just wanted to know how familiar you were with their desires and their operating characteristics.

Mr. SABIN. I am quite unfamiliar with them. I have nothing to do with their arrangements, except in the Lake Carriers Association we do those things which are for the benefit of all of the members in the association. We have nothing to do with their business arrangements at all.

Mr. CULKIN. What I am getting at generally is to bring out, if possible, within the time permitted, the desires of the United States Steel, or whatever it is, to make the lakes an inland sea, to shut off all outside world communications. Have you heard any suggestions on that?

Mr. SABIN. No; you would have to have a different kind of a witness than I to tell you anything of that kind; I do not know what their desires are.

Mr. CULKIN. You do not get into the realms of higher business?

Mr. SABIN. No, indeed.

Mr. CULKIN. You do not know anything about that?

Mr. SABIN. No, sir.

Mr. CULKIN. Do you know what the set-up is approaching Duluth?

Mr. SABIN. The set-up in approaching Duluth?

Mr. CULKIN. I mean the transportation arrangement to bring the ore to Duluth.

Mr. SABIN. I know how it is brought to Duluth, and how it is taken away from there; is that what you mean?

Mr. CULKIN. Yes.

Mr. SABIN. Yes; it is brought over there from the mines in Minnesota by rail and dumped onto docks at Duluth and Superior, and from there dumped into vessels.

Mr. PITTINGER. And do not forget about Two Harbors.

Mr. CULKIN. Do you know anything about the dividends on that road?

Mr. SABIN. Oh, no.

Mr. CULKIN. The rumor is they make from 600 to 800 percent dividends on that transportation. Do you know anything about that?

Mr. SABIN. No.

Mr. CULKIN. Do you know whether the directors of that road are interlocked with the steel directorate?

Mr. SABIN. I might as well say in one word that I know nothing about that railroad or its operation.

Mr. CULKIN. You live in a world of simon pure navigation, then?

Mr. SABIN. If you choose to call it so.

Mr. CULKIN. What?

Mr. SABIN. If you choose to call it so.

Mr. CULKIN. So that you cannot contribute anything on the empire-building proclivities of the steel company?

Mr. SABIN. No, sir.

Mr. CULKIN. You do not know anything about what they desire in the way of making those lakes an eternally closed sea; you do not know anything about what their desires and objectives are?

Mr. SABIN. No.

Mr. CULKIN. You have been one of the spearheads in this movement against the seaway, have you not?

Mr. SABIN. I would not say that; no.

Mr. CULKIN. You have been active on it continuously for some months, speaking and lecturing and sending out data? I do not question your right to do that, but is not that true?

Mr. SABIN. I have done a little of that, presented it to groups that have asked me to make what contribution I could to their knowledge about it.

Mr. CULKIN. You are sure you are not too modest about that?

Mr. SABIN. No; I do not think so.

Mr. CULKIN. Have you talked to Judge Fletcher about it?

Mr. SABIN. Pardon me?

Mr. CULKIN. Have you talked to Judge Fletcher about it?

Mr. SABIN. Why, I do not think directly.

Mr. CULKIN. Have you been in his august presence?

Mr. SABIN. I do not think directly. We have been in conferences together, in this project conference.

Mr. CULKIN. You went to the Cleveland conference described by Mr. McGrath?

Mr. SABIN. Yes, sir.

Mr. CULKIN. You are not familiar with the trails that lead to the office of the Association of American Railroads, are you?

Mr. SABIN. I think I have been up there one or two times.

Mr. CULKIN. You were up there several times during the consideration of the passage of the Wheeler-Lea bill?

Mr. SABIN. No, I do not think so; I do not recall that, either, Judge.

Mr. CULKIN. You and your outfit were against the Wheeler-Lea bill?

Mr. SABIN. Well, I do not think that that is pertinent to this, sir, what the Wheeler-Lea bill was.

Mr. CULKIN. I am not saying it is, but, just as bearing on your contacts with the railroad groups, is it not a fact that you did not favor the Wheeler-Lea bill?

Mr. SABIN. I do not think that has any connection with this.

Mr. CULKIN. You do not care to answer that?

Mr. SABIN. No.

Mr. CULKIN. You are in collaboration with the leaders of the Association of American Railroads now?

Mr. SABIN. Whom do you mean?

Mr. CULKIN. Well, any portion of the higher-ups.

Mr. SABIN. Why, it has been stated here, sir, who belongs to this association.

Mr. CULKIN. That was not my question, Mr. Sabin. I asked you if you were in collaboration with them.

Mr. SABIN. No; I do not think so, in the way I understand you to mean.

Mr. CULKIN. I do not mean anything invidious. That is, you are fighters together in a common cause, are you not?

Mr. SABIN. We both belong to the conference that is opposed to this treaty called an agreement. That is the limit of our contact.

Mr. CULKIN. Do you know how much the Steel Trust, so-called, perhaps unjustly, do you know how much they contributed to this fund?

Mr. SABIN. I do not think they are listed as members, are they?

The CHAIRMAN. Let us keep that out of the record. I think there is no use of worming it out.

Mr. CULKIN. I will withdraw the question, Mr. Chairman, with the Chair's permission.

I think that is all.

Mr. BENDER. Mr. Chairman.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Mr. Sabin, Mr. Culkin asked you to testify about rumors. Are there any other rumors that you care to testify to this morning?

Mr. Sabin, do you care to say anything about the time that would be required to construct this St. Lawrence seaway project? It has been variously estimated at 2, 3, 4, and 8 years. What is your opinion about that?

Mr. SABIN. Well, the original estimate I think was 8 years, which I thought was little enough. I was very much surprised when I found that the Engineer Department now thinks it can be built in 4 years, or with luck, whatever that means, in 3 years.

It would be more rapid construction than I know of having taken place with the work costing four times the amount that has ever been spent in new work of the channels of the Great Lakes, and the St. Marys and Detroit Rivers, providing a thousand miles of sea lanes to operate.

They are going to spend something like four times that amount of money and do it in 3 or 4 years.

I have great respect for the Engineer Department, but I must say, I was very much surprised in that estimate.

Mr. BENDER. Mr. Sabin, do you know how many of the labor organizations in Ohio are against the construction of this project?

Mr. SABIN. No; I do not. Some of them, I think, are members of the conference. It was indicated they were against it. I have no knowledge except, I thought that generally labor throughout is against it, where they know what it means.

Mr. BENDER. Mr. Sabin, do you think that labor is subsidized by this alleged steel trust?

Mr. SABIN. Hardly; no, indeed.

Mr. BENDER. That is all.

Mr. JOHNS. Mr. Sabin, Mr. Culkin spoke about the number of ships of the steel companies. How many would you say that they own that are in the Association?

Mr. SABIN. Seventy-nine.

Mr. JOHNS. How many ships altogether are owned by the members of the organization?

Mr. SABIN. About 350.

Mr. JOHNS. What percentage of the gross tonnage is composed of cargoes carried by those steel company boats?

Mr. SABIN. You mean by that boats of the Pittsburgh Steamship Co.?

Mr. JOHNS. Whatever they are. I do not know whether they are.

Mr. SABIN. We have a total, as of 1940, of 341 ships with a tonnage of 1,987,177 tons. That is nearly 2,000,000 tons, with about 340 vessels. Now, they have 79, which is a little more than 20 percent of the total number.

Mr. JOHNS. Twenty percent of the total tonnage?

Mr. SABIN. Yes; I should say that would be about right. Yes, the total vessels enrolled in the lake carriers, which are only the bulk freighters.

Mr. JOHNS. That is all.

Mr. CULKIN. Mr. Chairman, might I ask another question?

The CHAIRMAN. Yes.

Mr. CULKIN. What percentage of the total number of your ships enrolled in the Lake Carriers are engaged in the carriage of ores?

Mr. SABIN. In the carriage of ores?

Mr. CULKIN. Yes.

Mr. SABIN. I think all but 30, self-unloaders are engaged in the carriage of coal, and so forth.

Mr. CULKIN. And they are engaged in the carriage of ore from Duluth down the Lakes?

Mr. SABIN. Yes.

Mr. CULKIN. All except how many?

Mr. SABIN. Perhaps 30. There may be several unloaders and so forth that are not carrying ore.

Mr. CULKIN. So all are in that trade except 30?

Mr. SABIN. About 30. I can give you that definitely.

Mr. CULKIN. That would leave how many engaged in the trade? I did not get the original figures.

Mr. SABIN. Three hundred and forty-one in all.

Mr. CULKIN. In the ore trade?

Mr. SABIN. No; 341 enrolled.

Mr. CULKIN. Yes. That would be 301?

Mr. SABIN. I think about 300 are carrying ore. We expect to carry more ore than we ever carried before, this year.

Mr. CULKIN. Well, for that reason we lifted the ban on coastwise ships and allowed the Canadians to come in this year.

Mr. SABIN. Of course all of these boats carry bulk freight. You understand some of them are carrying coal and a few are carrying grain, and stone, and cement. Some of those boats are built especially for certain trade. For instance, the cement boats carry cement in bulk. They carry to your town, Judge.

Mr. CULKIN. Are the lake carriers in any sense—I will withdraw that question with the chairman's permission.

The CHAIRMAN. I want to make a little correction of the figures that were given to me a while ago in regard to the rates, which I understand have now been verified, and the rate instead of being \$1.29, as I said awhile ago, is \$1.21 from Lake Erie ports to Pittsburgh, but there is a loading charge of 14 cents, and a delivery charge at Pittsburgh of 5.5 cents, making the total \$1.405.

Mr. SABIN. I think also, Judge Mansfield, there is a difference between whether they are loaded into the cars directly from the ship or, for instance, into the storage pile and then transferred to the rails.

The CHAIRMAN. Well, that is all covered in this 14-cent charge, is it not?

Mr. SABIN. No, sir; not necessarily; no. There is a higher rate when it is put on the dock first and then has to be reloaded. There is a higher rate.

Now, I do not have those figures with me. I think I do not have anything here that shows that, but it can be put into the record easily. It is published and is known.

The CHAIRMAN. Yes, sir.

Mr. BEITER. Mr. Chairman.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. I would like to ask the Colonel some questions.

The CHAIRMAN. Yes.

Mr. BEITER. Colonel, your statements are very enlightening and I do not want to put words in your mouth; but when the gentleman from New York, Mr. Culkin, asked you how active you were in opposition to this seaway, you might suggest no less active than the New York State Power Authority, the members of which have been paid at the rate of \$75 a day to travel out through the West and sell this project to the people in that area.

Mr. CULKIN. Now, if the gentleman—

Mr. SABIN. I think I should say I am much less active than that.

Mr. CULKIN. I would be glad to ask the gentleman—

Mr. BEITER (continuing). Yes. When Captain England testified here he touched very lightly upon the insurance rates.

Can you give me an idea of the difference in the insurance rates on cargoes that travel through this area as compared with cargoes that might go from New York to Liverpool or from New York to Galveston?

Mr. SABIN. No; having nothing to do with the chartering or anything of that kind, overseas, I am not familiar with that further than to know that there is an extra charge. I am sure there will be witnesses on before your committee to answer such questions intelligently, which I could not do. I did read in my statement yesterday, I read some of the requirements of the insurance clauses relating to it showing the greater hazard of navigation through the present St. Lawrence waterway.

Mr. BEITER. Are they substantially higher; 25 percent higher, would you say?

Mr. SABIN. Well, I should think so, but I would hesitate to even hazard a guess on it.

Mr. BEITER. Now, referring to locking, I think in your statement you touched very briefly on that. Can you elaborate a little bit more on the locking?

Mr. SABIN. As to the difficulty?

Mr. BEITER. Yes; that is right.

Mr. SABIN. I think Captain England covered that in the best way that it could be covered, because of his familiarity with ocean boats and Lake vessels. He understands the difficulties and what precautions have to be taken at the Panama Canal to safely put through these ocean vessels, and as he pointed out, it is an entirely different kind of construction requiring careful maneuvers in a lock, and that they are taken through at Panama in such a way as to keep them away from the lock walls entirely, and it is for that reason also that an ocean vessel in landing at the dock or a wharf, nearly always requires the use of tugs. It is quite an expert thing for an ocean vessel to make dock without tugs, whereas it is a common thing on the Lakes, partly because of the construction of the ships, and partly because of the masters having to do it every day or two that they become familiar with that. The same way in passing a lock. The personnel on the ships on the Lakes become familiar with it. They are going through the Sault Canal every 3 or 4 days, most of them, and they get to know what is to be done and they require no tugs, so long as they have their own propelling power.

Mr. BEITER. I believe it has been stated that in the Panama Canal it is necessary to put on an extra pilot.

Mr. SABIN. Well, a Government pilot takes charge of the ship.

Mr. BEITER. A Government pilot takes charge of the ship?

Mr. SABIN. Yes, sir.

Mr. BEITER. Presumably you would have to have a Government pilot take charge of ships in the seaway if it is constructed?

Mr. SABIN. Well, that, of course, is a matter that has not been taken up. They would have to have some kind of a pilot, either a Government or a privately employed pilot, and would have to have two of them.

Mr. BEITER. Two pilots?

Mr. SABIN. Yes.

Mr. BEITER. A great many of the ocean-going vessels are manned by Chinese seamen. Can they understand the language of the pilots who are placed on these boats here, or do they have to have somebody issue separate orders to them?

Mr. SABIN. Evidently, of course, they do not understand, and you do not have to go to the coolie. You can go to the Norwegian or the Dutch and they would not understand our language.

Mr. PITTINGER. We have got a lot of Norwegians, so that would not be a real handicap.

Mr. SABIN. Those you speak of have been here longer.

Mr. GAVAGAN. You could put a sign up in Chinese, "No tickee, no shirtee." He would understand. [Laughter.]

Mr. BEITER. Can you elaborate a little more on the delays that might be caused by having ocean vessels navigate the locks. For instance in the St. Lawrence seaway, these larger vessels, of course, would take longer to navigate a lock than the smaller vessels, isn't that so?

Mr. SABIN. Oh, yes. They move pretty rapidly in these small canal boats, they are easily handled, and it will take somewhat longer, but it only takes about, at the Sault, only takes about an hour and 10 minutes to traverse that canal which is about 2 miles long and has a lock in it.

Mr. BEITER. Well, can two or three of the smaller boats go through the locks at one time?

Mr. SABIN. If they are small enough; yes.

Mr. BEITER. If they are small enough they can navigate it at the same time?

Mr. SABIN. These locks will take through them any sized boat that is now available, these proposed locks the same way as the Welland, they will be the same size as the Welland.

Mr. BEITER. And that would not be true, of course, of oceangoing vessels.

Mr. SABIN. No; just one at a time.

Mr. BEITER. Just one at a time?

Mr. SABIN. But there would not be such a crowd, I think, that they could not get through.

Mr. BEITER. Then, too, there will probably be delays of the smaller vessels in waiting for the larger vessels to navigate these locks.

Mr. SABIN. That is possible.

Mr. BEITER. That is possible?

Mr. SABIN. Yes.

Mr. BEITER. You spoke about slower speeds. You are referring, of course, to oceangoing vessels that navigate these locks. You said that when they go through the canal they have to slow down. Why

do they have to slow down their speed in navigating the canals; is it because of the waves that cause the backwash?

Mr. SABIN. No; not for that reason, particularly. That is, not in most cases, but because of dangers of navigation. They cannot handle themselves, and if they try to go full speed through a channel 300 feet wide, they are very likely to strike the sides of the channel, and, in the Upper St. Lawrence, there, if they hit one of those rock shoals and stay there, the stern may be in 100 feet of water, and it would be very difficult if they sank there, it would be very difficult to salvage her.

Mr. BEITER. There are a number of rock shoals in the upper St. Lawrence?

Mr. SABIN. That is what Judge Culkin was talking about, that is, these shoals that occur, are mainly rock shoals, and what this half a million dollars or so was to do was to cut those off so as to give the channel 450 feet width.

Now, in some cases they took the whole shoal out and in other cases they took a little island and cut a slice off of it to make it 450 feet, but the shoal rock is still there, at the edge of the channel for the boats to hit.

Mr. BEITER. Now, when we get beyond the control dam, up above Ogdensburg, on toward Lake Ontario, the distance there I believe is about 67 miles.

Mr. SABIN. Yes, sir.

Mr. BEITER. Now, that is through the Thousand Islands section; is it not?

Mr. SABIN. That is through the Thousand Islands section.

Mr. BEITER. That is through the Thousand Islands section?

Mr. SABIN. Yes.

Mr. BEITER. Of course, there are a number of islands in the river there. Do you suppose that any of those islands would have to be removed in order to eliminate some of the hazards?

Mr. SABIN. Well, they have a 450-foot channel there now, and that is all they are anticipating having, a 450-foot channel, and when they get into the Lakes, further up, they will only have a 300-foot channel in a good deal of it.

Mr. BEITER. Could large oceangoing vessels navigate through the Thousand Islands section without difficulty?

Mr. SABIN. Oh, no; I do not think without any difficulty. I think it is quite possible, but certainly it is not ordinary ocean navigation. It is more or less hazardous navigation, which is indicated in a practical way by the fact that the insurance companies say now that these vessels that are going through there must go through in daylight.

Mr. BEITER. So that in addition to the hazards it is necessary for those vessels to slow their speeds through this 64-mile area from the lock dam, control dam, up to Lake Ontario.

Mr. SABIN. Yes. There are some places throughout the channel where, to save their ships from possible damage, they will have to slow up regardless of whether they are restricted in speed or restrictions are called for by law or not, or by regulation, or not, there will have to be occasions where they will have to slow up their speed.

Mr. BEITER. That is all.

Mr. SCHULTE. Mr. Chairman.

The CHAIRMAN. Mr. Schulte.

Mr. SCHULTE. I would like to ask you a question.

Colonel, I believe the question was asked by my good friend from Ohio (Mr. Bender), whether any labor unions were opposing this. Is that right?

Mr. SABIN. I believe he asked such a question as that, about Ohio.

Mr. SCHULTE. Yes; and you said that they were.

Mr. SABIN. Well, I do not say that I know anything about the action of the unions, but that it was my understanding that, in general, labor which is informed about what this project would do, are opposed to it.

Mr. SCHULTE. When you say "labor" are you referring now to the railway labor—

Mr. SABIN. Partly; and to ship labor, and to mining labor.

Mr. SCHULTE. Well now, the railroad labor—are they members of this organization; do you know?

Mr. SABIN. I think not. There is a list—I think they are not listed. I think they are not members.

Mr. SCHULTE. I was just wondering if they were.

Now, we have received a great many complaints from the railroad brotherhoods who are bitterly opposing this because of the fact that they are under the impression—and rightfully so—that a great many of their men are going to be affected because of this, and I was just wondering if they were members of this shipping organization that you belong to or are affiliated with your organization.

Mr. SABIN. I misunderstood. I thought you were talking about the conference. If you are talking about the Lake Carriers' Association, there is, of course, no connection whatever.

Mr. SCHULTE. Do they belong to the conference?

Mr. SABIN. I think not. The International Longshoremens, I am informed, do.

Mr. SCHULTE. No railroad men whatsoever?

Mr. SABIN. No, sir.

Mr. SCHULTE. The reason I asked that was I could not understand how they could join with the ship people, because of the fact that the shipping people are taking away their jobs faster than any other thing I know of.

Mr. SABIN. Oh, no; not the kind of traffic we are talking about; not the kind of traffic that is now existing on the Great Lakes; far from taking it away.

Mr. SCHULTE. You are not taking it away from them?

Mr. SABIN. No; we are giving it to them. They are bringing the ore to us and are taking it away from us.

Mr. SCHULTE. Then why do the same railroad brotherhoods oppose any construction in Lake Michigan in the cities of Gary, Indiana Harbor, and East Chicago; can you explain that?

Mr. SABIN. That is a different kind—in Gary?

Mr. SCHULTE. Yes—

Mr. SABIN. No; I cannot explain it. I did not know that that was so.

Mr. SCHULTE. And, in Indiana Harbor.

Mr. SABIN. That is, the labor unions are objecting to improvement of that harbor?

Mr. SCHULTE. The railroad brotherhoods; very much so.

Mr. SABIN. Well, that had not come to my attention.

Mr. SCHULTE. Well, I have the pleasure of representing that district. I will say to my good friends, and I have received any number of letters protesting any improvement along the waterway.

Mr. SABIN. Any improvement in Indiana Harbor?

Mr. SCHULTE. Indiana Harbor and East Chicago.

Mr. SABIN. That is, the railroads have opposed it?

Mr. SCHULTE. The railroad brotherhoods; very much so.

Mr. SABIN. Do you not mean, Mr. Schulte, in connection with the St. Lawrence? You do not mean in connection with the ordinary lake traffic, do you?

Mr. SCHULTE. Yes; I mean with the lake traffic.

Mr. SABIN. Well, I should like to see the character of some of those protests, because I cannot imagine what it means.

Mr. SCHULTE. They protest everything pertaining to waterways; waterway transportation.

Mr. SABIN. Well, I will say this to the gentleman, that I understand there are going to be labor representatives, labor is going to be represented here, and that will be the place to inquire into it. I just say I am surprised.

Mr. SCHULTE. The point I was making, Colonel, is I was more than surprised when I myself understood my friend to say what he did. I did not think that the labor organizations were joining with you. I am now talking about the Brotherhood of Railway Trainmen, Engineers, and so on, that they were members of this conference proposing this waterway.

Mr. SABIN. They are not members of the conference, but I think it will be found that they are against the project.

Mr. SCHULTE. I agree they are opposed to the St. Lawrence Waterway, very much so, by virtue of the fact that they are worried about their jobs being taken away from them, yet I could not understand how they could join this unholy alliance, your organization, when you are doing more to take away their jobs than anything I know of.

Mr. SABIN. I do not agree with that, sir.

Mr. BEITER. Mr. Chairman—are you through?

Mr. SCHULTE. I will yield to my friend.

Mr. BEITER. My good friend referred to the unholy alliance. You do not agree with that, do you, Mr. Sabin?

Mr. SABIN. I do not care what they call it. We do not think it is an unholy alliance. We think it is very holy.

Mr. BENDER. Mr. Sabin, do you know of an organization in Cleveland or in Ohio, any organization of men or women or civic organizations, that have come out for this project?

Mr. SABIN. No; I do not think I do.

Mr. BENDER. Is there a great surge of public opinion for this project in our State?

Mr. SABIN. Oh, I think quite the contrary. However, I think there are interests that are more intimately connected throughout the State and who will testify here on that.

Mr. BENDER. Practically the only support that this project has in Ohio is on the part of a number of the newspapers there and two or three individuals; am I correct in that?

Mr. SABIN. Well, I think one newspaper is in favor of the project and it is quite easily to be seen why this paper is. It had as its pub-

lisher for many years a man, very prominent man, and in the early days this was one of his pet schemes.

There are a number of other men throughout the country, of prominence, who adopted this idea and thought it was a good one 20 or 30 years ago, and they just cannot turn around and see what it really means and oppose it now. That is, as I see it, what is back of it, of the position of one of the newspapers in Cleveland.

The CHAIRMAN. In speaking of the support, I will say to Mr. Bender, that the late Senator Burton was a great advocate of this seaway. He had quite a controversy with Mr. Dempsey in our committee on one occasion on it.

Mr. BENDER. The late Senator Burton was a fine man and many, many times was right; but occasionally he was wrong.

The CHAIRMAN. I never could find him to be wrong, except on his politics. I thought he was nearly always right.

Mr. CULKIN. What paper was that?

Mr. BENDER. I would ask him the question.

Mr. CULKIN. What paper is it that favors the seaway there?

Mr. SABIN. The Plain Dealer.

The CHAIRMAN. That is published at Cleveland?

Mr. SABIN. Yes.

The CHAIRMAN. A letter from them was put into the record yesterday.

Mr. HALL. You say that the Cleveland Plain Dealer is for the project?

Mr. SABIN. I only say that occasionally they come out with an article for it, and I can see the reason for it.

Mr. DONDERO. Mr. Chairman, if we are going to get into that here, I can sit here and give a list of papers and a list of citizens' organizations, and civic organizations until nightfall, in my State and in the Middle West that are for it. I think it is a waste of time.

Mr. PITTINGER. So do I.

Mr. BEITER. I could sit here from now until nightfall and then dawn again, and do the same thing, outlining organizations and individuals all over the United States of America, who are opposing it. That is true.

Mr. JOHNS. Mr. Sabin, if you know that the Cleveland News is against the project—

Mr. SABIN. I do not know it, but I understand not.

Mr. JOHNS. Well, is the ownership of both papers the same; do you know?

Mr. SABIN. I have heard that it was.

Mr. JOHNS. The same ownership?

Mr. SABIN. I have heard that they were.

Mr. JOHNS. One paper is for it and one is against it.

Mr. SABIN. I think that is the case.

Mr. JOHNS. That is all.

Mr. GAVAGAN. All of these papers have advertisers, I assume, Mr. Johns.

Mr. JOHNS. I suppose they are going down the middle of the stream.

Mr. PITTINGER. Mr. Chairman, I would suggest that we call the next witness.

The CHAIRMAN. Yes. Have you finished?

Mr. SABIN. Yes.

The CHAIRMAN. Thank you.
We will call Mr. Hamlin.

**STATEMENT OF CHAUNCEY J. HAMLIN, CHAIRMAN, NIAGARA
FRONTIER PLANNING BOARD, BUFFALO, N. Y.**

The CHAIRMAN. Gentlemen, we will now hear from Mr. Hamlin, chairman of the Niagara Frontier Planning Board, Buffalo.

Mr. HAMLIN. My name is Chauncey J. Hamlin, and my address is 1014 Delaware Avenue, Buffalo, N. Y., and I appear here as chairman of the Niagara Frontier Planning Board.

Perhaps, if I may depart for a moment from the statement which I have prepared, I may make a brief statement, a qualifying statement as a witness. I am a lawyer, practicing law some years ago in partnership with John Lord O'Brien and Col. William J. Donovan, under the firm name of O'Brien, Hamlin, Donovan & Goodyear. I served in the World War at the Mexican border and in France at the front as captain of Field Artillery.

After the war, I retired from the law, and have since, for the last twenty-odd years, devoted myself and such means as I had at my command, to what I conceive to be public service. During this period I have acted continuously as president of the Buffalo Museum of Science, Buffalo, N. Y.; 6 years as president of the American Association of Museums, headquarters in the Smithsonian Building in Washington, D. C. I am a member of the Board of American Museum and Natural History, the trustees of New York City. During the Coolidge administration, Mr. Coolidge appointed a Cabinet committee, consisting of the Secretaries of War, Navy, Labor, Commerce, and Interior, which is known as the Committee on Outdoor Recreation. This committee held a conference in Washington. There was thereafter organized the National Conference on Outdoor Recreation, and I have served as chairman of that conference, making reports to the Congress and to the President.

During this period, I had occasion to be rather closely associated with the Departments of War, Navy, and the other departments of the Government, and became familiar with some of the problems. For many years I have served as a member of one of the park commissions in New York, having been appointed successively to that office by Governor Smith, Governor Roosevelt, and Governor Lehman. I was the first president of the Buffalo City Planning Association, an organization organized within the limits of the city of Buffalo to study planning in that area; and a member of the city planning committee of the city, an official committee. During that time I was named by Governor Smith a member of the regional planning board or commission, which became the Regional Planning Committee of the State of New York, and served in that capacity.

During my service as a member of that board, and as president of the Buffalo City Planning Association, it was suggested and became evident that, in order to properly plan an area you could not stop at the city line. Therefore, a conference was called by the Governor of the State of New York, and I have the notice here, in Tonawanda for the purpose of considering the possibility of organizing a regional planning association for the Niagara Frontier Area. A conference was held at Tonawanda on September 29, 1924, and appointed a com-

mittee consisting of the then mayors of Lockport, North Tonawanda, and Niagara Falls, Lackawanna, Buffalo, and Tonawanda, the chairman of the Board of Supervisors of Niagara, the chairman of the Board of Supervisors of Erie, the chairman of the Buffalo City Planning Committee, and myself, to study ways and means for the further planning of our area.

This conference and this committee resulted in legislation being presented to the State legislature for the organization by the State of the first official regional planning agency to be established in the United States, the Niagara Frontier Planning Board, created by chapter 267 of the laws of the State of New York in 1925. This is a State body, reporting each year to the Governor of the State.

By the terms of this statute the board was directed to study the needs and conditions of regional and community planning in Erie and Niagara Counties, the two most westerly counties in New York State, and to prepare plans adapted to such needs and conditions. This function of necessity requires a study of all proposals which may have an effect upon the economic, social, industrial and physical developments of that portion of the State of New York lying within Erie and Niagara Counties which is generally known as the Niagara Frontier, inasmuch as this area stretches along the shores of Lake Erie, the full stretch of the Niagara River and the westerly end of Lake Ontario.

The planning board, by statute, is composed ex officio of the duly elected mayors of the 6 cities which lie in Erie and Niagara Counties, to wit: The cities of Buffalo, Niagara Falls, Lackawanna, Lockport, North Tonawanda and Tonawanda, together with 6 duly elected county supervisors, 3 appointed by the Erie County Board of Supervisors, and 3 by the Niagara County Board of Supervisors. These 12 elected members each year select a private citizen to serve as chairman of the board and preside over its deliberations. I am at present acting in that capacity, and have so served continuously for the past 16 years, since the board's first organization meeting in 1925. I have served, gentlemen, without salary.

The CHAIRMAN. You don't even get a dollar a year?

Mr. HAMLIN. No, sir. The Niagara Frontier Board is wholly supported by public funds appropriated for such purpose by Erie and Niagara Counties and various communities lying within said counties.

When the proposal for the construction of the St. Lawrence Seaway was resurrected a few years ago the matter was brought before our Board for consideration. Our preliminary investigations and inquiries convinced us that the construction of the St. Lawrence seaway would seriously jeopardize the interests of the area of western New York, the making of studies for the future development of which had been committed to us, to our Board, by State statute. We soon found that the great majority of the citizens resident in Erie and Niagara Counties, including all of the congressional representatives elected from this area, held the same view.

We, therefore, early appreciated that if we were going to act in any practical way to endeavor to secure the defeat of this project, so harmful to our area, it would be necessary for us to undertake a study of the project from a national viewpoint rather than from one which only consulted local interests. Our Board thereupon sought and obtained special appropriations from the counties of Erie and Niagara and from

several of the cities, in order to permit such a comprehensive study to be undertaken by our staff.

I think it was \$10,000 from the county of Erie, \$2,500 from the county of Niagara, \$2,000 from the city of Niagara Falls, and \$500 apiece from the cities of Tonawanda and North Tonawanda. This was a special fund to permit us to make a comprehensive study. This study, in the conduct of which we received much valued assistance, was concluded in May 1940, and thereafter published in the form of a report entitled "The St. Lawrence Seaway Project."

I am taking the liberty of presenting copies of the report to various members of the committee. Copies of this report have been sent to all Members of Congress, and to many other interested parties. Of course, it is too large to incorporate into the record, but I would like to present the report at this time for your consideration.

The CHAIRMAN. We all have copies of it.

Mr. HAMLIN. Yes, sir.

Mr. SMITH. Mr. Hamlin, when was that study commenced? I notice you said it was concluded in 1940. How long did it take to make the study?

Mr. HAMLIN. Well, it took us well over a year; well over a year. Of course, we had a good deal of preliminary data available, because the matter of the St. Lawrence seaway has been under discussion by our Board for many years.

In this report we presented certain major findings. As a general conclusion it was found that what we called the St. Lawrence seaway and New York State and Ontario power project, considered in its entirety as an undertaking which includes navigation as well as power works, is unsound. We found that the seaway would be so generally ruinous to American commerce and industry, labor and capital, that its Nation-wide deleterious effects would far exceed whatever claimed advantages might redound to certain special interests from the waterway, or to New York State or the Province of Ontario, from the hydroelectric power to be developed in connection with the seaway plan.

We found, further, that the total minimum cost of the whole St. Lawrence project, for both the United States and the Dominion of Canada, would be \$1,120,588,000.

Gentlemen, at this point might I call your attention to a document of four pages which I am going to now discuss, some loose sheets of a copy of our estimate, and I think each member of the committee has been provided with it. I am going to discuss, gentlemen, inasmuch as the matter has been under discussion here by various witnesses who have been asked questions by various members of the committee and have answered such questions, this question of the costs of this seaway in rather intimate detail.

We were much interested in the testimony presented before this committee a day or so ago by General Robins in regard to estimates of cost. We have prepared, and would like at this time to have the privilege of filing, a summary statement of the estimates of cost as discussed by General Robins, with which we have taken the liberty of comparing the estimates presented in our report as tables V, VI, and VII, reproduced on pages 30, 33, and 34 of the printed document. The cost estimates submitted by the joint board of engineers on November 16, 1926, which we used in our report as our base figures,

allowed only 12½ percent for engineering, legal fees, court costs, administration, and contingencies.

We pointed out in our printed report that this estimate for contingencies appeared to us to be too small, citing the cost of \$55,000,000 for the construction of the Chicago Drainage Canal, instead of the estimated \$16,000,000; the Suez Canal cost of \$80,000,000 instead of the estimated cost of \$30,000,000, and the Welland Canal cost of \$128,000,000, which now apparently has been brought up to \$132,000,000 instead of the estimated \$114,000,000.

In this connection, we recommended in our report that an additional 12½ percent really ought to be added to the cost estimates of the joint board of engineers in order to more nearly anticipate the probable cost of the project. We were very pleased to note that the more recent estimates submitted by General Robins includes an item of 25 percent for contingencies, rather than the 12½ percent allowance which we had previously pointed out to be too small.

We were interested to note further, that the estimates which General Robins presented to your committee covering the initial expense of the construction of that portion of the project to be undertaken by the United States, less the amount already expended by our Government, total \$17,225,640, more than the basic figures we used in our earlier computations. No doubt this increase in the estimates takes into account the increased cost of labor, material, and supplies.

Now, gentlemen, if you will kindly turn to the little statement, I would like to discuss with you various of these figures. You will notice in the first column on the first page I give the present estimate—that is General Robins' estimate; in the second column I give the estimates that we had in our printed report. For instance, General Robins' estimate—

Mr. GAVAGAN. Mr. Hamlin, under the heading, "Former estimates," what is that?

Mr. HAMLIN. That is the estimate we had in our report, sir.

Mr. DONDERO. Is that estimate your estimate or the engineer's estimate?

Mr. HAMLIN. The estimate in our report was the estimate taken from the general board of engineers, the previous engineering estimate. We just used their estimates, their figures.

Mr. DONDERO. How much time elapsed between the two?

Mr. HAMLIN. Just a moment; I think I can give you the date. The general board of engineers was November 16, 1926.

Mr. GAVAGAN. Mr. Hamlin, in the column headed "Present estimates," are those your estimates?

Mr. HAMLIN. No, sir; those are General Robins' estimates. General Robins testified, for instance, that these new locks at Sault Ste. Marie with approved channels would be \$8,000,000. Our former estimate was \$6,500,000.

General Robins' estimate of the connecting channel in the Detroit and St. Clair Rivers was \$66,029,000, and our previous estimate was \$54,900,000.

We had an item in there for \$3,700,000 for compensating works in the Niagara and St. Clair Rivers. They evidently have been omitted by the recent engineering report. At least I did not find any item in there, Mr. Chairman, for those compensating works in the Niagara and St. Clair Rivers in General Robins' statement. It was in the

previous report of the Joint Board of Engineers that that was a necessary item to be included in the St. Lawrence seaway development.

In the same sense, we omitted in our report, because we had no information on it, the cost of the improvement of the Thousand Island section; but General Robins reported \$772,000.

The CHAIRMAN. I will state that we had a provision in the Rivers and Harbors Act of 1930 for weirs at this point for compensating works.

Mr. HAMLIN. Yes, sir.

The CHAIRMAN. And it was afterwards abandoned by the engineers. My understanding was that Canada did not agree to it for the reason that it changed the levels of Lake Huron and Lake Michigan.

Mr. HAMLIN. I am not familiar with that, Mr. Chairman. But I remember it was in the previous estimate, so we included it in our figures.

The CHAIRMAN. Yes. However, it has been abandoned altogether.

Mr. HAMLIN. And now apparently it is abandoned altogether.

Now, under General Robins' figures in works solely for navigation he has \$48,857,000, and our previous figures are \$22,159,000, as printed in our report.

Works primarily for power, General Robins' figures are \$78,550,000, and our figure in our previous report was \$74,120,000.

General Robins' figure for works common to navigation and power are \$100,210,000, and our figure was \$89,424,000.

You notice that the total of General Robins' estimate for this portion of the work was \$302,162,000, and our figure in our basic figure in our previous report for this same work was only \$250,803,000.

However, I pointed out a moment or two ago that we criticized that figure of \$250,000,000 as being too small, because the allowance for contingencies was too small, and we recommended that 12½ percent should be added for contingencies.

You will notice that I have deducted in these statements here the figure for the amount that has been contributed by the United States Government or paid already, estimated by General Robins as \$17,000,000 and in our previous report at \$21,000,000.

In order to make this comparison of General Robins' figures and our figures in our previous report, we have added to our figures, \$28,648,000, for the 12½ percent of contingencies which General Robins had already included in his figures.

That shows that the total costs of the project, according to General Robins' figures, would be \$285,056,515, as compared with our original estimate of total cost for the same work, and adding the 12½ percent, of \$257,831,000.

That accounts for that difference I mentioned a moment ago, when General Robins' figures are \$17,225,640 more than ours. And I assume that is due to the fact that these more recent estimates you have taken into consideration, consider the increased cost of labor and the increased cost of material. These previous figures, as I brought out a moment ago, are based on the Joint Engineer's Report of 1926, a good many years have passed since then and costs have gone up, undoubtedly.

At this point we wish to respectfully state that we beg to differ with the General in his estimate of the cost of fitting the harbors of the Great Lakes ports in the upper Great Lakes system for the reception

of vessels of deeper draft. The General seems to envisage that all that will be necessary for the United States to contribute would be a modest sum for the construction of deeper water channels as approaches to a limited number of these harbors. He estimates that the cost of these channels will not exceed \$10,000,000 for all of the harbors to be so equipped taken together.

During the debate in the Congress at the time the St. Lawrence seaway treaty was under consideration by the Senate several years ago, Senator Wagner, of New York, conservatively indicated that the cost of such harbor improvements as would be necessary would amount to at least \$200,000,000. The city engineer for the city of Buffalo, N. Y., Frederick K. Wing, and Mr. Louis Harding, commissioner of public works, who are here in the room, have recently most carefully computed the number of cubic yards of dredging and rock excavation that will have to be done, and the cost thereof, in order to deepen the present Buffalo Harbor, and the cost of the protection of the docks bordering upon the deepened sections of the harbor.

Gentlemen, you cannot have a channel in a harbor 22 feet deep, with the docks and warehouses and elevators and one thing and another constructed alongside it, and then proceed to deepen that channel 5 feet or more, without doing something to protect the abutting docks and the structures that are on those docks. Mr. Wing, I understand, expects to appear before this committee tomorrow and present his report. I believe that his testimony will reveal that the cost of this necessary work will amount to more than \$40,000,000. In the interest of conservatism, however, in the report which we issued in May 1940, this printed report, we more than halved Senator Wagner's estimate of \$20,000,000 per harbor for the 10 leading harbors in the upper Lakes.

The CHAIRMAN. Mr. Hamlin, was Senator Wagner's figure based on his own guess, or did he have any engineering estimate?

Mr. HAMLIN. I have never consulted Senator Wagner about that. I assume the Senator would not make—

The CHAIRMAN. He is proposing there to add 2 or 3 feet depth in 6 or 8 harbors; and he has got figures there almost equal to all the costs for all the Great Lakes for a hundred years.

Mr. HAMLIN. Well, sir, I assumed that the Senator in making his statement before that august body, the United States Senate, certainly would not make a statement of that importance and character without having adequate data to establish it. However, the Senator of course can speak for himself.

The CHAIRMAN. Yes, sir.

Mr. HAMLIN. I say that we more than halved Senator Wagner's estimate, and we have only included—

Mr. GAVAGAN. You feel the Senator was at least 50 percent wrong?

Mr. HAMLIN. How is that?

Mr. GAVAGAN. I say, because you halved his estimate, you felt he was at least 50 percent wrong in his own estimate?

Mr. HAMLIN. Gentlemen, we have approached the matter from this point of view: Our figures we believe are absolutely conservative. Everything we did in our report, I think if you examine our report, all the sections of it, you will find that we have leaned over backward. And in this instance we certainly have leaned over backward when we more than halved Senator Wagner's estimate, in view of the fact

that our own figure of our own engineer shows the cost of the improvement of Buffalo Harbor will be about \$40,000,000.

Mr. BEITER. Mr. Hamlin, may I interrupt there?

Mr. HAMLIN. Certainly.

Mr. BEITER. You merely figured the things that were absolutely essential and necessary. Probably in Senator Wagner's estimate he included a blanket improvement for the entire area; but you merely took the things that you considered absolutely essential and necessary?

Mr. HAMLIN. Yes. We only put in \$7,500,000 for 13 harbors, a minimum of 13 harbors.

Mr. BEITER. I think I saw a report of Mr. Culkin's that there were 47 harbors on Lake Ontario, alone?

Mr. CULKIN. No; that is not true. It is unlike the gentleman to state that.

Mr. BEITER. Wilson Harbor and all those other harbors?

Mr. CULKIN. What I said was—I think the distinguished witness has it quoted in his report here.

Mr. HAMLIN. Yes.

Mr. CULKIN. He has it in his own estimates, his own remarks. What I said was that it would obviously affect those harbors on the Great Lakes. That is what I said.

Mr. HAMLIN. Yes; I have it here.

Mr. CULKIN. And I did not include all of them as the gentleman would have me do, the deepening of all those harbors.

Mr. DONDERO. Mr. Chairman, let the witness proceed, according to our plan.

Mr. CULKIN. I am merely replying to the statement of the gentleman.

Mr. HAMLIN. We have included amongst others in our tentative list of harbors to be deepened the following great ports: Duluth-Superior, Milwaukee, Chicago—and I should have put in Indiana Harbor, after hearing this discussion.

We also included Detroit, Toledo, Cleveland, Erie, and Buffalo. There ought to be no great difficulty in selecting at least five or more to be fitted to receive these ocean going foreign freighters, from the list mentioned by Hon. Francis D. Culkin, of New York, before the House of Representatives on January 22, 1940.

In the course of his remarks Mr. Culkin said, "The seaway will convert more than 85 inland communities of the United States into seaports."

The following is a list of seaports that will be profoundly and favorably affected by the completion of the St. Lawrence seaway—

I have Mr. Culkin's remarks here. For instance, in Lake Superior—I have not visited many of these harbors, so I cannot certify myself in regard to it, but in Lake Superior Mr. Culkin mentioned Grand Marais Harbor, Duluth, Superior; Cornucopia Harbor; Ashland Harbor; Ontonagon Harbor; Presque Isle Harbor; Marquette Harbor; Warroad Harbor and River; Agate Bay Harbor; Port Wing Harbor; Bayfield Harbor; then in Lake Michigan Manistique Harbor; Menominee Harbor and River; Oconto Harbor; Pensaukee Harbor; Big Suamico Harbor; Green Bay Harbor; harbors at Washington Island; Algoma Harbor; Kewaunee Harbor; Two Rivers Harbor; Manitowoc Harbor; Sheboygan Harbor; Fort Washington Harbor;

Milwaukee Harbor; Racine Harbor; Kenosha Harbor; St. Joseph's Harbor; South Haven Harbor—

Mr. BEITER. What are you reading from?

Mr. HAMLIN. The remarks of the Hon. Francis D. Culkin, in the House of Representatives, Monday, January 22, 1940.

These are the 85 harbors that Mr. Culkin stated were going to become seaports and will be profoundly and favorably affected by the completion of the St. Lawrence seaway.

Mr. BEITER. In other words, my estimate of 47 was 50 percent wrong.

Mr. CULKIN. May I ask a question there?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. You quoted me, and I think I am entitled to that courtesy. Do you deny, assuming that the beliefs of the proponents of the seaway are correct, assuming for the purpose of the question they are correct, that all of these ports will be affected by the construction of the seaway? I want you to include the hypothesis I put in.

Mr. HAMLIN. On the assumption that the seaway is to be constructed, I would assume, of course, that all of these ports will be affected.

Mr. CULKIN. Favorably affected?

Mr. HAMLIN. I don't say favorably affected.

Mr. CULKIN. Assuming what is claimed by the proponents of the seaway. Assume that for the purpose of the question.

Mr. HAMLIN. Assuming that all of the claims of the proponents of the seaway are absolutely borne out by the facts, that all of these ports are going to be tremendously benefited, I would say that they would be favorably affected.

Mr. CULKIN. Yes.

Mr. HAMLIN. However, may I have the privilege of stating that I do not agree with the claims of the proponents that manna is going to fall from Heaven in all these instances.

Mr. CULKIN. You can envisage the rights of these small communities, can you not?

Mr. HAMLIN. Oh, yes; of course.

Mr. CULKIN. You don't share their hopes with them, because Buffalo is a large city.

Mr. HAMLIN. I don't represent Buffalo.

Mr. CULKIN. Those small localities have their right in the sun; you concede that?

Mr. HAMLIN. May I say that I do not represent Buffalo. I have been here before this committee urging, for instance, the further development of Wilson Harbor, which is in our harbor.

Mr. CULKIN. I have been guilty of aiding that procedure, and the purpose of that was small craft. That is true of a great many of these other ports.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. You admit the right—

Mr. HAMLIN. I assume a good many of these small ports, undoubtedly, Mr. Culkin, their harbors won't be deepened, and if there is any foreign trade that will come to them it will be handled to their shores through the lighters that you suggest.

Mr. CULKIN. Through the larger ports, and then to these smaller ports by truck.

Mr. HAMLIN. That could be done, certainly, but I would assume those smaller ports would undoubtedly engage in lighterage.

Mr. CULKIN. But you, in your gentle satire here, if it is that, do not wish to express contempt for the smaller ports.

Mr. HAMLIN. Oh, no; I am reading into the record—

Mr. CULKIN. And you think I have a right to speak for them on the basis of my views, even though you may consider my views wrong? Isn't that true?

Mr. HAMLIN. If I might conclude my reading.

Mr. CULKIN. Well, you quoted me there. I thought under the rules I was entitled to ask. I won't interrupt you otherwise, unless you refer to me by satire, or otherwise, when I shall ask to be heard.

The CHAIRMAN. The list that you read here includes all the port on all the lakes.

Mr. HAMLIN. It is all the ports Mr. Culkin stated would be benefitted.

Mr. CULKIN. That list was furnished me by the United States engineers.

The CHAIRMAN. It is the entire list of them, what we have altogether.

Mr. PITTINGER. And was made up by the War Department engineers so as to have havens of refuge for pleasure craft about every 25 or 30 miles all the way around the Lakes. Some of those places you read, there are not a hundred people there, and would be no more affected by this program than by George Bender's speeches.

Mr. HAMLIN. The only thing I can state is that the report says it will transform 85 inland ports into seaways.

Mr. JOHNS. You are again quoting Representative Culkin?

Mr. HAMLIN. Yes, sir.

Mr. BENDER. Did Representative Culkin say they are going to be benefitted by this project and made oceangoing ports?

Mr. HAMLIN. No.

Mr. CULKIN. Oh, no.

Mr. HAMLIN. I will read his words again.

Mr. CULKIN. Now, listen carefully.

Mr. HAMLIN. May I just say this speech starts off by paying a very fine compliment to Corpus Christi, where a great port was developed, and Mr. Culkin says—

Mr. GAVAGAN. Corpus Christi is in Texas.

Mr. HAMLIN. Yes; he is talking about that.

Mr. CULKIN. The trouble is the gentleman is for Buffalo, and I am the servant of the whole country.

Mr. HAMLIN. May I just conclude this:

The classic example of the effect of waterways on population and real estate is found in the latter-day history of Corpus Christi, Tex. Corpus Christi, Tex., is an old city which did not really come into its own until it was established as a Gulf port in 1926. In that year only 6,170 tons of cargo were moved out of that city. The port was improved and year by year the tonnage increased until 1939, when the tonnage was 6,000,718 tons.

He says:

Taking a leaf from the book of Corpus Christi, I have no hesitancy in saying that the growth and development of the Great Lakes ports, upon the completion

of the seaway, will be as remarkable. It is worthy of note that other independent publicists, free from the influence of selfish interests, are agreeing with Mr. Pyle and say that when the St. Lawrence seaway is completed every city of the Great Lakes area will, within a period of 10 years take on an extraordinary advancement in population and real-estate values.

The seaway will convert more than 85 inland communities of the United States into seaports. The following is the list of lake ports that will be profoundly and favorably affected by the completion of the St. Lawrence seaway.

And he says further:

Two miles out of the city limits a lot 100 by 400 feet costs you \$5,000. In a yet-vacant section this side of that (which the owners are holding) the land is almost priceless. One man has 320 acres still in cotton and has turned down \$250,000 for it.

Mr. CULKIN. That is quoting the remarks of Mr. Ernie Pyle.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. I would like to suggest, Mr. Chairman, if the gentleman desires, he put the whole speech in the record.

Mr. BENDER. I would suggest Mr. Pyle was piling it on.

Mr. HAMLIN. I conclude this portion of my remarks, if I may—

Mr. DONDERO. Just before you proceed. I didn't mean to interrupt. I have tried to hold a decent respect for the opinions of mankind. What we say in ridicule, however, sometimes comes true in fact, and I want to read you one line of what Henry Clay said about the Sault locks and the canal in Michigan. He said:

It is a work beyond the remotest settlement in the United States, if not in the moon.

And yet that canal carried nearly 100,000,000 tons of commerce last year.

Mr. CULKIN. I thank the gentleman for connecting me with Henry Clay, and I stand on that speech.

Mr. Chairman, I suggest that if the satire is going to be effective, it should go into the record.

Mr. HAMLIN. I am delighted to offer it.

Mr. CULKIN. And I also stand on the speech.

Mr. HAMLIN. May I just conclude?

Mr. BENDER. With reference to Corpus Christi, that must be part of the land the Government recently bought for a naval air station?

Mr. HAMLIN. I don't know, sir.

The CHAIRMAN. I will state that Corpus Christi has only been a port about 12 years and its tonnage has grown from nothing to 12,000,000 tons.

Mr. HAMLIN. I sat next to a gentleman at dinner the other night, who I think is perhaps in the audience, who came from Corpus Christi, a Mr. Miller.

The CHAIRMAN. A very fine gentleman.

Mr. HAMLIN. A very fine gentleman, and he ably represents his port.

Mr. CULKIN. Did Mr. Miller inject the witness with Corpus Christi's possibilities?

Mr. HAMLIN. Well, sir, I think it is a great town.

Mr. CULKIN. You think I have stated correctly as to Corpus Christi, then?

Mr. HAMLIN. You are a good advocate of Corpus Christi.

Mr. CULKIN. And you think I stated the facts about it?

Mr. HAMLIN. I have no doubt.

The CHAIRMAN. I think we have established one thing, that Henry Clay, Senator Wagner, and Mr. Culkin are all great engineers.

Mr. BOYKIN. There has been one mistake, and that is about George Bender's speeches, because when he gets walking up and down, tearing his hair, everybody pays attention to his speeches.

Mr. PITTINGER. I had reference to the volume of the sound, and not the quality of the speech.

(The remarks of the Hon. Francis D. Culkin referred to are as follows:)

ST. LAWRENCE SEAWAY—GROWTH IN POPULATION AND REAL-ESTATE VALUES IN THE GREAT LAKES AREA ASSURED UPON THE COMPLETION OF THE ST. LAWRENCE SEAWAY

REMARKS OF HON. FRANCIS D. CULKIN, OF NEW YORK, IN THE HOUSE OF REPRESENTATIVES, MONDAY, JANUARY 22, 1940

Mr. CULKIN. Mr. Speaker, the soundest navigation and power project in the United States, if not in the world, is the Great Lakes-St. Lawrence seaway. The project is based on sound nationalism and tested economics. I feel I am on safe ground when I make the following conclusions as to this great national development:

First. Its construction will add 3,576 miles to the coast line of the United States by admitting ocean vessels from the Atlantic to the Great Lakes. It brings the seven seas 1,200 miles inland.

Second. It will mitigate, if not entirely cure, the economic handicaps of adverse transportation costs to the vast area in the interior of the American continent. This area embraces 22 States with a population of more than 40,000,000 people who gain their livelihood from agriculture and manufacturing.

Third. Without doing violence to existing investment it will bring electricity at low cost to the manufacturer, farmer, and house dweller in the northeastern part of the United States.

These great and permanent benefits from this project have been frequently discussed by me on the floor of the House. Today it is my desire to stress more particularly the stimulating effects of the seaway on population and real estate in the Great Lakes area.

The classic example of the effect of waterways on population and real estate is found in the latter-day history of Corpus Christi, Tex. Corpus Christi, Tex., is an old city which did not really come into its own until it was established as a Gulf port in 1926. In that year only 6,170 tons of cargo were moved out of that city. The port was improved and year by year the tonnage increased until 1939, when the tonnage was 6,000,718 tons. In 1920 it had a population of approximately 25,000, but under the stimulus of maritime development the 1940 census will show at least 60,000. This growth in population and in commerce is being reflected in one of the most remarkable real-estate developments in the history of the country.

Mr. Ernie Pyle, a special writer for the Scripps-Howard group of newspapers, says in a syndicated story which appeared in the New York World-Telegram on January 3, 1940, that the development and growth of Corpus Christi is due in large part to the fact that it had become a seaport. Mr. Pyle states that no city in America is growing faster than Corpus Christi, and that this year's building permits total more than \$7,000,000, with real-estate values going up by leaps and bounds.

Corroborating this, Mr. Pyle says:

"Two miles out of the city limits a lot 100 by 400 feet costs you \$5,000. In a yet-vacant section this side of that (which the owners are holding) the land is almost priceless. One man has 320 acres still in cotton and has turned down \$250,000 for it."

Taking a leaf from the book of Corpus Christi, I have no hesitancy in saying that the growth and development of the Great Lakes ports, upon the completion of the seaway, will be as remarkable. It is worthy of note that other independent publicists, free from the influence of selfish interests, are agreeing with Mr. Pyle and say that when the St. Lawrence seaway is completed every city of the Great Lakes area will, within a period of 10 years take on an extraordinary advancement

in population and real-estate values. The seaway will convert more than 85 inland communities of the United States into seaports. The following is the list of lake ports that will be profoundly and favorably affected by the completion of the St. Lawrence seaway:

Lake Superior: Grand Marais Harbor, Minn.; Duluth-Superior Harbor, Minn. and Wis.; Cornucopia Harbor, Wis.; Ashland Harbor, Wis.; Ontonagon Harbor, Mich.; Presque Isle Harbor, Mich.; Marquette Harbor, Mich.; Grand Marais Harbor of Refuge, Mich.; Warroad Harbor and River, Minn.; Agate Bay Harbor, Minn.; Port Wing Harbor, Wis.; Washburn Harbor, Wis.; Bayfield Harbor, Wis.

Lake Michigan: Manistique Harbor, Mich.; Menominee Harbor and River, Mich. and Wis.; Oconto Harbor, Wis.; Pensaukee Harbor, Wis.; Big Suamico River, Wis., Green Bay Harbor, Wis., Harbors at Washington Island, Wis.; Algoma Harbor, Wis.; Kewaunee Harbor, Wis.; Two Rivers Harbor, Wis.; Manitowoc Harbor, Wis.; Sheboygan Harbor, Wis.; Port Washington Harbor, Wis.; Milwaukee Harbor, Wis.; Racine Harbor, Wis.; Kenosha Harbor, Wis.; St. Joseph Harbor, Mich.; South Haven Harbor, Mich.; Saugatuck Harbor and Kalamazoo River, Mich.; Holland Harbor, Mich.; Grand Haven Harbor and Grand River, Mich.; Muskegon Harbor, Mich.; White Lake Harbor, Mich.; Pentwater Harbor, Mich.; Ludington Harbor, Mich.; Manistee Harbor, Mich.; Portage Lake Harbor, Mich.; Frankfort Harbor, Mich.; Leland Harbor, Mich.; Charlevoix Harbor, Mich.; Gladstone Harbor, Mich.; Petoskey Harbor, Mich.; Waukegan Harbor, Ill.; Chicago Harbor, Ill.; Calumet Harbor and River, Ill. and Ind.; Indiana Harbor, Ind.; Michigan City Harbor, Ind.

Lake Huron: Cheboygan Harbor, Mich.; Alpena Harbor, Mich.; Saginaw River, Mich. (Bay City, Essexville, Saginaw, Milwaukee); Harbor of Refuge at Harbor Beach, Lake Huron, Mich.; Mackinac Harbor, Mich.

Lake Erie: Monroe Harbor, Mich.; Toledo Harbor, Ohio; Put in Bay Harbor, Ohio; Port Clinton Harbor, Ohio; Sandusky Harbor, Ohio; Huron Harbor, Ohio; Vermillion Harbor, Ohio; Lorain Harbor, Ohio; Rocky River, Ohio; Cleveland Harbor, Ohio; Fairport Harbor, Ohio; Ashtabula Harbor, Ohio; Conneaut Harbor, Ohio; Erie Harbor, Pa.; Dunkirk Harbor, N. Y.; Buffalo Harbor, N. Y.

Lake Ontario: Olcott Harbor, N. Y.; Rochester (Charlotte) Harbor, N. Y.; Great Sodus Bay Harbor, N. Y. (Sodus Point); Little Sodus Bay Harbor, N. Y. (North Fairhaven); Oswego Harbor, N. Y.; Cape Vincent Harbor, N. Y.; Ogdensburg Harbor, N. Y.; Sacketts Harbor, N. Y.; Morristown Harbor, N. Y.; Waddington Harbor, N. Y.

Connecting channels: Detroit River, Mich. (Detroit); Black River, Mich. (Port Huron); Clinton River, Mich. (Mount Clemens); Rouge River, Mich. (River Rouge); Black Rock Channel and Tonawanda Harbor, N. Y.; Niagara River, N. Y. (Niagara Falls).

The CHAIRMAN. Mr. Hamlin, we will take a recess until 2 o'clock. (Thereupon, at 12:15 p. m., the committee took a recess until 2 p. m. of the same day.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to the taking of a recess, for further consideration of H. R. 4927, Hon. Joseph J. Mansfield, chairman, presiding.)

FURTHER STATEMENT OF CHAUNCEY HAMLIN, CHAIRMAN OF NIAGARA FRONTIER PLANNING BOARD, CARE OF NIAGARA FRONTIER PLANNING BOARD, CITY HALL, BUFFALO, N. Y.

The CHAIRMAN. Mr. Hamlin, are you ready to proceed?

Mr. HAMLIN. Yes, sir.

The CHAIRMAN. Very well, sir.

Mr. HAMLIN. Gentlemen, when we adjourned I just had one more further statement to make in regard to this question of the development of harbors in the upper Lakes. In my prepared statement, I make this remark: "With the able representation from the States of Minnesota, Wisconsin, Michigan, Illinois, Indiana, Ohio, Pennsyl-

vania, and New York in the Congress and upon the committee, we can be reasonably sure that the best interest of the harbors which lie within these States will be carefully safeguarded." In view of the number of harbors and the well-known cost of harbor improvement, I am sure you will agree that the \$100,000,000 which we have suggested is a modest sum. We submit that our estimate of an average expenditure of only \$7,500,000 apiece for a minimum of 13 harbors certainly is not extravagant when one considers that the Army engineers estimate the cost of deepening the channels in the two short reaches of the Detroit and St. Clair Rivers will come to \$66,029,000 alone. We have therefore included in the estimates of total cost which we are presenting for your consideration today this item of \$100,000,000 for harbor improvement, the same amount which we included in our previous estimate.

In our previous estimate of total costs we properly included an item to cover interest charges during the construction period. In computing this figure in our previous report we used a period of 8 years as the time needed to complete the project. In this estimate of the time necessary to complete the project we followed the conclusions of almost every authority which had theretofore studied the project. Some of them estimated that it would take 7, 8, or 9 years to build it. General Robbins now states that in his judgment the project can be completed within 4 years. Therefore, in deference to the General's optimism, we now have reduced our estimate of interest costs accordingly. You will note in the comparative statement that we have made this adjustment. That is on the second page of the little document which I handed to you, and the subtotal of the previous page is carried over. We have added \$100,000,000 plus contingencies in each column, which brings our total up to the moment to about \$397,000,000 on the engineers' basis, and \$370,000,000-odd on our former estimates.

The CHAIRMAN. We might get millions and billions mixed up, but you are evidently down in the old-time scale.

Mr. HAMLIN. It is very difficult for me to think in millions, I will confess. Now, interest during construction at 3 percent on the basis of 4 years, and, of course, we estimate that all of the money won't be spent right off the bat, so we have spread it over by multiplying 3 percent by four over 2, which gave us \$23,853,390 for interest during construction on a 4-year basis, and you will notice in the companion column, former estimates, we have placed the figure of \$14,477,000, which would be interest during construction, which would have to be paid on an 8-year basis. Now, this is because our total initial cost, including the harbor cost during construction, was \$421,909,905 on the engineers' estimates, of course always having in mind that we have added \$100,000,000 plus contingencies for the harbors; \$414,771,000 was the old estimate. Now, without deducting the amount to be reimbursed, supposedly by the New York State Power Authority, the present estimate of \$93,375,000, as compared with the figure of \$90,000,000 which we had in our printed report, it gives us then another figure.

Now, I would like, gentlemen, with your permission, to enter into a discussion of what I feel is one of the most important issues in this whole matter, and that is the question as to whether this is to be a toll canal or whether it is to be a freeway.

I was very much interested, gentlemen, in the suggestion of Secretary of Commerce Jesse Jones, which he made here at this hearing, I think on Monday of this week. He acted, as you know, for a long time, and I guess still is, head of the Reconstruction Finance Corporation, and as the administrator of that loan fund he has loaned many hundreds of millions of dollars to finance self-liquidating projects, and I think, as far as I can gather from what I read in the press, and the statements of Mr. Jones, and the published reports, that the administration that he has given to that office has been financially beneficial to our Treasury. Many of the loans have been repaid, and many of them are being repaid, on these self-liquidating projects. Now, gentlemen, is this going to be a self-liquidating project, or not? In the first place, in discussing this matter, let us throw out of consideration entirely this question of the power business, because \$93,375,000 is going to be administered under the plan that has been set up by the New York State Power Authority. So, therefore, none of the money that comes from the sale of that power can be applied toward retirement of the moneys that are going to be advanced for the construction of the seaway. That is separate and entirely distinct, but the question is whether the seaway is going to create revenue sufficient to retire its cost.

In the case of the Suez Canal, as I understand from reading the history and reports and so forth, tolls are charged on the Suez Canal. It has proved to be an exceedingly profitable venture. As a matter of fact, nations have gone to war over control of the stock of the Suez Canal, because it has been an exceedingly profitable venture for the stockholders of that company.

The CHAIRMAN. Let me have your view on this feature: This project embraces all of the Great Lakes, as well as the river. If the tolls should be applied, would they also be applied to the commerce between Lake Superior and Huron?

Mr. HAMLIN. I see no reason why they should not be. For any expenditures that the Federal Government makes, unless the Federal Government is making a contribution, tolls should be collected sufficient to retire the money that has been advanced by the Federal Government.

Mr. PITTINGER. You would be in favor of tolls at the Soo locks, would you not, by the same line of argument you are using now?

Mr. HAMLIN. Yes, sir.

Mr. PITTINGER. And good high tolls, too?

Mr. HAMLIN. No; not high tolls, but tolls that would be sufficient to pay back to the Federal Government with interest over a period of years the expenditures that the Federal Government makes.

Mr. PITTINGER. And you know that several millions of dollars have been spent from time to time in the development of the locks at the Soo?

Mr. HAMLIN. Yes, sir; I am looking at the thing, gentlemen, from the point of view of a taxpayer representing businessmen and taxpayers. Now, the question is, what are we going to do about this amount of \$328,000,000. Gentlemen, if it is not a self-liquidating project, let us not fool ourselves, it is going to cost not only \$328,000,000, but it is going to cost interest on the money that we borrow to put into it, and let us not fool ourselves over the proposition that we have got to borrow the money to put into it, because

when the Treasury of the United States needs money, they have got to either borrow it or collect it through taxes.

The CHAIRMAN. They can print it.

Mr. HAMLIN. Perhaps they can print it, but in the long run it has got to be paid or to be taken care of, if the United States is going to remain strong in a financial position as far as its credit is concerned.

Mr. DONDERO. Inasmuch as we are deviating from the procedure of permitting the witness to make his statement, and then interrupt him later, I would like to ask him a question now. However, if it is desired that he first complete his statement, I will defer my question.

The CHAIRMAN. Ask the question, and then we will apply the rule afterward.

Mr. DONDERO. If your theory were carried to extremes, you could charge tolls on the upper Mississippi River or tolls in New York Harbor where the Government has expended millions of dollars for improvement of the harbor and the Hudson River. Would you do that?

Mr. HAMLIN. My feeling about it—do you want a direct answer, not an evasive answer, in other words?

Mr. CULKIN. Your honest opinion.

Mr. HAMLIN. My honest opinion is this, that here you are going to ask the people of the United States to invest some \$300,000,000, or whatever it is, in the construction of this seaway. Now, the Honorable Secretary of Commerce, Mr. Jesse Jones, suggests that it should be made a self-liquidating project, and I agree with him completely in this particular instance that it should be. It should bear the cost of the retirement of the principal and its carrying charges.

Mr. DONDERO. Now, let us get back to my question. Can you answer that?

Mr. HAMLIN. Would you kindly repeat the question?

Mr. DONDERO. Would you carry that theory to the extreme of charging tolls on the upper Mississippi River and in New York Harbor and on the Hudson River or other rivers of the country which Congress has benefited and improved with Federal money? Would you go that far?

Mr. HAMLIN. I would think in answering that question that each case would have to be settled upon the merits of the particular case.

Mr. DONDERO. Now, let us go back to the question.

Mr. HAMLIN. I will just follow that out in just a second. The commerce of the port of New York is a very important part of the commerce of the United States.

Mr. DONDERO. And so is that of the Great Lakes.

Mr. HAMLIN. Just a moment. The commerce of the port of New York is very important, and great revenues are derived through that commerce at the port of New York. Now, if the Federal Government wants to spend more money to encourage that commerce or to assist it, that is all right, but in this case I do not for one minute concede that the construction of this seaway is going to be of the slightest benefit to the Great Lakes.

Mr. DONDERO. Well, Mr. Hamlin, is that the best answer that you want to give this committee?

Mr. HAMLIN. No; not the best at all. My best answer is to refer you to the Secretary of Commerce, Mr. Jesse Jones, and his advocacy of this being made a self-liquidating project.

Mr. DONDERO. Well, the Secretary of Commerce is for this project.

Mr. HAMLIN. He testified here in favor of it as a self-liquidating project.

Mr. DONDERO. No; not at all, because I was the one who interrogated him on that very subject. He is for this project, tolls or no tolls.

Mr. HAMLIN. Well, I hold my opinion, and perhaps he holds his.

Mr. DONDERO. One more question.

Mr. HAMLIN. Yes, sir.

Mr. DONDERO. If it should appear that this river would be used, we will say, seven-eighths of it by the commerce of the United States, and this Government should insist upon tolls being paid, would not this Government then be paying for seven-eighths of the cost of the canal instead of one-half of it as now proposed under the agreement?

Mr. HAMLIN. I would assume, sir, that it would be necessary to work out with the Canadian Government any program for the collection of tolls.

Mr. DONDERO. You understand the basic law would have to be changed in order to do that?

Mr. HAMLIN. No; I do not.

Mr. DONDERO. Do we pay any tolls on our commerce through the Welland Canal today?

Mr. HAMLIN. I have the treaty here, sir.

Mr. DONDERO. The answer is "No," and I am sure you know it.

Mr. HAMLIN. We pay no tolls, but the Canadian Government has a right to impose tolls.

Mr. DONDERO. We do not charge tolls for their commerce through the locks at the Soo, and there are no tolls between the two Governments.

Mr. HAMLIN. Pardon me, but we have the right, as a sovereign power, and also as defined by treaty, to charge tolls.

Mr. DONDERO. But if we impose that right on seven-eighths of the commerce on the St. Lawrence seaway, and if we use it seven times as much as the Canadian Government, and pay tolls, then we would pay seven-eighths of the cost of the canal. Would not that be unfair and in direct conflict with the agreement we have made with the Canadian Government?

Mr. HAMLIN. That is the point, that seven-eighths of the business that is going to use this canal is going to be American business, and only one-eighth of the business is going to be Canadian business.

Mr. DONDERO. That fraction may change slightly, but that is about the basis.

The CHAIRMAN. At the Soo it is about 14 percent Canadian and 86 American.

Mr. DONDERO. Yes; that is within 1 or 2 percent.

Mr. HAMLIN. Of course, there are many angles to this, gentlemen, because you are asking Canada to pay half of the cost of this for the benefit of the United States which is going to produce seven-eighths of the business.

Mr. DONDERO. Canada is to pay for half of the canal, and we would use it to the extent of seven-eighths of the commerce going through it.

Mr. HAMLIN. Do you think that is a fair division of the cost between Canada and the United States?

Mr. DONDERO. Canada has already agreed to that.

Mr. HAMLIN. I say, do you think it is a fair agreement?

Mr. DONDERO. Perhaps Yankee ingenuity has driven a sharp bargain, I do not know; but that is the agreement.

The CHAIRMAN. If we have gotten ahead of Canada once, it is the first time in our history.

Mr. ANGELL. We are not through with it yet, Judge.

Mr. DONDERO. I would not have asked those questions, except you raised the question of tolls, predicated upon the Secretary's statement that he thought it ought to be self-liquidating.

Mr. HAMLIN. Just to complete this picture as to the tolls, I would make a similar bargain, and I would make it so that Canada should collect tolls upon its portion of the canal in order to reimburse itself.

Mr. DONDERO. Canada has expended more money than we have by many millions already.

Mr. HAMLIN. Therefore, she should collect tolls to this extent.

Mr. DONDERO. Then the basic law of this country should be changed.

Mr. HAMLIN. What basic law?

Mr. DONDERO. It should be changed because we do not charge tolls.

Mr. HAMLIN. There is no basic law which forbids us charging tolls.

Mr. DONDERO. If there was, it should be changed.

Mr. HAMLIN. May I read the treaty just a moment?

Mr. DONDERO. Why not put it in the record, Mr. Hamlin?

Mr. HAMLIN. May I put this clause of the treaty of 1908 into the record?

Mr. DONDERO. That is the one that was ratified in June 1909?

Mr. HAMLIN. It is in this book that I got from the Library of Congress over here. May I read this article I?

The High Contracting Parties agree that the navigation of all navigable boundary waters shall forever continue free and open for the purposes of commerce to the inhabitants and to the ships, vessels, and boats of both countries equally, subject, however, to any laws and regulations of either country, within its own territory, not inconsistent with such privilege of free navigation, and applying equally and without discrimination to the inhabitants, ships, vessels, and boats of both countries.

It is further agreed that—

Mr. DONDERO. I think you have read enough to give us the idea. We are all familiar with that treaty.

Mr. HAMLIN. Just a moment, one more paragraph. I will skip a sentence that does not apply.

It further states—

Either of the High Contracting Parties may adopt rules and regulations governing the use of such canals within its own territory, and may charge tolls for the use thereof, but all such rules and regulations and all tolls charged shall apply alike to the subjects or citizens of the High Contracting Parties and the ships, vessels, and boats of both of the High Contracting Parties, and they shall be placed on terms of equality in the use thereof.

In other words, in your basic treaty between Canada and the United States, the right of either country to charge tolls on canals which lie within their own territory is recognized, and the only provision here is that in case the United States charges tolls, they cannot let their ships through toll-free and charge Canadian ships.

Mr. DONDERO. But neither country has seen fit to invoke any such provision as that.

Mr. HAMLIN. No, sir.

Mr. DONDERO. Both have accepted the theory that the water should be free to the inhabitants, ships, vessels, and commerce of this country, up to this time.

Mr. HAMLIN. Yes; up to this time I think Canada has been exceedingly generous in that she has not charged tolls on the Welland Canal, although I do not know exactly what the traffic on the Welland Canal is, whether it is 50-50 Canadian and American traffic, or whether it is used more by Canadians than it is by Americans.

The CHAIRMAN. It is used much more by Canadians.

Mr. HAMLIN. That is probably the reason why they have not gone into that.

Mr. ANGELL. Tolls are being charged in the Panama Canal, and, of course, that is outside of the territorial limits of the United States, but we might say that this project is going to be outside. It runs along the boundary, and some of it is in the United States and some of it is outside.

Mr. HAMLIN. Tolls are charged and collected for going through the Panama Canal, and the money collected goes toward paying the cost of retiring the debt, the cost of construction.

The CHAIRMAN. And the cost of operation.

Mr. HAMLIN. Yes; and the cost of operation.

Mr. ANGELL. Is it not true, Mr. Hamlin, that the policy which has been established in the United States, referred to by the distinguished gentleman from Michigan, has to do with projects wholly within the United States, because, in the case of the Panama Canal, the only one we do own outside, we do charge tolls, and here is another one practically outside, on the border line?

Mr. HAMLIN. This project, as I view it, is going to cost about three times as much as the Panama Canal, and assuming it is not going to be a self-liquidating project—

Mr. PITTENGER (interposing). But the Panama Canal is built on land which Teddy Roosevelt got under a 99-year lease; even though it is on land outside of the United States, we control that land absolutely.

Mr. HAMLIN. I have always thought the Canal belonged to us down there. I agreed with the Captain here when he made that remark yesterday about tolls on it. I thought we had paid our own money out for it and built it.

Mr. DONDERO. I want to read to you section 4, page 1330, of the laws of the United States on improvements of rivers and harbors:

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

That is the basic law.

Mr. HAMLIN. Does that apply to the Panama Canal?

Mr. DONDERO. This is within the United States. I do not think it applies to the Panama Canal, and I do not think it is a parallel case, because we all know that Canal does benefit the shipping of all of the other nations of the world, while the St. Lawrence seaway, as proposed, would benefit Canada and the United States mainly.

Mr. HAMLIN. May I ask you is that the law of Congress you are reading from and is it true that the Congress can amend its laws?

Mr. DONDERO. Congress can always amend its laws.

Mr. HAMLIN. What you read is not a matter that is governed by treaty.

Mr. DONDERO. I think not.

Mr. HAMLIN. So that there is no question about that. For instance, if Congress desired to have tolls collected on the St. Lawrence seaway, it has the power to do it, and Congress has the power to amend its laws.

Mr. DONDERO. I doubt it very much in the face of the agreement concluded by the two Governments, which is now before this committee and the Congress of the United States.

Mr. HAMLIN. I have that treaty here, sir.

Mr. PITTENGER. That says nothing about tolls. The whole program here does not anticipate tolls, and tolls is another red herring that is being dragged in here. As to the two Governments, as far as they are concerned, under that agreement and under the bill we have before us, tolls are out.

Mr. HAMLIN. May I read from the treaty, or it is really the agreement between Canada and the United States.

Mr. PITTENGER. Yes.

Mr. HAMLIN. Article VII states—

The High Contracting Parties agree that the rights of navigation accorded under the provisions of existing treaties between the United States of America and His Majesty shall be maintained notwithstanding the provisions of paragraph 10 in any such treaties and declare that these treaties confer upon the citizens or subjects or upon the ships and vessels and boats of each of the High Contracting Parties the right of navigation in the St. Lawrence River from the Great Lakes system, including the canals now existing or which may hereafter be constructed.

The reason I read that is, you will notice that agreement recognizes the rights defined in the treaty that I read to you a moment or two ago, which in and by its terms recognizes the right of either country to impose tolls. So, it is clearly within your right to impose, in the bill that you pass here, a provision requiring that tolls be collected in order to reimburse the United States Government for any advances made in its construction.

Mr. DONDERO. But I do not think any such provision is contemplated in the legislation before us.

Mr. HAMLIN. I agree with you, I do not think it is contemplated, and my point about it is, if you do not put it in, then, sir, I beg of you, that you must then tell the people of the United States how much this thing is going to cost.

Mr. DONDERO. Mr. Hamlin, have you in your statement anywhere given any credit whatever to the saving that might accrue to the people of the United States, or at least a large portion of them by reason of the savings in transportation of goods from other ports, or goods imported from foreign countries?

Mr. HAMLIN. We are going to prove beyond peradventure of doubt before this committee that not only will there be no savings, but that there will be definite loss to the people of the United States.

Mr. DONDERO. We will be interested to hear that.

Mr. PITTENGER. I want to make this comment. I talked the other day with one of the outstanding members of the Army Corps of

Engineers who told me that when you offset the costs against the benefits, and he included the other benefits—navigation and power—he said this would justify a billion-dollar expenditure based on the yardstick that the Army engineers use. I want that in the record.

Mr. BEITER. Who was that engineer, Mr. Pittenger?

Mr. PITTENGER. I will tell you at the proper time.

Mr. BEITER. This would be the proper place to insert it in the record.

Mr. PITTENGER. I do not think so, and I will decide that.

Mr. JOHNS. I suggest that we let the witness finish his statement.

Mr. DONDERO. Mr. Hamlin, when the Army engineers come before this committee, the one justification of a project, except when national defense becomes one of the elements included in a project, is that they justify their proposal on savings in transportation of goods to such an extent that they can come here and ask for the expenditure of public money sufficient to justify the making of the project. That has been true apparently all of these years, and at least the 9 years I have been here, and unless there is any savings to the people, of course the project cannot be justified.

That is the reason we are going to be interested in hearing what you have to say to show that there will be no savings to the people, but a loss.

Mr. ANGELL. The Corps of United States Engineers have not been called in on this project to justify it; they have not been asked to investigate it, and they have given no justification, and they made no examination of it.

Mr. PITTENGER. I would challenge that statement.

Mr. ANGELL. That is what General Robins said before the committee the other day.

Mr. SMITH. Have you made any estimate of the tolls or revenues that might be derived from the imposition of tolls?

Mr. HAMLIN. No, sir; I do not know what the tolls would amount to. I do not know what rule they applied, for instance, in the case of the determination of the amount of tolls in the Panama Canal. I would assume, in the first place, if the Canal were to be constructed, that it should be constructed, and then a careful accounting should be taken of the amount of money that has been expended, and then a careful estimate made as to the amount of traffic that will be anticipated, and a tentative schedule of tolls developed that they think should be charged, and then, after a period, if it is found that those tolls do not produce enough money, they would have to raise the tolls, and if it is found that they are producing more than enough money, then they would have to be lowered. I assume that that probably was the procedure that must have been followed in connection with the imposition of tolls on the Panama Canal. I do not think the proposition, gentlemen, should be looked upon as a money-making proposition for the United States, but merely that it should pay its way.

Mr. SMITH. That it should be self-liquidating?

Mr. HAMLIN. Yes, sir; it should pay its way.

Mr. CULKIN. I should like to ask you just one question. Mr. Hamlin, are we to infer from your testimony here just given that you are in favor of the imposition of tolls on all waterways, continental or otherwise? Do you approve of that policy?

Mr. HAMLIN. I think we have reached the stage, Mr. Culkin in regard to disbursements of huge sums of money in the United States and in the various States, where we have got to draw in our belt, and we have got to provide ways and means of paying our own way.

Mr. CULKIN. Then, therefore, you are in favor of the imposition of tolls?

Mr. HAMLIN. In projects which are to be developed; yes.

Mr. CULKIN. How about existing projects?

Mr. HAMLIN. In the case of existing projects, I would say that you have got to take a number of things into consideration. For instance, if there is an existing project at some place, and let us take the Mississippi Valley, or some other area, or let us take the Erie Canal, for instance, where expenditures were made many years ago for the development, and where a large number of business concerns have developed transportation facilities, and there has been built up a stream of commerce going to and fro, using that waterway, the imposition of tolls in that instance would be in the nature of a punishment to the people who have invested funds in reliance of the fact that no tolls will be charged or would ever be charged.

Now, in this project, the St. Lawrence waterway, you are faced with an entirely different situation. Here is a brand new scheme. If you start out with the imposition of tolls, you are harming no person, no interests; they know beforehand that they have got to meet charges.

Mr. CULKIN. As a matter of fact, there has been a 14-foot canal to the sea for how long; 50 years?

Mr. HAMLIN. Well, it has been deepened from time to time.

Mr. CULKIN. There have never been any tolls charged there?

Mr. HAMLIN. I do not know.

Mr. CULKIN. You specifically reject the formula now adopted by the engineers, referred to by my friend from Michigan, that the justification of the improvement depends on the benefits which are reflected back to the people; you reject that theory, and also the statement in the organic law?

Mr. HAMLIN. As to the statement in the organic law, I think I have seen that the organic law was passed by the Congress, and the Congress has the right to change its laws which it passes.

Mr. CULKIN. Would you change that now, in specific cases?

Mr. HAMLIN. What is that, Mr. Culkin?

Mr. CULKIN. You would change that now in a specific case; is that your answer?

Mr. HAMLIN. That is not my answer.

Mr. CULKIN. What?

Mr. HAMLIN. That is not my answer; no.

Mr. CULKIN. Where do you favor tolls, under what conditions?

Mr. HAMLIN. Well, I am favoring tolls in this particular enterprise, for the reason that it is going to involve the expenditure of a tremendous sum of money, and that we, in this country, are in no condition, in my judgment, to undertake the expenditure of such a huge amount of money at this time except for a self-liquidating project, as suggested by the Secretary of Commerce, and my point on the whole thing is this, that if you gentlemen decide that tolls are not to be charged, then you must admit that the money has got to

be found somewhere to pay the interest. That is the only point of my argument.

Mr. CULKIN. That has been true of all of them that I know of, and I have served on this committee for 13 years.

Let me ask you this question—

Mr. HAMLIN (interposing). Several members of the committee have challenged our figures as to the cost of this enterprise, charging that it was propaganda; that we stated that this enterprise was to cost a billion dollars and more.

Now, I am trying to prove to you gentlemen that if you make it a self-liquidating project and charge tolls, I will not ask you to consider the adding of interest charges; but if on the other hand you are going to have this a free way, then in my judgment, it is necessary to provide 3 percent interest for amortization of the cost in 50 annual installments, and I have added the figures in this first column and in the second column, and it brings the total cost to the United States taxpayers of their section of the canal on the figures of the engineers to \$596,094,900, and the figures in our report of \$594,841,000. In other words, on the basis of the present engineering estimates the cost will be greater than it was at the time that we published our report in May 1943.

Mr. CULKIN. Now, you are off on a purely collateral question which, of course, the engineers dispute.

Let me ask you this question, specifically:

Are you going to favor the imposition of tolls on the barge canal which has been improved in part by Federal money? Now, you need not answer that. I do not want to be unfair.

Mr. HAMLIN. I will answer any question you ask me. I say no, I have not, and I will tell you the reason why.

Mr. CULKIN. Yes.

Mr. HAMLIN. I am not for the reason that there has been built up on the barge canal over a long period of years by various companies and various individuals, a business which has been of service to the State of New York, and that has been based on the fact that that canal has been a free way.

Mr. CULKIN. I understand that.

Mr. HAMLIN. Yes—

Mr. CULKIN (continuing). You are against it?

Mr. HAMLIN. I am giving you my reasons why I am against it.

I distinguish that from the St. Lawrence seaway for the reason that here is a new enterprise.

Mr. CULKIN. I understand that.

Mr. HAMLIN. Which is not going to be of any harm to anybody at all if they have got to pay tolls.

Mr. CULKIN. How about the Missouri and Mississippi Rivers?

Mr. HAMLIN. Well, unfortunately, I just live up there in the western part of New York, and I am not familiar with the rivers in that section.

Mr. CULKIN. You would not want to speak as to those?

Mr. HAMLIN. I do not.

Mr. CULKIN. All right; that is all.

The CHAIRMAN. Mr. Hamlin.

Mr. HAMLIN. Yes; Mr. Chairman.

The CHAIRMAN. I am sorry that I could not be here for all of your discussion; but let us assume that the Congress should find that this

is not a meritorious project from the standpoint of commerce and navigation; but that it is meritorious from the standpoint of national defense as it is claimed by the President.

Now, if it is not too violent a presumption to assume that, why would tolls be applicable in a case of that kind?

Mr. HAMLIN. I think so—I think—

The CHAIRMAN. We do not levy tolls on battleships.

Mr. HAMLIN. No.

The CHAIRMAN. Nor anything else we do for national defense, and let us suppose in this case that this is absolutely necessary for national defense.

Mr. HAMLIN. Yes, sir.

The CHAIRMAN. Then it would be the duty of Congress to do it, if it could possibly be done, regardless of cost and without any provision whatever as to tolls, do you not think?

Mr. HAMLIN. Yes.

The CHAIRMAN. If it were absolutely necessary.

Mr. HAMLIN. That is assuming that this project were absolutely a necessary project for national defense and vital to the defense of the United States.

The CHAIRMAN. Yes.

Mr. HAMLIN. Well, my feeling about it is that anything vital for the defense of the United States, Congress should not hesitate for a moment to appropriate the necessary funds.

Mr. ANGELL. Mr. Chairman, the Panama Canal certainly was built for national defense. That was the chief purpose. Of course, too, it handles commercial vessels and we charge tolls.

The CHAIRMAN. Well, it was largely for commerce.

Mr. ANGELL. But it was to get our Navy from one ocean to the other.

The CHAIRMAN. We did not have much of a Navy at that time.

Mr. ANGELL. That is the reason they had to get through from one ocean to the other.

The CHAIRMAN. Yes, but then the Navy has been built up since then, our Navy, and we are now contemplating a two-ocean Navy.

Mr. ANGELL. That was to get the Navy through the Panama Canal, and you will recall that it was built for defense purposes and is maintained for that purpose today. We are charging tolls.

Mr. GAVAGAN. We have been charging tolls under the treaty with Great Britain.

The CHAIRMAN. We are charging tolls on American commerce. We do that under that treaty. We originally only applied the tolls to foreign powers, and our own commerce was free.

Mr. GAVAGAN. Yes.

The CHAIRMAN. And that was what brought that about.

Mr. HAMLIN. Gentlemen, I think if there are no more questions on this particular phase I have some other matters to bring before you.

The CHAIRMAN. Yes, sir. There are no further questions?

Mr. BENDER. I have this, Mr. Chairman, if you please.

Did you hear Secretary Knox testify on Wednesday, June 18, when Mr. Peterson said:

Just one further question I would like to ask, Mr. Secretary. Do you consider this project which we now have before us necessary or essential as a part of our national defense program?

Secretary KNOX. I think it is desirable. It is not vital.

Mr. PETERSON. It is not vital?

Secretary KNOX. It is not vital.

You heard that testimony?

Mr. HAMLIN. Yes.

Mr. BENDER. On the defense angle?

Mr. HAMLIN. Yes, sir.

Mr. BENDER. That it was not vital to national defense.

Mr. HAMLIN. I am going to touch on the subject of national defense a little later on in my statement, if I may.

Mr. BENDER. In going back to the toll proposition. You are aware, of course, that toll roads were built and toll bridges are being built, and toll roads are contemplated, and is it not a fact that the gasoline tax is virtually a toll now?

Mr. HAMLIN. I have always felt that way about it.

Of course, we in New York State, Mr. Chairman, are quite familiar with this subject of tolls. A great many of the important enterprises in and about New York Harbor—for instance, those tunnels down there, and the bridges, have been constructed and tolls are being collected and are retiring the bonds and paying the interest. I think that is true probably in other sections of the country, but particularly about New York, as the gentlemen from New York must know, those great tunnels there.

Just to close this particular feature of my statement, I want to go into the figures on the Canadian end which are similar, except to point out that in the case of Canada, we have used 5 percent interest for the amortization period instead of 3. We have done that after consulting with various people to find out how much Canada has had to pay for their public moneys, and we find that for long-terms bonds in Canada, Dominion bonds carry about 5 percent. The total is—strangely enough I did not know these were going to come out this way when I started to figure the thing—the total cost for the United States is \$596,094,990, and the total cost for Canada \$548,882,735, or a total of \$1,144,972,725, which is about \$2,700,000 more than the amount that we had in our publication which we issued in May 1940.

There were various other major findings in the report issued by the Niagara Frontier Planning Board and subsequent qualified speakers will testify in support and in elaboration of those findings. The findings that I refer to cover among other matters the following subjects:

1. The huge annual loss that will be suffered by American labor, transportation, and industry if the Government estimate of probable seaway traffic should materialize.

The CHAIRMAN. What page of your statement are you reading from?

Mr. HAMLIN. I am reading from page 8, sir.

2. The fact that American farmers will not gain from the construction of the St. Lawrence seaway for even if a possible maximum saving in transportation of 3 cents a bushel on grain were to be realized this saving would be absorbed by foreign purchasers and vessel owners.

3. The fact that all American manufacturers who have cultivated this country's great inland market, would be seriously threatened by the importation through the use of the seaway of foreign products manufactured by cheap or serf labor.

Mr. DONDERO. Mr. Chairman.

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. Right there, how do you account for the fact that Boston, New York, and Philadelphia have been able to service for 150 years with exactly that condition facing them?

Mr. HAMLIN. I can give you an interesting case for Detroit.

Mr. DONDERO. Do not go so far away. Will you just stay on the coast, please?

Mr. HAMLIN. I do not know how they have, and I want to tell you about Detroit.

The CHAIRMAN. The Judge does not want to get away from the coast and into the reaches of that canal.

Mr. HAMLIN. I understand at Detroit there was an order for some cast-iron pipe that was advertised by the city of Detroit, and I can submit the data on this thing, and I think the order was for \$70,000 worth of pipe, and it was advertised by the city, and bids were received and the lowest bidder was a firm in New York City that represented a Belgium manufacturer of cast-iron pipe, and he was \$5,000 under the American cast-iron pipe manufacturers. Now, that Belgian firm put the stuff on one of these little boats and came up through the St. Lawrence scaway, you know, the little boats with 14-foot draft, and delivered the pipe in Detroit, \$67,000 worth or \$70,000 worth of cast-iron pipe; paid the duty on it, and undersold the American manufacturers, not far from Detroit, by \$5,000.

Mr. DONDERO. And that same thing would apply to the three cities I named.

Mr. HAMLIN. Now—

Mr. DONDERO. Is that not true?

Mr. HAMLIN. I imagine they might.

Mr. DONDERO. Now, is there not one way to care for that if that is so? We still have the right to pass tariff laws?

Mr. HAMLIN. Yes. Well, that is just the point.

Mr. DONDERO. Now, if your statement is correct—

Mr. HAMLIN (interposing). If you are going to try to protect your Detroit manufacturers from foreign-goods manufacturers, goods brought to your doors by foreign ships and laid down on your docks at cheaper than they could be manufactured by American factories employing American workmen, now, the only way you can protect yourself is by adopting a tariff wall; is it not, and if you adopt a tariff wall, then you will not have any trade on the St. Lawrence seaway.

Mr. DONDERO. That is exactly the same situation everybody is in on the Atlantic seaboard today and has been since the Government was established.

Now, if your statement in No. 3 is right, how did those cities survive?

Mr. HAMLIN. Well, I will have to let the Port of New York Authority speak for that when they come here and we are going to have a lot of people from New York tell you about their trade and commerce and how much they are going to suffer in case the St. Lawrence seaway is developed.

Mr. DONDERO. Mr. Hamlin, you are the present witness, and you are making the statement, and I am just putting that proposition up to you, that if your statement in No. 3 is right, what are you going to do with the ports along the Atlantic seaboard that will be exposed to

foreign importation and have been exposed to foreign importation since the Nation began.

Mr. PETERSON. Mr. Chairman—

Mr. DONDERO. Just a minute. He is capable of answering.

Mr. HAMLIN. Let me see now. Now, my answer to that would be that if the ports along the Atlantic seaboard were suffering through the importation of foreign manufactured goods with cheap labor, so as to threaten employment in the factories in that particular area, that the Congressman from that particular area would be asked by the workmen in those factories and by the employers of labor in those factories, to come down here to Congress and insist upon the tariff being raised upon the particular item that would be causing the serious damages.

Mr. DONDERO. What makes you think that the Congressmen from the Middle West and Michigan would not adopt the same policy?

Mr. HAMLIN. I think the Congressman from the middle western district of Michigan would, decidedly, would do so.

Mr. DONDERO. Then, the fear that you express as to the effect of the St. Lawrence seaway on the Middle West, you think, could be cured in the same way that it might be cured at the Atlantic seaboard?

Mr. HAMLIN. I think, my conclusion is that if the St. Lawrence seaway is constructed, that you are going to see a tremendous increase in the amount of American tariffs on everything.

The CHAIRMAN. From my brief experience in Congress, I have never known of a Congressman from Michigan or any other North-western State that was too modest to ask for a tariff.

Mr. HAMLIN. So I would assume, sir, that the tariff is going to go up, and that the voices of the Congressmen upon the eastern seaboard will be supplemented by the voices of Congressmen from Michigan and Illinois.

Now, I think that the next point was very clearly established by Colonel Sabin:

4. That the largest use of the seaway would involve its use by foreign-owned tramp ships manned by foreign crews to the detriment of ships flying our own flag and manned by our own seamen.

5. That no route for more profitable trade between American ports would be offered by the St. Lawrence seaway. The location of the St. Lawrence is such that no appreciable coastal or intercoastal commerce would occur.

And, I call your attention to the testimony offered here by the very distinguished gentleman, Mr. Julius Barnes, who I think proved to the satisfaction of everyone who heard him that the use of the motorship upon the Erie Canal for the transfer of supplies from the Great Lakes to the port of New York has not and would not be in the slightest way interfered with by the St. Lawrence seaway for the reason that the St. Lawrence seaway route could not compete with his business.

6. That the construction of the St. Lawrence seaway would have a harmful effect upon the great Mississippi Valley route.

These are facts; that statement that I am making will be established later by other witnesses.

Now, the alleged benefits to New York State that may be derived from the construction of the power phase of the seaway will be discussed in detail by Mr. B. D. Tallamy, chief engineer of the Niagara

Frontier Planning Board, who will offer his testimony immediately following me.

Now, gentlemen, when our Board first undertook the detailed study of the St. Lawrence project in 1939, I am frank to say that the idea that anybody would ever seriously advance this project as a defense measure never for a moment entered our minds. As a matter of fact the project was not discussed publicly as a defense matter until long after the publication and distribution of our report in May 1940. Since this issue has been projected into the discussion, our Board has inquired into the subject and respectfully submits the following conclusions which in turn will be supported by the testimony of qualified experts who will present themselves in due course before the committee.

1. There are all kinds of naval auxiliaries and even fighting units of the Navy which could and perhaps should be developed in the Great Lakes shipbuilding areas. Submarines, destroyers, mine sweepers, torpedo boats, and tugs all could be constructed and in comparative safety because they would not be dependent upon just the one outlet to the sea. They could be shipped by a number of routes through the existing 14-foot St. Lawrence Canal or through the existing New York State-Oswego-Erie Canal system to the Hudson and from there to New York or through the Illinois-Des Plaines-Mississippi Valley route to the Gulf of Mexico which is the most protected outlet from the Great Lakes to the sea and the most easily defended route. In the case of this type of craft if the existing St. Lawrence Canal should be rendered impassable, one of the other routes could be taken. Launching of a large naval shipbuilding program of this type upon the Great Lakes could be undertaken and even augmented by the construction of merchant ships which could be shipped in halves to the sea and there assembled if necessary as they were in the last war. This would distribute the shipbuilding work more uniformly and at the same time leave the Atlantic and Gulf yards and in fact the Pacific Ocean yards available for the construction of the larger-type vessels.

I thought the committee might be interested in glancing through a file of old photographs which show some of the work being done, Mr. Chairman, at the time of the last war.

The CHAIRMAN. Yes, sir.

Mr. HAMLIN. 2. Mr. Tallamy, chief engineer of the Niagara Frontier Planning Board, will point out in his testimony the ample existing possibilities for producing all the electric power needed in the area to be served by the St. Lawrence project in the emergency much more quickly and cheaply than through the construction of the St. Lawrence power project. This can be done through the use of the existing and already partially developed water-power facilities adjacent to the border in Canada; through further diversions at Niagara Falls so that the full capacity of the now idle installed machinery may be put to use—now so happily assured according to Mr. Berle's statement before this committee that steps are being taken to permit of the further necessary diversion, and lastly, through the construction and use of strategically located efficient modern steam plants.

3. Gentlemen, in the construction of the St. Lawrence waterway nine huge locks would be built along the St. Lawrence River between Montreal and Massena, N. Y., where a great dam is to be located along with the power plant and the huge levees. Proponents of the

project claim that these works are located over a thousand miles up the St. Lawrence from the ocean. They are located nearly 1,100 miles up the St. Lawrence but on account of the configuration of the coast line and the direction in which the St. Lawrence flows they are also only a little more than 200 miles from the Atlantic Ocean by air. Considering the range of modern high-speed superbombers which will be able to travel across the ocean with a full load of bombs and return and the tremendous strides which are being made in fighting craft of the air including those which take off and return direct to aircraft carriers, these dams and locks might prove to be in a highly vulnerable area. This also applies to the vulnerability of the eight huge locks in the Welland Canal. If any one of these locks was destroyed, it would bottle up within the Great Lakes area any vessel within that area or being constructed there for an indeterminate period of time. Should the dams or levees be destroyed, these vessels within the Great Lakes area would be prevented from access to the sea for even a longer period. These many locks, sluiceways, and dams would also become a prime objective of organized sabotage. This canal is not flanked by impenetrable jungles as is the case of the Panama Canal. It is really in the heart of a jungle. Moreover a majority of them would lie wholly within the boundaries of the Dominion of Canada and would not be under our military jurisdiction.

No estimates, as far as I know of, have yet been made or presented of the cost of providing for the military and antiaircraft protection of all of these locks, sluiceways, dams, and powerhouses.

4. Some testimony has been offered before the committee in regard to the manpower needed to construct the seaway and powerhouses and segregation of the skilled, semiskilled, and unskilled labor. General Robins testified that the construction of the project at the International Rapids section would require the employment of approximately 10,000 men at the site for 4 years—10,000 a year—and that 80 percent of these workers would have to be skilled and semiskilled, as I remember the general's testimony. Accepting General Robins' estimate of required manpower for the construction of the United States portion of the project at the site through the expenditure by the United States Government of \$228,000,000 at the site—those are just the figures at the site. I have added them together, and they add up to \$228,000,000. It is not difficult to estimate the manpower that will have to be employed to carry to completion the similar works to be undertaken by Canada at the site and by Canada and the United States in the construction of the other portions of the seaway. Canada, according to General Robins' estimates, will have to expend \$144,418,000 and the United States in the upper Great Lakes section \$74,000,000. These two sums added together amount to the \$218,000,000, or within \$10,000,000 of the \$281,000,000, the expenditure of which according to the general's testimony will require 10,000 men a year for 4 years. The number of men that will be diverted from other employment or the possibility of other employment for the completion of the whole project will therefore be about 20,000 a year for 4 years. If the harbors which call for the expenditure of \$115,000,000 for \$120,000,000 more are to be improved contemporaneously, one must add 5,000 men more, that being about half of \$228,000,000, bringing the total number that will have to be employed to complete the entire project, including harbor developments, to 25,000 a year

for 4 years, 80 percent of whom would have to be skilled or semiskilled labor.

This estimate, however, only covers the number of men who will have to be employed at the site. Ore, coal, and limestone will have to be mined, transported to steel mills, worked up into steel, fabricated, and transported to the sites. Cement will have to be manufactured and delivered and this goes for every ton of material that will be used. That material would have to be transported, and coal would have to be burned to carry it. A conservative estimate of the number of men who will have to be employed behind the lines to maintain the constant flow of materials, supplies, machinery to the sites is at least three men for every one employed on the job.

This, therefore, involves the employment of at least 75,000 additional men a year or a grand total of 100,000 men a year for 4 years.

This diversion of man power for both the Dominion of Canada and the United States, plus the diversion of money is a matter that, in our judgment, should be given the most serious consideration. We respectfully submit that these matters should be given due weight in reaching any determination in the immediate interest of defense, and in our judgment, doubtful interest of defense, in proceeding with this project whose long-range implications are so detrimental.

Now, gentlemen, at this point I would like to address myself to an exceedingly serious phase of the problem. Just prior to concluding the agreement between the Dominion of Canada and the United States, the Honorable W. L. Mackenzie King, the Prime Minister of Canada and Secretary of State for External Affairs, addressed the following letter to Mr. Pierrepoint Moffat, United States Minister to Canada.

I think this letter may be in evidence here, but may I read it at this time, Mr. Chairman?

The CHAIRMAN. You may; yes, sir.

That is on page 14 of your statement?

Mr. HAMLIN. Yes, sir.

Mr. BELL. Do you have the date of that letter, Mr. Hamlin?

Mr. HAMLIN. The letter is dated March 5, 1941. This is a letter from W. L. MacKenzie King to our Minister. It reads:

DEPARTMENT OF EXTERNAL AFFAIRS,
Ottawa, March 5, 1941.

SIR: I have the honor to refer to certain questions which have arisen in the course of the St. Lawrence Waterway negotiations, and which we have discussed recently.

2. As you are aware, my colleagues and I have been giving prolonged consideration to the problems presented by the St. Lawrence Waterway project. We have noted the progress made in the preparation of the engineering plans for the international section and in the drafting of the general agreement. There is, however, one consideration of a fundamental character to which we desire to call attention.

3. The growing intensity of the war operations and the apprehension that still more serious perils will have to be faced in the very near future, necessitate the most careful examination of any proposed expenditure from the point of view of public need and in the light of war requirements.

4. In existing circumstances, the Canadian Government desires to know whether the Government of the United States is of the opinion, in view of the position in Canada, and, of course, the position in the United States as well, that the project as outlined in the State Department's proposals of 1936 and 1938 and under consideration since that time should now be proceeded with.

5. We have, of course, been fully aware of the desire of the Government of the United States to have a treaty or agreement respecting the St. Lawrence waterway concluded at as early a date as possible, and negotiations which have been carried on more or less continuously for some time past have had in view the desire on our part to arrive, at the earliest possible date, at terms of agreement which would be mutually advantageous. We are also aware of the pronouncements which have been made from time to time by the President, respecting the added emphasis given by the war to the importance alike of power and navigation developments in the Great Lakes-St. Lawrence waterway project. We are also duly appreciative of the agreement recently reached between our respective governments, whereby the Province of Ontario has obtained the right to the immediate use of additional power at Niagara, and the diversion of the waters of the Ogoki and Long Lac Rivers into Lake Superior, in consideration of which authority was given for the immediate investigation by United States engineers of the project in the international section of the St. Lawrence River in Ontario, in order to enable work of future development to proceed with the least possible delay, once an agreement between the two Governments respecting the St. Lawrence development was concluded.

We would naturally be prepared to give every consideration to power or navigation developments which the United States may deem necessary to the prosecution of measures calculated to aid Great Britain, Canada, and other parts of the British Commonwealth of Nations in the present war, or to further the security of the United States itself against possible future events which, in times like the present, full account must be taken. We realize that the Government of the United States will be as solicitous as our own Government to appraise the project at the present time in terms of its contribution to the efforts which are being put forward by our respective countries to preserve and to restore freedom.

It is from this point of view and in this spirit that we would ask that the St. Lawrence project be again reviewed by the Government of the United States before an agreement or treaty be finally entered into.

Accept, sir, the renewed assurances of my highest consideration.

W. L. MacKENZIE KING,
Secretary of State for External Affairs.

The CHAIRMAN. Was that before or after this agreement was entered into?

Mr. HAMLIN. Just before.

The CHAIRMAN. Just before?

Mr. HAMLIN. This is a revealing letter, and I think it is revealing, gentlemen, for anyone who knows the circumstances. The letter was duly answered by Mr. Moffat by letter dated March 10, 1941, in which Mr. Moffat quoted at length a personal message of President Roosevelt to Mr. King. The President closed with this final statement, as follows:

It is my belief that the funds and manpower required for the earliest possible completion of the St. Lawrence project could not be better spent for our joint defense effort, including aid to Great Britain. It is my feeling that failure to take advantage of the possibilities of this project would be shortsighted, in no way contributing to an increase in our immediate defense effort, while limiting our defense program in the difficult years which lie ahead.

Mr. SMITH. Do you know the date of the President's message? Was it the same date as Mr. Moffat's letter?

Mr. HAMLIN. March 10, 1941.

Let me for a moment touch on the situation in Canada—and I would like to preface that by saying that I have had a summer home in Canada for 40 years and I know many Canadians. I live right on the border, right across from Canada. I have many friends there.

The great ports of the eastern seaboard in the Dominion of Canada are Halifax, St. John, Quebec, and Montreal. These ports are served by the Canadian National Railway, a transcontinental line wholly

owned by the Canadian Government. In case the seaway is constructed it should be anticipated that a considerable amount of the tonnage now being handled in these fully equipped and prosperous eastern seaboard ports would be bypassed up the St. Lawrence to the interior of the country through the seaway, thus not only depriving these ports of much business, but also seriously jeopardizing the income of the Government's own railroad as well as that of the Canadian Pacific Railroad transcontinental lines which also serve these ports and which has contributed so much through taxation and otherwise to the upbuilding of Canada.

Mr. CULKIN. I understand that this is your statement?

Mr. HAMLIN. Yes, sir; this is my own testimony.

Just as in our own country many thousands of the men now employed in these seaboard, eastern seaboard ports, and on these railways will have their jobs jeopardized. The Dominion of Canada is engaged in an all-out war. They are paying out for their great war effort through taxation and otherwise, an annual contribution which amounts to 50 cents on every dollar of their total income. In fact, gentlemen, it was brought out here a moment ago that approximately seven-eighths of the traffic in this seaway may be coming for and from American ports. The tragedy of the situation is that perhaps it might be claimed that the active proponents of this scheme are using their power and prestige or created by an international situation without precedent, to persuade a friend the Dominion of Canada to immolate herself on the altar of her patriotism.

Mr. CULKIN. Who are you charging that to?

Mr. HAMLIN. I will read that again.

Mr. CULKIN. What?

Mr. HAMLIN. The tragedy of the situation is that perhaps it might be claimed that the active proponents of this scheme are using their power and prestige created by an international situation without precedent, to persuade a friend the Dominion of Canada to immolate herself on the altar of her patriotism.

Mr. DONDERO. Do you realize the seriousness of that charge against the ability and the competency of the Canadian people who signed this agreement?

Mr. HAMLIN. May I continue?

Mr. DONDERO. Oh, yes; unless you want to answer that question.

Mr. HAMLIN. My feeling is, gentlemen, I think I know this international situation pretty well. I have studied it many years. I think I know the feeling in Canada in regard to the effect upon Canada of the St. Lawrence seaway. I am familiar with the editorials that have been written in the various newspapers in Montreal, Quebec, New Brunswick, and Vancouver—throughout the country. I know that it is going to have a serious effect upon one of Canada's main assets, its Canadian National Railroad, owned in its entirety by the Government. I know how the port of Montreal feels about it and the other eastern seaboard ports.

Mr. PITTENGER. That was all settled before the treaty was made, was it not?

Mr. HAMLIN. What?

Mr. PITTENGER. That was all settled before the treaty was made and signed. Is it not possible that they have a sectional interest over there the same as we have here?

Mr. HAMLIN. I am just stating the facts as I understand them, Mr. Pittenger.

Mr. DONDERO. That statement—

Mr. HAMLIN. I beg your pardon.

Mr. DONDERO. I say that statement is susceptible of just one interpretation and that is we are taking advantage of Canada because of her present condition, she is involved in the war going on in Europe.

Mr. HAMLIN. That is the implication that I desire to give to the statement.

Mr. DONDERO. That is it exactly.

Mr. PITTENGER. That would be a violation of our good-neighbor policy, would it not?

Mr. DONDERO. That is a very serious statement to make.

Mr. HAMLIN. I will make another in a second.

Mr. ANGELL. We are dealing with facts. We want to know the facts.

Mr. HAMLIN. In ancient Japan a strange custom prevailed amongst the Samaurai, the rite of sacrificing themselves for the honor and the cause of their country by committing suicide. We hope that Canada will not be asked to commit such an act of hari-kari for the alleged benefit of a rich good neighbor to the south or to suffer through the years by the disruption of the trade of her great eastern ports, by bankrupting her Government-owned railroads, by jeopardizing the jobs of thousands of her citizens all for the alleged benefit of her rich good neighbor to the south and further compel her taxpayers to pay the tremendous sum through the years of upward of \$500,000,000 in order to secure the accomplishment of these results.

Mr. DONDERO. In other words, the United States Government is to act the role of a traitor to a friendly-neighbor nation. That is your statement, in substance?

Mr. GAVAGAN. I think that the statement speaks for itself. It is quite plain.

Mr. HAMLIN. No wonder the Canadian statesmen insisted upon in writing into the agreement between their country and ours an escape clause. I refer to article II of the agreement, which reads in full as follows:

ART. II. The Government of Canada agrees:

(a) in accordance with the plans and specifications prepared by the Commission and approved by the Governments, to construct the works in the International Rapids section allocated to Canada by the Commission; and to operate and maintain or arrange for the operation and maintenance of the works situated in the territory of Canada;

(b) to complete, not later than December 31, 1948, the essential Canadian links in the deep waterway, including the necessary deepening of the new Welland Ship Canal and the construction of canals and other works to provide the necessary depth in the Canadian section of the St. Lawrence River; provided that, if the continuance of war conditions or the requirements of defense justify a modification of the period within which such works shall be completed, the Governments may, by exchange of notes, arrange to defer or expedite their completion as circumstances may require.

Under the circumstances, gentlemen, I frankly hesitate to make this suggestion, but if we in our country are really so interested in putting this seaway end of the plan through, should we not take the precaution of attaching a rider or amendment to the bill making it a condition precedent to the inauguration of our part of the construction program that the Dominion of Canada agree in advance to

start work on her portions of the seaway at the same time that we start work and agree to complete it contemporaneously with the completion of our part of the program. This would insure that if any ships of deeper draft are to be constructed in the upper lakes, in the meantime they could be floated to the sea 4 years from now as so optimistically promised by the engineers.

The CHAIRMAN. May I offer one suggestion before you proceed?

Mr. HAMLIN. Yes.

The CHAIRMAN. You must not lose sight of the fact that Canada has already advanced the work and spent \$132,000,000 on the Welland Canal in advance of anything we have done.

Mr. HAMLIN. As you pointed out, sir, largely for her own benefit.

The CHAIRMAN. Largely for her benefit?

Mr. HAMLIN. Because most of that traffic is Canadian traffic.

The CHAIRMAN. But it is a part of this project.

Mr. HAMLIN. As to most of the traffic; that is true.

The CHAIRMAN. But it is a part of this waterway.

Mr. HAMLIN. It was spent in Canada, but as I understand the gentleman, Mr. Dondero—

Mr. GAVAGAN. It was done perhaps in part to draw trade from the canal leading down to New York, down the Mohawk and the Hudson River.

Mr. HAMLIN. It has accomplished that to a certain extent.

Finally, I would like to speak about just one more matter. There has been a good deal of discussion at these hearings in regard to the program for financing the United States phase of the project. The bill pending before this committee in section 2 provides that the President is authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to the power authority of the power facilities to be constructed as a part of the project and the right to use the United States share of the waters at the project for hydroelectric purposes. It further provides that such agreement shall include a provision for payment by the Power Authority of the State of New York to the Federal Government the sum of \$93,375,000 over a period of 50 years with interest at the rate of 3 percent compounded annually.

I would like to call your attention, gentlemen, to the word "compounded." That struck me as very unusual wording. Why is that in there? You know, as a matter of fact, the New York State Power Authority could take possession of that power under an agreement for paying compound interest and they would not have to pay anything until the end of the 50-year period and then only would they have to pay what they had on hand, because they have no assets; they cannot pledge the credit of the State of New York; they cannot pledge the power or any of its facilities.

It further provides that any arrangement so negotiated becomes effective when ratified by the Congress and the State of New York. It is clear from this provision that the United States Government will be expected to advance from its own funds this \$93,375,000 and that the New York State Power Authority will be asked to assume the obligation of reimbursing the Federal Government for the advance of these funds with 3-percent interest over a period of 50 years.

I have before me a copy of the statute adopted by the State of New York creating the New York State Power Authority and in which is

defined powers, duties, and responsibilities of such authority, and in which the State outlines in rather great detail its public policy in respect to the development and ultimate distribution of the electric energy to be secured from this project.

In subdivisions 5 and 6 of sections V of this law, the methods which the power authority may employ in the sale of electric energy are specifically defined. In section V the power authority is permitted to enter into contracts for the sale of power to municipalities and political subdivisions at prices representing the cost of generation plus capital and operation charges plus a fair cost of transmission to be determined by the trustees of the authority.

By the way, since writing this it has been called to my attention that no municipality in the State of New York can enter into such an agreement as that without a referendum.

Under subdivision 6, the authority is authorized to enter into a contract or contracts for the sale, transmission, and distribution of the power generated by the project to private consumers as privately owned transmission companies. It is provided that such contracts shall provide for the payment of all operating and maintenance expenses of the project, interest on and amortization and reserve charges sufficient within 50 years of the date of issue to retire the bonds of the authority issue to defray the cost of the project.

Under section IX of the act, the terms of all such contracts so negotiated by the power authority with private parties or corporations shall be subject to discussion at public hearings to be called for that purpose and shall be submitted to the Governor for his approval or disapproval. A special appropriation of—I think Governor Lehman referred to this, and Lieutenant Governor Poletti—\$25,000 is provided to permit of the Governor of the State conducting such investigations upon his own account of the terms and conditions of any such contracts.

Finally, section VIII of this act provides, and this, gentlemen, is the stumbling block, I quote the exact language, that—

no bonds or other obligations of the Power Authority shall be issued until firm contracts for the sale of power shall have been made by it sufficient to insure payment of all operating and maintenance expenses of the project and interest and amortization and reserve charges sufficient to retire the bonds of the Power Authority issued for the project in not more than 50 years from the date of issue thereof.

My reason for calling this matter to your attention is to point out that without further action of the New York State Legislature, it is manifestly beyond the power or authority of the New York State Power Authority—it is *ultra vires*, in other words, to enter into any obligation to reimburse the Federal Government for the \$93,375,000 referred to in the pending bill or assume the payment of interest thereon unless they have already entered into contracts with public and private power consumers which, by the terms thereof, will return an amount sufficient to pay all operating and maintenance expenses of the project and interest, amortization, and reserve charges sufficient within the 50 years to discharge the obligation in full.

In other words, the power authority, the only way they can obligate themselves under the State law is that they first must have the signed contract with the municipalities and with private distributing lines with municipalities and the municipalities have got to hold referendums. If they have these contracts which must run, of course, for 50

years, which will produce enough money to meet the obligations of the power authority, then the power authority is authorized, under the State law, to obligate itself to pay this \$93,375,000 with interest. If they have not got those contracts, you have got to go back again to the New York State Legislature in order to obtain the authority for the New York State Power Authority to sign this agreement, to be negotiated now by the President of the United States.

Under these circumstances, in case this bill is to receive the approval of Congress, it might be well for the Congress to consider the advisability of striking out therefrom section II which contains the reference to an arrangement with the Power Authority of the State of New York for the transfer of the power facilities to be constructed by the United States and the right of the United States share of the waters of the project for hydroelectric purposes or at least defer the inauguration of any work until the agreement referred to has been concluded and ratified by the Congress and the Legislature of the State of New York.

If this is not done, like the famous commentators, Drew Pearson and Bob Allen, I would like to predict that the principal beneficiaries of the power phase of the power project may well prove to be the Aluminum Co. of America and such similar large corporations which may establish plants near the site—companies which need large blocks of power—and further the privately owned Niagara & Hudson Power Co., the only distribution agency in the State which could absorb the the large block of power to be developed at the site. Further, I would like to predict that so far as the seaway is concerned, the principal beneficiaries will be foreign vessel owners and their foreign crews, foreign agriculturists, foreign manufacturers, and foreign miners and foreign consumers of the products of American farmers and factories. The principal losers, on the other hand, I would also like to predict will be the overburdened American taxpayers, the thousands of American workmen whose jobs will be imperiled, and the millions of Americans who have invested their savings in life-insurance policies and savings banks, the funds of which institutions are so largely invested in railroad securities.

All of this, gentlemen, will become more and more clear to the committee and the Congress as the testimony which follows is placed in the record.

Mr. ANGELL. May I call the attention of the witness to the top of page 13? Apparently the last word should be "semiskilled" instead of "skilled."

Mr. HAMLIN. Yes; I think you are right, "semiskilled."

Mr. BEITER. There is another error on page 4. In Senator Wagner's estimate of \$20,000,000, that is supposed to be \$200,000,000? I assume the stenographer will catch that.

Mr. HAMLIN. \$20,000,000 per harbor; that is correct.

Mr. BEITER. I beg your pardon?

Mr. HAMLIN. It is \$20,000,000 per harbor.

Mr. BEITER. \$20,000,000 per harbor, and \$200,000,000 for all the harbors?

Mr. HAMLIN. Ten harbors; yes.

Mr. BEITER. All the harbors; that is right.

Mr. GAVAGAN. You do not have to add any "oughts."

Mr. BEITER. There would be three "oughts."

Mr. GAVAGAN. You wanted to add an additional one, and that would not be a nice thing to do.

Are we ready for questions, Mr. Chairman?

The CHAIRMAN. Yes, sir. Mr. Gavagan?

Mr. GAVAGAN. Mr. Hamlin, in your last dire prediction as to what will be the effect of this bill in the event it is passed, you also became a prophet and said:

I would like to predict that so far as the seaway is concerned, the principal beneficiaries will be foreign vessel owners and their foreign crews; foreign agriculturists, foreign manufacturers and foreign miners and foreign consumers of the products of American farmers and factories.

Now, in that prediction, do you include in the term "foreigners," Canadians?

Mr. HAMLIN. No.

Mr. GAVAGAN. You do not consider them foreigners?

Mr. HAMLIN. I do not consider them foreigners.

Mr. GAVAGAN. But you do still contend that the Canadians would, then, fall into the same category as the American farmers and factories?

Mr. HAMLIN. I think, myself, that the effect upon the Canadian industry and the Canadian farmers would be equally detrimental. In other words, I would class them in the same classification as ourselves.

Mr. GAVAGAN. That is, for the purpose of this proposed project, you include the Canadians?

Mr. HAMLIN. Absolutely.

Mr. GAVAGAN. In the same category as an American?

Mr. HAMLIN. One hundred percent.

Mr. GAVAGAN. In other words, you make an American citizen out of him, for the purpose of your argument?

Mr. HAMLIN. Love to do it.

Mr. GAVAGAN. I do not disagree with you in making them American citizens. That is why I wanted to ask you.

Mr. HAMLIN. They are fine people, and that is why I want to help them.

Mr. GAVAGAN. They are.

Now, Mr. Hamlin, in this letter you brought to our attention from the Premier of Canada, Mackenzie King, dated March 5, you realize, of course, that since that date Mr. Mackenzie King in behalf of his Government entered into an agreement or treaty between the United States and Canada, or between his Government and the United States; do you not?

Mr. HAMLIN. It was immediately thereafter signed. This is the last correspondence that transpired or passed between Mackenzie King and our Government.

Mr. GAVAGAN. Do you think it would be logical to assume, that the Premier answered all these fears expressed in his letter of March 5 to the satisfaction of himself and the safety and welfare of his own Government?

Mr. HAMLIN. Mr. Roosevelt made a very strong plea for the signing of this document. I did not read Mr. Roosevelt's letter and comments in full. I believe they are before the committee. I have a copy of it here and will be glad to file it.

Were these not presented, Mr. Mansfield?

The CHAIRMAN. How is that?

Mr. HAMLIN. Were these two letters presented by Mr. Berle?

The CHAIRMAN. I do not recall.

Mr. PITTINGER. They are part of your testimony.

Mr. HAMLIN. I would be very glad to file the letter of Mr. Pierrepont Moffat, of which I have a copy here, which was issued by the State Department and which contains the quotation of a long statement from Mr. Roosevelt in support of the seaway project.

(The letters are in full as follows:)

DEPARTMENT OF EXTERNAL AFFAIRS,
Ottawa, March 5, 1941.

SIR: I have the honor to refer to certain questions which have arisen in the course of the St. Lawrence Waterway negotiations, and which we have discussed recently.

2. As you are aware, my colleagues and I have been giving prolonged consideration to the problems presented by the St. Lawrence waterway project. We have noted the progress made in the preparation of the engineering plans for the International Section and in the drafting of the general agreement. There is, however, one consideration of a fundamental character to which we desire to call attention.

3. The growing intensity of the war operations and the apprehension that still more serious perils will have to be faced in the very near future, necessitate the most careful examination of any proposed expenditure from the point of view of public need and in the light of war requirements.

4. In existing circumstances, the Canadian Government desires to know whether the Government of the United States is of the opinion, in view of the position in Canada, and, of course, the position in the United States as well, that the project as outlined in the State Department's proposals of 1936 and 1938 and under consideration since that time should now be proceeded with.

5. We have, of course, been fully aware of the desire of the Government of the United States to have a treaty or agreement respecting the St. Lawrence waterway concluded at as early a date as possible, and negotiations which have been carried on more or less continuously for some time past have had in view the desire on our part to arrive, at the earliest possible date, at terms of agreement which would be mutually advantageous. We are also aware of the pronouncements which have been made from time to time by the President, respecting the added emphasis given by the war to the importance alike of power and navigation developments in the Great Lakes-St. Lawrence waterway project. We are also duly appreciative of the agreement recently reached between our respective governments, whereby the Province of Ontario has obtained the right to the immediate use of additional power at Niagara, and the diversion of the waters of the Ogoki and Long Lac Rivers into Lake Superior, in consideration of which, authority was given for the immediate investigation by United States engineers of the project in the international section of the St. Lawrence River in Ontario, in order to enable work of future development to proceed with the least possible delay, once an agreement between the two governments respecting the St. Lawrence development was concluded.

6. We would naturally be prepared to give every consideration to power or navigation developments which the United States may deem necessary to the prosecution of measures calculated to aid Great Britain, Canada, and other parts of the British Commonwealth of Nations in the present war, or to further the security of the United States itself against possible future events which, at the moment cannot be foreseen, but of which in times like the present full account must be taken. We realize that the Government of the United States will be as solicitous as our own Government to appraise the project at the present time in terms of its contribution to the efforts which are being put forward by our respective countries to preserve and to restore freedom.

It is from this point of view and in this spirit that we would ask that the St. Lawrence project be again reviewed by the Government of the United States before an agreement or treaty be finally entered into.

Accept, Sir, the renewed assurances of my highest consideration.

W. L. MACKENZIE KING,
Secretary of State for External Affairs.

LEGATION OF THE UNITED STATES OF AMERICA,
Ottawa, March 10, 1941.

SIR: I lost no time in bringing to the attention of my Government your note of March 5 in regard to the St. Lawrence waterway negotiations. In view of the importance of the question you raised, the matter was laid before the President, and I have been instructed, by way of reply, to transmit the following personal message from him to you:

"I have given careful consideration to your recent request that in view of the growing intensity of current war operations and the apprehension over perils which may have to be faced in the near future, the Government of the United States review the St. Lawrence project and give you an indication of its views as to whether, in the existing circumstances, this project as outlined in the State Department's proposals of 1936 and 1938 should now be proceeded with.

"May I say at the outset that I am aware of Canada's increasing war effort and I readily agree that it must have first call upon your country's resources and manpower. I also agree that in view of the existing situation the most careful examination of any proposed expenditure is necessary from the point of view of the public need and in the light of defense requirements.

"With these considerations in mind, the Government of the United States has, as you requested, reviewed the St. Lawrence project. We have welcomed this occasion to review this project because of the fact that our own defense program renders it desirable that all public expenditures in the United States be weighed in the light of considerations similar to those set forth in your communication. The Government of the United States is engaged in a great defense program. It is determined to supply such aid in material to Great Britain, the members of the Commonwealth, and their Allies as may be necessary to enable them to bring the war to a successful termination. Simultaneously, our own defenses are being strengthened to the extent necessary to prevent any foe from menacing the security of this hemisphere. It is indispensable that all public projects contemplated by the Government of the United States be considered from the standpoint of their relationship to these supreme objectives.

"The Government of the United States regards the Great Lakes-St. Lawrence project as directly associated with the accomplishment of the foremost national objectives of this Government. It believes that the project should be proceeded with and that construction should commence at the earliest possible moment. It regards the construction of this project as a matter of vital necessity.

"You refer to the engineering investigation now being conducted in the international section of the St. Lawrence River. I need hardly say that I directed the release of \$1,000,000 from the special defense funds for this purpose only because of my conviction that the completion of this project by 1945 might prove of vital importance to our defense effort. It is gratifying that there has been sufficient progress to make possible the initiation of construction this spring.

"I am sure you will agree with me that, while our countries must put forth the maximum immediate defense effort, we must also prepare for the possibility of a protracted emergency which will call upon the industries on both sides of the border to meet constantly expanding demands. The combination of advantages offered by the St. Lawrence project makes it imperative that we undertake it immediately.

"In terms of the time factor, the St. Lawrence project as a part of our defense program is not exceptional, since we are today appropriating money for construction of vessels of war which will not be ready for service until the completion of the St. Lawrence undertaking.

"I am convinced of the urgent need for the large increment in low-cost electric power which the St. Lawrence project will provide. Already the demand for power is running ahead of expectations. In fact, one of the most serious handicaps to the rapid expansion of airplane production is the difficulty of finding the large supplies of high-load factor power required for aluminum production. We are, of course, expanding our electric facilities for this purpose as fast as practicable, but by the time the St. Lawrence power is available other sources of cheap power will have been largely allocated.

"The St. Lawrence project offers by far the soundest and most economical provision for the power requirements of certain portions of our long-range defense program, more particularly for certain high-load factor defense industries. Furthermore, the manufacturing facilities and skilled labor available for the construction of steam turbines and electric equipment will be needed to meet the requirements of the vast areas of our continent where water power is not so economically available.

"I am also convinced that the opening of the St. Lawrence deep waterway to afford an outlet for naval and cargo ships constructed in Great Lakes shipyards, far from representing a diversion of funds and resources from the defense effort, would have the opposite effect. Our shipbuilding program, to meet the requirements of defense, will call for a great expansion of shipyards with their associated machine shops and adequate supplies of skilled labor. The extent to which intensified submarine and air attacks on convoys may necessitate an expansion of the program is still unknown. If the war is protracted, however, it seems certain that the number of shipyards required will have to be several times those at present available. In terms of our present industrial arrangements, many of these can be made most readily and economically available in the Great Lakes area.

"If the full burden of our expanding ship construction must fall on seaboard shipyards, the time required to complete the vessels themselves must, in many instances, be increased by the period necessary to construct new shipyards and facilities. With this in mind it is apparent that the deep waterway could be completed in time to provide an outlet to the sea for many of the new vessels included in the present program.

"In the light of these facts, it is my belief that the funds and manpower required for the earliest possible completion of the St. Lawrence project could not be better spent for our joint defense effort, including aid to Great Britain. It is my feeling that failure to take advantage of the possibilities of this project would be short-sighted, in no way contributing to an increase in our immediate defense effort, while limiting our defense program in the difficult years which lie ahead."

Accept, Sir, the renewed assurances of my highest consideration.

PIERREPONT MOFFAT.

Mr. GAVAGAN. Well, would you not say it is a fair and logical conclusion to draw from the fact that Mr. Mackenzie King has subsequently signed an agreement between his Government and the United States Government, that he resolved all these fears you expressed, or he expressed in his letter, to his own satisfaction and the satisfaction of his Government?

Mr. HAMLIN. Yes, sir; I think that Mackenzie King signed the agreement.

Mr. GAVAGAN. Therefore, as a lawyer, you would admit, would you not, that the letter of March 5 is practically, for all purposes, a nudum pactum.

Mr. HAMLIN. Well, I merely offer it for what it is worth.

Mr. GAVAGAN. Well, when two people sit down to draw a written agreement you will concede it is a sound, legal proposition that all previous communications are assumed to be included in that writing; is not that true?

Mr. HAMLIN. That is right. And may I state that this letter from Hon. Mackenzie King and the letter in reply to him was issued by our State Department in connection with the announcement of the signing of the treaty. Therefore, I would consider that this diplomatic correspondence forms a part of the whole transaction. I am not a diplomat, so I do not know much about that end of it. I am only a lawyer.

Mr. OSMERS. Mr. Gavagan, if you will yield: Has this been approved by the Parliament of Canada, yet?

Mr. HAMLIN. No, sir. It was provided by the terms of the agreement that it was to be approved first by the Congress of the United States, and then later will be submitted by Mr. Mackenzie King to the Parliament of Canada.

Mr. OSMERS. So it seems to me any letters Mr. Mackenzie King wrote in relation to the agreement would be something to be considered by that Parliament when they take up the question of approval or disapproval.

Mr. PITTENGER. Yes; and I was wondering why we had to look after the Canadian interests in this committee room, as we had up a while ago. We will be here until December, if we do that.

Mr. GAVAGAN. Well, I am trying to take care of the interests of America, and surely, and I have no doubt about it, the Canadian officials are just as conscientious and just as patriotic.

Mr. PITTENGER. And knew what they were doing when they signed the agreement.

Mr. GAVAGAN. They have a rationale quite as keen as ours, to the welfare of their own nation. I take my hat off to them. However, we can be considered doing the same thing in this country.

Mr. BEITER. Will my colleague yield for just a second until I can reply to Mr. Pittenger?

Mr. GAVAGAN. Yes; I shall be happy to.

Mr. BEITER. He pointed out we may be here until doomsday.

Mr. PITTENGER. I said "December"; doomsday is too far off.

Mr. BEITER. Domsday is too far off. Are we establishing a precedent in taking care of Canada, or did you not vote for the lease-lend bill?

Mr. PITTENGER. You heard what I said; I said there is too much solicitude here on behalf of Canada, and not enough on what we are doing here.

Mr. BEITER. You supported the lease-lend bill; did you not?

Mr. PITTENGER. Yes.

Mr. BEITER. I thought so. That took care of Canada, no doubt.

Mr. PITTENGER. Well, then, let us not drag this "red herring" across the trail.

Mr. BEITER. You admit it is a "red herring," don't you?

Mr. PITTENGER. Mr. Chairman, all this argument is; yes.

Mr. GAVAGAN. I thought I yielded to a pertinent question, Mr. Chairman.

Mr. BENDER. Will my good friend, Mr. Gavagan yield?

Mr. GAVAGAN. I shall be very happy to. I am trying to find something, and you may help me out.

Mr. BENDER. Only a few days ago on the floor of Congress, many of our Members were saying that in order to save America we could not bargain either with Hitlerism or Communism, and in the last day or two I imagine that situation has changed somewhat in relation to Hitlerism and Stalinism. There is a new policy as far as Joe Stalin is concerned on the part of the Administration, and possibly I might state the conditions have changed. And of course conditions might be changed today regarding Mackenzie King.

Mr. GAVAGAN. Well, I might say to my good friend from Ohio that I have about as much use for Joe or Adolf, as you have. I was born on the lower West Side of New York City and had to fight my way along, like all the kids on the West Side in my day, when I got into a fight I did not care who came to help me out, whether he was an Adolf or anyone else, all that worried me was that my side and I won. That was all that worried me. In spite of the fact that I am an Irishman, I am willing to help England in order that we win.

The CHAIRMAN. Judge Culkin?

Mr. CULKIN. Mr. Hamlin, are you in favor of segregating the power and navigational phases of this project? I want to say this in connection with the question, that it has been suggested here by some

fair authority, at least, that there is a shortage of power in New York and on the northern frontier.

Mr. HAMLIN. Well, gentlemen, I will preface that by saying that our entire approach to this thing from the point of view of the Niagara frontier was that we are against the seaway. Now, our Board, and I speak for the six mayors and the supervisors, are not against the public-power development.

Mr. CULKIN. Well, speaking to the specific case——

Mr. HAMLIN. Yes.

Mr. CULKIN. Excuse me; speaking to the specific case like the power——

Mr. HAMLIN. On the specific case, I understand some estimates have been made that it would be possible to develop the seaway independent of the power. I may be mistaken, but I understood there was some testimony suggested here, some suggestions made that the seaway could be developed independent of the power, without the construction of any great dam, at about \$79,000,000. Is that right?

Mr. BEITER. \$79,000,000; yes.

Mr. HAMLIN. \$79,000,000. Now, there would not have to be a big dam across there. In other words, you go ahead and build this seaway as a seaway project all alone and by itself. You would not have to have a big dam. You would have to run your canal a little bit longer and put a few more locks in it.

I understand, on the other hand, that the power end of the project is going to cost about \$200,000,000. It could be built for \$200,000,000. I call your attention to the fact that under the agreement here Canada is to receive one-half of the power and we are to get one-half.

New York State apparently is prepared to put up \$93,375,000.

Mr. CULKIN. Not a billion, 93 million?

Mr. HAMLIN. Did I say "billion"? I did not mean to. \$93,-375,000.

Now, the addition of six million and some odd more would be \$100,000,000, would it not? If New York State can put up \$93,375,000 to get this tremendous block of power that is going to be so cheap, then one of the purposes of the New York State Power Authority is going to be achieved. In other words, they are going to be able to attract industry to the State of New York; you see. They can do this by this very low power, which is lower than Bonneville and all the rest of them together, as I understand from the rate that Mr. Olds testified to.

Surely New York could afford to put up \$100,000,000 for that. And in the same way, why should not the Province of Ontario? They are going to get 1,100,000 horsepower. And they could put up a hundred million dollars, too, and go ahead and finish the job. They are going to have just as much of an advantage, presumably, from this power as we are, and they could do it that way.

Mr. CULKIN. You would favor that, would you?

Mr. HAMLIN. I would have no objection to it, not the slightest.

Mr. CULKIN. And you are not opposed to public ownership in the generic sense, are you?

Mr. HAMLIN. I am not opposed to public ownership in the generic sense. Something has got to be done about taking care of the taxes. For instance, take the city of Niagara Falls; I think the figures I have

seen show that one-third of the taxes of the city of Niagara Falls, or a little more than a third, are paid by the power company.

Mr. CULKIN. Yes; and you, of course, have no quarrel with that?

Mr. HAMLIN. Not the slightest.

Mr. CULKIN. That is an incident of the development there?

Mr. HAMLIN. What?

Mr. CULKIN. That is an incident of the development there?

Mr. HAMLIN. Well, it pays for the schools and the police and the fire and everything else. If that property should be taken over, let us say by the Government, and, of course, Government property is tax-free unless they make a gift to you of some money, like you have had to do for the T. V. A., you know—

Mr. CULKIN. You do not agree with the principle of the T. V. A.?

Mr. HAMLIN. You have had to pay communities, as I understand it, Mr. Chairman, communities in the T. V. A. district have had to be reimbursed for taxes they have lost on account of being taken over by the power companies and private distributing plants.

The CHAIRMAN. It has been so long since we have acted on it, I do not remember.

Mr. SMITH. Alabama and Tennessee, 5 percent?

The CHAIRMAN. I think it is 15 percent. It has been increased.

Mr. HAMLIN. Yes.

Mr. CULKIN. I am not going to try to delve into your philosophy on private ownership. I just want to ask in that connection: Is not the T. V. A., irrespective of your belief in its philosophy, socially or otherwise; is it not proving today that it is filling a very grave national need in this emergency? Do we not all have to agree with that now?

Mr. HAMLIN. Apparently it is.

Mr. CULKIN. There is no way of getting away from that.

Mr. HAMLIN. And apparently the Aluminum Co. of America has got a great plant down there and is producing aluminum which has been a great help in the emergency.

Mr. CULKIN. Yes; that is another thing. And so, irrespective of our conception of the thing from the beginning, yours or mine, we now recognize that it was a wise measure and the increase of the power there was an excellent thing in regard to our national defense?

Mr. HAMLIN. Well, I think—I will not argue with you about it. I might have a different point of view.

Mr. CULKIN. I am not speaking about the philosophy, but its effect on our national defense today?

Mr. HAMLIN. I understand. Has not the Aluminum Co. got a great plant out at Bonneville, too?

Mr. CULKIN. Yes; and that has been a factor now, to national defense, has it not?

Mr. HAMLIN. Very much; yes.

Mr. CULKIN. So that, so far as effects are concerned, you are not quarreling with that in the face of the need for hydroelectricity for national defense?

Mr. HAMLIN. No.

Mr. CULKIN. And do you know, do you agree there is a shortage now on the northern frontier in the factor of power?

Mr. HAMLIN. I understand that the Aluminum Co. of America there needs more power.

Mr. CULKIN. Yes, that is at Massena?

Mr. HAMLIN. At Massena.

Mr. CULKIN. But at Niagara Falls they need more power, too?

Mr. HAMLIN. As I understand, did not Mr. Berle testify—I was not present at the time—that steps are going to be taken to make 7,500 more cubic feet per second available very shortly at Niagara Falls? I believe it would be very profitable, gentlemen, to divert, to give 7,500 to the American side, and I think the Canadians still have a similar unused equivalent of that, and could use about 3,000 more cubic feet. Is that not correct?

Mr. CULKIN. But the point I want to emphasize is that in the north country today in that area, the munitions area around Niagara Falls, from Buffalo to Schenectady and the intervening industrial cities, there is a definite shortage threatened.

Mr. HAMLIN. Well, with this 10,500 additional feet that is to be diverted, according to Mr. Berle's suggestion—and he stated, I believe, 7,500 feet, but I think it ought to be 10,500 feet—that will provide for the complete use, as I understand it, of all of the utility equipment now at Niagara Falls.

Mr. CULKIN. The utility flow, the present unused flow?

Mr. HAMLIN. No; not the present unused flow. The actual dynamos and things that are there that are not turning because they have not got the water.

Mr. CULKIN. Yes; but I understand, I was told the other day by an industrialist who has one of those plants at Niagara Falls, that he would build another plant on that site there tomorrow if he could get the hydroelectricity; and that has to do with munitions.

Mr. HAMLIN. Yes; I imagine so.

Mr. CULKIN. That is true.

Mr. HAMLIN. I imagine so.

Mr. CULKIN. So we are definitely facing a national emergency shortage for hydroelectricity.

Mr. HAMLIN. I heard Mr. Olds' testimony.

Mr. CULKIN. You have no quarrel with that statement?

Mr. HAMLIN. That there will be a shortage?

Mr. CULKIN. Yes.

Mr. HAMLIN. I think you are right; correct.

The CHAIRMAN. If I understand the matter correctly, this proposed increased diversion at Niagara Falls is only meant as a temporary measure, for the reason that it might detract from the scenic beauty of Niagara Falls.

Mr. HAMLIN. Well, there was pending here at one time, Mr. Mansfield, I don't know whether it came before this committee or not—I guess it came before the Foreign Relations Committee of the Senate—a proposed treaty which provided for the construction of certain weirs and islands at the break of the Falls, that would tend to spread the water and which would permit of a greater amount of water being diverted without disturbing the beauty of the Falls. For some reason or other that matter did not go through at the time, but it can be done any time.

Mr. CULKIN. I did not want to take up a lot of your time on that. What I want—

Mr. HAMLIN. Mr. Tallamy just calls my attention to the fact that this is now taken care of by the treaty which has just been passed by the Senate for this work at the Falls.

Mr. CULKIN. But there is going to be a continuing need for hydroelectricity if the war continues, an increasing need for it?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. And at present—

Mr. HAMLIN. Mr. Tallamy, who will follow me, has made a very careful study of the possibility of developing power to serve northern New York, and I think you will be very much interested in his testimony.

Mr. CULKIN. Well, I thank you for that, but what I am going to ask you now is just this question: Your quarrel with the seaway does not go to the question of the creation of power, but rather the navigational phases of it?

Mr. HAMLIN. Correct, sir.

Mr. CULKIN. Is that right?

Mr. HAMLIN. That is correct. We have had to consider the power phase.

Mr. CULKIN. Yes.

Mr. HAMLIN. Necessarily.

Mr. CULKIN. I thought I had you at the end of your rope there, but you were following it through. But I will waive that.

Now, I am somewhat intrigued by your reasoning on tolls, Mr. Witness?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. You favor no tolls on the Erie Canal or on the ship canals, and you would hold the tolls down in other areas; is that right?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. In other words, in the newer parts of the country that have enjoyed the supposed advantages of the waterways and are now installing facilities, and you think those areas should be confronted with the proposition of tolls on new construction. Am I correct in that?

Mr. HAMLIN. Of course, in New York State, as you know, Mr. Culkin, it is a domestic problem.

Mr. CULKIN. I am not talking about—

Mr. HAMLIN. The Erie Canal was built—

Mr. CULKIN. We will get along lots faster if you do not continue to discuss philosophy. I will be very considerate, and if you do not understand my question, I will change it. We want to get along.

Now, what do you say about that? Is that your philosophy, where they have newly installed water facilities?

Mr. HAMLIN. I thought I explained that in reference to the Erie Canal. Let us take that as a definite project. It of course is a domestic problem because it was paid for by New York State except for the last appropriation for the deepening of a section of it. In that instance you have got a lot of companies in the State who have built up their business by a certain rate schedule.

Mr. CULKIN. And they should not be confronted with any new addition, additional disbursements?

Mr. HAMLIN. Correct.

Mr. CULKIN. But where it is a newly installed waterway, then you favor a different dispensation?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. You put a premium on respectability and antiquity?

Mr. HAMLIN. Well, I think there is more of a difference there, because I think with a new waterway you are approaching a new problem and there will be a new set of companies and organizations and individuals who will be using this new waterway.

Mr. CULKIN. It is not in my judgment the application of the true national democratic process. However, I am not going to quarrel with you on that. I have got your answer. Now, you suggested that these locks and these other facilities for navigation on the St. Lawrence would be within bombing distance of Europe. Of course you realize, do you not, Mr. Hamlin, that we have got a large and efficient navy and a fairly sufficient number of air carriers, and are they not our first line of defense, 500 miles out in the ocean?

Mr. HAMLIN. Yes; and we have got the British fleet, too.

Mr. CULKIN. Yes. Well, the British fleet is pretty busy just now. Now, the fact is that thus far, with all the might of the—I think this was the language of my friend from New York—accursed Hitler—

Mr. GAVAGAN. I don't know; I would apply that adjective, too, and plenty of others.

Mr. CULKIN. He has not been able to get across and invade England?

Mr. HAMLIN. He goes across every night. I should say England has been about the worst bombed place I know of. He has had hundreds of planes over there dropping bombs on innocent women and children, and I have seen pictures of libraries and museums and churches demolished, and hospitals.

Mr. CULKIN. He has not been able to get across there and take England, has he?

Mr. HAMLIN. Well, he has not tried it, yet.

Mr. CULKIN. I don't know; some of the things you have already stated are in that direction.

However, do you know of any canal or locks or lock gates or other facilities of waterways anywhere in the world, have you heard of any of them that have been disturbed during this war?

Mr. HAMLIN. I have read of serious destruction in the Suez Canal. I do not know how serious it is, on account of the censorship.

Mr. CULKIN. I read that, too; but that was not the procedure there. They dropped at night in the remote regions of the Suez Canal, they dropped floating bombs in the water.

Mr. HAMLIN. I am inclined to think, Mr. Culkin, that if the Germans would release the facts, that you would find that a great many locks on a great many of the German canals have been destroyed by the British bombers. I understand that one of the principal methods of transportation in Germany has been their water transportation.

Mr. CULKIN. Yes.

Mr. HAMLIN. And that the British Air Force has been constantly going after those areas and those points, and they have been bombing constantly the canals and the locks, trying to interfere with the transportation.

Mr. CULKIN. Part of this accursed efficiency of Hitler is moving by rail only when he could move by water; that is a fact, is it not? You have been in Germany a great many times?

Mr. HAMLIN. I have been there once.

Mr. CULKIN. I thought you were a more widely traveled man than that.

Mr. HAMLIN. I was there when Mr. Hitler was crowned.

Mr. CULKIN. You have seen those great barges on the Rhine, have you, carrying 10 or 12 thousand tons?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. They use their waterways there and use them efficiently?

Mr. HAMLIN. I think you will find if you will examine the map of the British Air Force with their bombs, I think you will find that the canals and the locks in Germany are some of their principal targets.

Mr. CULKIN. I am not an expert; probably you may be. But I have in mind the statement, I think it was General Robins the other day, or some one here, some expert, that the lock gate is a pretty small object when a man is 2 miles up in the air; and there are no instances as yet where any destruction has been accomplished to the lock gates, and the main body of the lock is more or less immune. I think it was General Robins; I am not sure.

Mr. HAMLIN. I did not hear that testimony.

Mr. CULKIN. You said you agreed with Mr. Barnes of Buffalo—I guess he is now a resident of Buffalo; is he?

Mr. HAMLIN. No; I do not think so.

Mr. CULKIN. He made the statement here as to the effect on the barge canals. Did I understand you to say you agreed with him?

Mr. HAMLIN. Mr. Barnes made the statement, as I recollect it, that he did not fear the competition of the St. Lawrence waterway so far as his business was concerned in transporting materials such as from the upper lake ports through the use of his motor ships down the barge canal to New York Harbor.

Mr. CULKIN. You agreed with him on that statement?

Mr. HAMLIN. Yes.

Mr. CULKIN. You do not think the travel eastward through the canals is going to be affected?

Mr. HAMLIN. I think the whole argument about that fact that the St. Lawrence waterway is going to be of advantage to the coastal and intercoastal trade of the United States is bunk.

Mr. CULKIN. You think it would not alter it?

Mr. HAMLIN. That is it, exactly. I absolutely agree with Mr. Barnes. I think there will not be any intercoastal trade developed by the use of the St. Lawrence.

Mr. CULKIN. Yes; but—

Mr. HAMLIN. I was so glad that I heard Mr. Barnes' testimony to that effect.

Mr. CULKIN. As I understood him to say, it was not going to affect the tonnage in the New York State Canal.

Mr. HAMLIN. What I was interested in as far as Mr. Barnes' testimony is concerned, was establishing beyond a peradventure of a doubt that the St. Lawrence waterway would not establish a coastal or intercoastal trade, and that the people who claimed it would did not know what they were talking about because Mr. Barnes is a practical man, and he has been in this business and knows what he is talking about.

Mr. CULKIN. I hope you are not putting me in that other category, are you?

Mr. HAMLIN. No, sir.

Mr. CULKIN. I appreciate that distinction. But I do not get your point, yet.

Now, I understand Mr. Barnes to say that it would not affect the tonnage in the canal, the tonnage eastward?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. You agree with him on that?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. Now, you spoke about Mr. —

Mr. HAMLIN (interposing). Pardon me; I agree so far as the coastal trade is concerned.

Mr. CULKIN. You shift your position; at least it seems that way to me.

Mr. HAMLIN. Let us just answer it this way: Let us assume Mr. Barnes is loaded up with a cargo of wheat he is taking down to New York by barge canal. Now, if the wheat is deliverable to New York for the use of some flour mill in New York, a local use, Mr. Barnes is perfectly correct in his statements that a ship loaded with wheat which went way out the canal and way on down the coast down to New York, could compete with him. However, if a ship loaded with wheat started from Duluth going over, let us say, to Liverpool in a boat—

Mr. CULKIN (interposing). Yes.

Mr. HAMLIN. That wheat would probably be transported more cheaply by the St. Lawrence waterway than it would by being transported down to New York in Mr. Barnes' motorship.

Mr. CULKIN. Yes.

Mr. HAMLIN. And there retransferred to an oceangoing vessel and taken from that point to Liverpool.

Mr. CULKIN. I think that is a very fair statement.

Mr. HAMLIN. Because you would have to pay in New York City the unloading and loading charges to transfer the shipment from his motorship to the ocean-going vessel.

Mr. CULKIN. And of course that is the argument of the proponents.

Mr. HAMLIN. I agree with that argument.

Mr. CULKIN. We find ourselves in agreement on one thing?

Mr. HAMLIN. Yes.

Mr. CULKIN. Now, you quoted a letter here from Mackenzie King, or Mr. Hepburn—did you quote from Mr. Hepburn?

Mr. HAMLIN. No, sir.

Mr. CULKIN. Now, he is the Prime Minister of Ontario?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. And I assume you know him?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. An eminent and able Canadian; at present Premier of Ontario.

Mr. HAMLIN. I never met him personally; I know of him.

Mr. CULKIN. Well, you both missed something.

Now, he made a speech at Ogdensburg here a few days ago, on June 14, 1941. At one time Mr. Hepburn was in the camp of the opponents to this project, was he not? At one time he was a man after your own heart; do you remember that?

Mr. HAMLIN. Well, I know we were very greatly disturbed at one time over the fact that he was interested in developing power at Niagara Falls.

Mr. CULKIN. Yes.

Mr. HAMLIN. And he could not understand how the administration here in Washington held up the development at Niagara Falls as a club to try and force Canada to sign the St. Lawrence treaty. He was very much perturbed about that and I have seen some correspondence with him on that subject. I think he would be delighted over the fact that the Niagara Falls is to be now developed, irrespective of the St. Lawrence.

Mr. CULKIN. Here is what he said on June 14, 1941, at Ogdensburg, N. Y., and this is in such splendid terms and so vigorously and so ably presented that I am going to read the text of this; it is not very long. Premier Hepburn's remarks on that occasion were as follows:

Canada and the United States need this enlarged project and need it as soon as possible. Development of the St. Lawrence waterway has always been and must remain a vital concern of the United States of America and the Province of Ontario. Of the five Great Lakes, Ontario forms the northern boundary of all but Lake Michigan, and the St. Lawrence River flows along its border to the Province of Quebec. This great inland waterway has served generations of our citizens for navigation purposes, while since the turn of the century the mighty Falls of Niagara have in ever-increasing degree been lighting our homes and turning the wheels of industry. Today this great waterway assumes an even more vital significance. To my mind that significance is twofold. Along the St. Lawrence and Great Lakes are located cities of vast industrial potentiality. By harnessing the power of the St. Lawrence, we can add greatly to their capacity. The waters of the St. Lawrence roll relentlessly on. They do not pause for strikes or lock-outs—once the waters are harnessed to the turbines, the power flows forth hour by hour day and night turning the wheels of our factories. Such power we need today as we have never needed it before. Ultimately when the verdict of history is given, it may prove to be one of the greatest factors that has ever influenced the destiny of the world. That might sound like an extravagant statement. We have been learning in these last 2 years, however, that fantasy of yesterday has become historic reality of today. A year ago the great Maginot line in France was considered impregnable—today it is a deathless monument behind which a once proud people mourn. Today there are those who scoff at the idea that New York, Boston, or Halifax may be bombed or shelled. They may be right—but for my part, I should feel happier if a great part of the productive capacity of this North American continent were cradled thousands of miles from the coast, deep within our borders and around the shores of the Great Lakes. Here within the heart of the continent, if there is any safety, safety will be found for our heavy industries. Most important of all, we need the seaway as a means of opening up the Great Lakes to shipbuilding. We both have yards and ways in the Lakes, but they are largely idle. They are idle because we cannot get the ships through the shallow and inadequate canals and channels from this point on the river to the sea. Ships are the keystone in the contest now raging and are most vital to our national security. It may be exceeding the bounds of privilege by speaking in this manner to a peaceful body like the Detroit Board of Commerce in a country which is not at war.

There is more of it. I will not take up the time of the committee by reading it.

Do you disagree with him on that?

Mr. HAMLIN. I think that is very valuable testimony from a very distinguished man.

Mr. CULKIN. Now, wait a minute. You charged a moment ago here, by inference, that the President of the United States was blackmailing the United States into this agreement?

Mr. GAVAGAN. The Canadians.

Mr. CULKIN. The Canadians into this agreement. In the face of the testimony here by Mr. Hepburn, do you wish to qualify that statement?

Mr. HAMLIN. I would like to—no; I do not want to change my statement, at all.

Mr. CULKIN. This certainly is eminent testimony on the subject, from a man that was once in opposition?

Mr. HAMLIN. I said that it was valuable testimony from a distinguished man.

Mr. CULKIN. Would not that lighten or at least soften the charge you make against the present occupant of the White House, that he is slugging the Canadian Government into this agreement?

Mr. HAMLIN. I can only speak my convictions. And I have stated it in the presentation that I have made.

Mr. CULKIN. You do not wish to retract or qualify it, in view of this statement?

Mr. HAMLIN. I do not wish to retract or qualify it.

Mr. CULKIN. Well, now, we will pass from that question.

Mr. BEITER. I want to correct the record on this statement that has been made.

Mr. CULKIN. Oh, no; now, you cannot help him and you cannot help me, if you will just excuse me.

Mr. HAMLIN. Mr. Culkin, might I, in substantiation of the statement I made, present a quotation from a letter of Mr. King and letter from Mr. Hepburn?

Mr. ANGELL. I would like very much to hear them.

Mr. CULKIN. I don't think so.

Mr. ANGELL. I, as a member of the committee, would like to hear them.

Mr. CULKIN. Well, if you will permit me, I would be glad to have it, but let us first have the date on it.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. That will probably satisfy the gentleman on the left.

Mr. HAMLIN. January 8, 1937, and the other one—there were two letters; two excerpts from two letters of Mr. Hepburn; not of Mr. King but Mr. Hepburn. One was dated January 8, 1937, and the other was dated September 7, 1937, respectively. Then the letter I referred to that Mr. Hepburn wrote to Mr. King was on November 25, 1937.

Mr. CULKIN. Might I ask a question right there, if you will permit an interruption?

Mr. HAMLIN. Certainly.

Mr. CULKIN. At that time they were—Hepburn and King were pretty bitter political enemies, were they not?

Mr. HAMLIN. I remember there was a time—they are of the same party, I think. Are they not both members of the Liberal Party? Of course, I understand the Democrats sometimes fight among themselves in our country, and possibly the members of the Liberal Party there do, too.

Mr. BEITER. I would ask my New York colleague when he and Mr. Roosevelt became such strange bedfellows?

Mr. CULKIN. The gentleman in the last 2 years has brought in all sorts of projects—

Mr. BEITER. You are getting personal, now.

Mr. CULKIN. How about your statement on those?

Mr. DONDERO. It might be personal to suggest when we got in bed with Joe Stalin.

Mr. CULKIN. Mr. Witness, I apologize for the interruption; it was my fault. Go ahead.

Mr. HAMLIN. The Minister of Canada to the Premier of Ontario on January 8, 1937; this is a letter from King to Hepburn:

It is further quite clear that they are much more interested in the St. Lawrence than in the Niagara Treaty. * * * It is quite clear that it will not be possible to make any agreement with the United States with regard to Niagara without asking an agreement on the St. Lawrence as well.

Then the second letter from Mr. King to Mr. Hepburn, on September 7, 1937:

The United States administration would be unwilling to sidetrack the St. Lawrence treaty for such an object (diversion at Niagara equivalent to Kenogami).

Then the letter from Mr. Hepburn to Mr. King under date of November 25, 1937:

Yesterday I consulted with my Cabinet colleagues on the question of Ontario's position in respect to the proposed St. Lawrence waterways scheme, as a result of which I can only reaffirm the position taken by me during the time of the discussion we had on the occasion of your visit to this office.

Having finally arrived at a tentative arrangement with respect to a settlement of our power problems with Quebec companies, I am advised by the hydro commissioners and technicians that Ontario's power requirements have been taken care of for many, many years to come.

We are, therefore, not in need of power nor in my opinion, having in mind our acute railway problem, any additional avenue of transportation.

You remember I spoke of the fact that the Canadian National Railway would be injured possibly by the seaway.

In my judgment the purchasing power of European and Asiatic countries will collapse with the continued dissipation of gold reserves for armament purposes and this continent will, as a consequence, witness an era of depression comparable to the one through which we have just passed.

And then in the other letter, on February 14, 1938:

I am hoping that you will reconsider the opinion of your Government and endeavor, on behalf of the Province of Ontario, to separate the general scheme of the St. Lawrence waterways from the problem of diverting the waters above Niagara.

But the Prime Minister of Canada was unable to separate these two projects as the result of the insistence of the United States Government on the St. Lawrence waterway undertaking, as the following letters from the Prime Minister of Canada to the Premier of Canada very clearly indicates:

In conclusion you express the hope that the Canadian Government will reconsider the position and on behalf of Ontario will endeavor in the international negotiations to separate the general scheme of the St. Lawrence waterways from the problem of diverting the waters above Niagara.

At no time has the Government of Canada itself taken the position that the St. Lawrence waterway, Niagara, and other boundary waters must be settled as a whole, or that it was not prepared to deal with the project for diversion into the Great Lakes separately from the St. Lawrence project.

My purpose in reading these letters is to point out, gentlemen, that this business of holding up Canada is not new; that our administration has been holding up Canada in the development of power at Niagara as a club to force the signing of the St. Lawrence Treaty. If they could do it once, they can do it twice.

Mr. CULKIN. That is your own conclusion?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. Of course, there will be different opinions on that.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. War was declared September 1, 1939.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. So that the whole scope and sweep of this dreadful war was not then in the picture.

Mr. HAMLIN. No, sir.

Mr. CULKIN. And hasn't man's thinking everywhere been changed by the present condition of the world?

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. And you would not deny the Premier of Ontario that privilege?

Mr. HAMLIN. Not at all.

Mr. CULKIN. Any more than you would deny it to yourself.

Mr. HAMLIN. Not at all.

Mr. DONDERO. May I make a statement? Mr. Hamlin, a little while ago you made a statement that the agreement signed between the United States and Canada requires that the Congress of the United States act first. I have the agreement before me, and I find nothing in it which indicates that the United States Government must act first, either to ratify or disapprove this agreement; it may be simultaneous, it may be that the Parliament of Canada might act first. You will find it in the last paragraph. I think you are mistaken about that, Mr. Hamlin.

Mr. HAMLIN. I apparently am, but from the publications I have seen in the press, and from the discussions I have heard it would seem to indicate that the agreement is not to be submitted to the Parliament of Canada until after the Congress of the United States has acted. Apparently I was in error in stating that it was in the agreement itself.

Mr. SMITH. Mr. Hamlin, you have given some very interesting testimony with regard to the subject of tolls, which is a subject I think this committee will have to consider, especially in view of the testimony of the Secretary of Commerce, Jesse Jones, whose judgment I respect very highly, but it seems to me in answering all these questions on tolls, you have not as yet answered one question, and I am going to ask that question now. If we were to impose tolls, would you then favor the seaway, or would you still be opposed to it?

Mr. HAMLIN. I will say very frankly that I don't think the seaway will be helpful at all, whether tolls are charged or tolls are not charged. I think it is going to be a waste of public funds in either event. It will be less of a waste if tolls are charged, because you will make some recovery. My feeling is that the seaway is going to be so damaging to American commerce, transportation, and labor, as will be established here by late witnesses, that it will be very detrimental to our country and to Canada.

Mr. SMITH. I wanted to get your answer to that question.

Mr. HAMLIN. Yes, sir.

Mr. SMITH. As I understand your testimony, however, you are sympathetic to the power feature of the project.

Mr. HAMLIN. If it can be worked out satisfactorily, where there is going to be a fair distribution of cost as between Canada and the United States.

Mr. SMITH. Of course, the power feature may be very valuable to the national defense.

Mr. HAMLIN. I think every bit of electric energy which can be produced in this country, in view of the needs that were outlined by Mr. Olds, whose judgment I respect very much, would be a help to national defense. I think the question to be determined, however, in each instance, would be as to whether the cost of production of any particular block of power is justified, as to whether it may be possible to produce that power more cheaply, or more strategically located.

Mr. SMITH. In one of your predictions of things to come, you stress the fear that the Aluminum Corporation of America might be one of the principal beneficiaries.

Mr. HAMLIN. I don't think it is a fear; I think it is a fact.

Mr. SMITH. You made it, however, as a prediction?

Mr. HAMLIN. Yes, sir.

Mr. SMITH. Of course, that to me does not present such an insurmountable obstacle, although I am not in favor of monopoly by any one company or group of companies. However, it seems to me we should recognize the fact that the Aluminum Co. of America is one of the principal manufacturers of aluminum in this country and is furnishing aluminum which we require for the production of airplanes. We have a very striking illustration of that at Bonneville, where we have a branch of the Aluminum Corporation of America at Vancouver, Wash., which is manufacturing a great deal of aluminum, and Secretary Ickes refuses, or did refuse, to allow the Aluminum Corporation of America to monopolize all the power generated there. We have had established another company, newly organized, the Reynolds Metals Co., at Longview, Wash., which is also going to manufacture aluminum for airplane production, and use Bonneville power. Consequently, it seems to me that it does not constitute any valid indictment of the project, that any one company, or two or three companies, might absorb a great deal of this electric energy. Because if we need that aluminum for national defense we don't care who manufactures it, so long as we get it, and get it as fast as we can.

Mr. HAMLIN. I completely agree with you, and I would like to add further to my statement. My prediction was that not only would the Aluminum Co., and other large companies using large blocks of power be the beneficiaries, but also the Niagara-Hudson System, which is the most efficient agency for the distribution of power throughout New York State, would also be a beneficiary. I should think that would be the proper system to handle the distribution of power, rather than attempt to create a competing system of power distribution throughout the State at tremendous expense.

Mr. SMITH. Well, that would be similar to the situation of the Alabama Power Co. at Muscle Shoals.

Mr. HAMLIN. One reason I brought it up was, as I sat here the other day and heard the discussion going on, somebody made the statement, "Well, no private distributing company will ever have any of this power." Well, now, gentlemen, I think that is foolish. The most efficient company, with lines all over New York State, to handle this distribution of power, is the Niagara-Hudson System. Their lines run right down to New York City, they run into Buffalo, they run all over the place, and I think it would be the height of stupidity in my judgment to attempt to duplicate those lines.

Mr. SMITH. Of course, the matter of rates enters into that.

Mr. HAMLIN. I understand that rates are to be protected. There are two methods in New York State of protecting rates. Our State is a progressive State. Years ago we created a public service commission, which has the duty of investigating into all public utilities, and finding out just exactly what the capital charges are, and so forth and so on, and determining and fixing the rates. So we have that agency, very competent, in New York, and in addition to that we have the New York State Power Authority, which may enter the picture also.

Mr. SMITH. Of course, our experience in the West is that as a result of developing public power we brought down the rates being charged by the private companies, and that, of course, is one added argument in favor of a project of this magnitude and this nature. It might also have a tendency to that end, might it not?

Mr. HAMLIN. Yes, sir; as I understand it, you could put it this way; there is a large pool of power, let us say, up in middle New York, into which is poured from various directions, energy. Coming into this great lake or pool of power will be an enormous bulk of power coming from the St. Lawrence at a low rate, because it is manufactured at a low rate. Now, your public service commission knows how much that St. Lawrence power coming into this pool will cost, knows how much Niagara power poured into the pool will cost, and knows how much power coming from the Adirondacks will cost. There is that pool; it has millions of kilowatts in it. All right; it is very easy to determine how much the kilowatts in that pool cost. Then the rate is fixed for the electricity going out of this pool in various directions.

Mr. SMITH. Of course, the very fact that you are developing a large block of public power and bringing it into the market, very likely will cause the private companies to revise their rates downward. That has been the result of the development of public power in the State of Washington.

Mr. HAMLIN. I am afraid you don't get the picture. May I explain again? Here is this pool, which is controlled by a private company, and into that pool is poured millions of kilowatts of power at a low rate. That immediately reduces the cost of the electricity in that pool, and the charges then that are made for electricity drawn out of that pool will naturally be lower for all consumers.

Mr. SMITH. I understand you perfectly. I repeat that naturally would be a direct benefit to all consumers of electric energy.

Mr. HAMLIN. All those that are within the area that would be affected; yes, sir.

Mr. CULKIN. Isn't the gentleman's suggestion in line with the attitude of the committee on that question?

Mr. SMITH. I don't think there is any question about that.

Mr. CULKIN. In other words, there is no attempt to destroy private investment on the part of this committee.

Mr. SMITH. I don't think that has ever been the policy of this committee. In reporting out the Bonneville and other legislation we have, however, favored the development of public power. We have provided the yardstick which the private companies have had to meet.

Mr. CULKIN. And to use existing facilities if they can be used advantageously.

Mr. SMITH. I think there is no question about that, although at Bonneville we have had to build transmission lines, particularly to serve the rural communities and new industries.

The CHAIRMAN. In regard to the question of tolls, I call your attention to the fact that a portion of this project extends all the way up the lakes as far as the Saulte, and that we have locks on the Saulte, between Lake Huron and Lake Superior, and you give it as your opinion that the charge be on the entire system up there, as well as on the St. Lawrence, if I understood you.

Mr. HAMLIN. I don't think that was the question you asked me, Mr. Mansfield. My understanding of the question was, Could tolls be charged at the Saulte? My feeling is that they can be, that under the law and treaty it would be possible to charge them, if it was deemed desirable to charge them, if the Government desired to obtain some revenue from the operation of that canal to retire indebtedness, that it could be done, if I might elaborate my answer. Now, whether you would want to do that and include the locks at the Saulte as a part of the general St. Lawrence project, or confine your collection of tolls to just perhaps one lock in the St. Lawrence—

The CHAIRMAN. If we provide for it only at the lock down at the St. Lawrence it would reach only a comparatively small portion of the tonnage handled.

Mr. HAMLIN. It would cover every ounce of tonnage that went out the St. Lawrence.

The CHAIRMAN. Going out to the ocean.

Mr. HAMLIN. Or coming in.

The CHAIRMAN. Or coming in.

Mr. HAMLIN. Yes.

The CHAIRMAN. But that would be comparatively small, as compared to the total tonnage on the entire system.

Mr. HAMLIN. Do you think that it would be fair, may I ask—or perhaps I ought not state it that way—to cause the lake shippers who are bringing ore down from Duluth to Cleveland by the use of the Sault lock to pay for the improvements in the St. Lawrence?

The CHAIRMAN. I am not in favor of it.

Mr. HAMLIN. I am not in favor of it, either.

The CHAIRMAN. That is the reason I called attention to it, to see if I correctly understood you, because there I think we have the same situation as you have on the Erie Canal running down to New York.

Mr. HAMLIN. I would agree with you, sir.

The CHAIRMAN. If we approve this agreement, article VII would prohibit charging tolls, I believe.

Mr. HAMLIN. I am not quite so sure about that, sir. I think advice could be asked on that, because under article VII you say "agree that the rights of navigation accorded under the provisions of existing treaties shall be maintained." The right under the existing treaty that I read from would seem to permit the imposition of tolls if any one or the other of the high contracting parties desired to do so.

Mr. GAVAGAN. If you will finish that sentence, you will perceive the rights of navigation.

Mr. HAMLIN (reading):

The high contracting parties agree that the rights of navigation accorded under existing treaties shall be maintained notwithstanding provision for termination contained in any such treaties and declare that these treaties confer upon the

citizens and upon the subjects and upon the ships, vessels of each of the high contracting parties, rights of navigation in the St. Lawrence River and the Great Lakes system including the canals now existing or which may hereafter be constructed.

I think that it would be seriously questionable as to whether that perhaps did not fix the matter of tolls. I am not sure. You would have to ask advice on that, sir.

The CHAIRMAN. Don't you believe this, that if tolls are applied to the extent of making this self-sustaining, or self-liquidating and only applied to the traffic coming out or going into the high seas, the tolls would have to be so high as to prohibit commerce going through there altogether? Because there isn't a large volume of traffic passing through that portion of the waterway.

Mr. HAMLIN. I can't answer that question, because I don't know what the volume of traffic would be. You see, one of the first difficulties we are faced with, Mr. Mansfield, is the fact that the United States Department of Commerce has not as yet published and furnished us with its report covering the traffic that is to develop on the St. Lawrence.

The CHAIRMAN. That is, the prospective traffic?

Mr. HAMLIN. Yes.

The CHAIRMAN. But we have reports as to the present traffic.

Mr. HAMLIN. Of course we have to judge this thing from the facts and figures on the traffic that will develop. Now, as I understand it these gentlemen have had a large amount of money and a very large staff, and they have been employed for several years preparing these documents. They have issued from time to time one or more of these documents, but for some reason or other that I fail to understand they have not placed in our hands before we are asked to come on and testify the data in regard to the prospective traffic that they envisage will be developed through this seaway.

Mr. PITTENGER. They didn't have any of these documents when the treaty was before the Senate. You fellows have got the answer so far as that argument is concerned.

Mr. HAMLIN. Mr. Pittenger, I beg your pardon. There was a large document that was before the Senate, about a thousand pages.

Mr. PITTENGER. Well, that ought still be available.

Mr. HAMLIN. Oh, yes; we have used that.

Mr. PITTENGER. This argument that we can't do anything here until we get some document—

Mr. HAMLIN. We have used those figures and that has been the basis of the findings we have made in the body of our report, but here come these gentlemen with a lot of new figures, a lot of new estimates. Or, I assume they will.

Mr. PITTENGER. We haven't got any yet.

Mr. HAMLIN. I know it. That is what I say, it is very difficult for us to judge as to the amount of traffic that will pass through the canal until we have them.

The CHAIRMAN. As a matter of fact, no man knows. It is all a guess. It is a matter of calculation by anyone.

Mr. HAMLIN. Yes, sir.

The CHAIRMAN. And very frequently the traffic that develops is many times greater than that estimated.

Mr. HAMLIN. Yes, sir.

The CHAIRMAN. In some instances it is much smaller.

Mr. HAMLIN. I don't know how the tolls were figured, in the first instance, on the Panama Canal.

The CHAIRMAN. On the Panama Canal it amounts approximately to \$1 per ton, and with nearly 30,000,000 tons passing through there normally each year the tolls taken in amount to nearly \$30,000,000. It is not based on that principle, but it works out practically at \$1 per ton.

Mr. HAMLIN. I have not made any calculations to find out what it will be necessary to collect here.

The CHAIRMAN. And you think the toll should be only on the St. Lawrence section.

Mr. HAMLIN. Yes.

The CHAIRMAN. Then I think it would have to be prohibitive if we were to put it up to the extent of making the project self-liquidating.

Mr. HAMLIN. Under those circumstances, I think serious consideration should be given to the question of whether the matter should be proceeded with at all.

The CHAIRMAN. Well, I have been considering this project 20 years. I have never advocated it from a commercial standpoint. I am looking at it from the standpoint of national defense.

Mr. HAMLIN. I think we have all got to look at it from that point of view, and I would like to say, in conclusion—first, I want to thank the committee for the privilege of appearing here—that for the last year I have been chairman of a committee in Buffalo, the Niagara Frontier Committee for Defense of America Through Aiding the Allies. We have taken a strong forward position in support of the administration in every effort that the administration has advocated. As a matter of fact, we have been a couple of steps ahead occasionally. One of the principal reasons I am opposed to this project is because I think it would be detrimental to national defense rather than a benefit.

The employment of 100,000 men as I pointed out in my testimony for 4 years, at a critical moment like the present. I happen to be chairman of a little subcommittee in Buffalo that has charge of investigating the facilities of our vocational schools, and we have been investigating the number of men that will have to be employed in the airplane factories there, and we have got to find qualified men to the number of 25,000 between now and January 1, in order to meet the demand of Buffalo's industry alone. We have to come to the Federal Government and ask for \$1,400,000 to add to our vocational equipment in our schools.

Mr. BEITER. I would like to interrupt you there and say that that is a very moderate estimate. The New York Times stated on June 24 that up-State New York would need 65,000 on defense jobs.

Mr. HAMLIN. I have the actual figures here.

The CHAIRMAN. And the American Federation of Labor and the C. I. O. tell us there are millions of men out of employment.

Mr. HAMLIN. Mr. Mansfield, in regard to our own district, I know all about this thing. There are 3,000 men on W. P. A. in Buffalo, and that is all, and those men, many of them, are old men, and the director of the W. P. A. has certified to us that he does not believe that 100 of those men would be qualified to take employment in defense industry. As a matter of fact, we are at the present time

faced with a shortage of men, and we are planning to step up our plants to train 8,000 women to fill the jobs in our defense industry. Faced with that situation in just one locality, the city of Buffalo—I don't know what it is in other sections of the country; I know what it is in my own home town, because there has been a representative of the New York State Employment Bureau, the vocational department of the schools, and the State and everybody else we can think of, on our committee, and we have made these careful surveys and we know the facts. In view of that, with this situation in Buffalo, how can we afford in this country, to take 100,000 men for 4 years and put them in on building this project?

Mr. PITTINGER. They will be the type of men not employed on the particular project you have been talking about, the building of airplanes.

Mr. HAMLIN. I know, but it is going to take a lot of skilled men to run the machinery; and there is the steel which has to be manufactured, and the concrete which has to be manufactured, all of which is needed in other defense industry.

Mr. ANGELL. General Robins testified that 80 percent of them would have to be skilled or semiskilled, and only 20 percent common labor.

Mr. HAMLIN. Yes, sir.

Mr. BEITER. I would like to point out to my colleague, Mr. Pittenger, that the item to which I referred a moment ago is from a release of the Department of Labor. It reads:

Mounting defense production, already causing a scarcity of all types of desirable labor, will create more than 65,000 new jobs in upstate New York within a few months, the State labor department reported today.

Milton O. Loyson, director of the replacement division, based this estimate on the department's April report of labor conditions which disclosed there are serious shortages in many skilled lines, particularly in the metals trades.

In Buffalo Mr. Loyson estimated that 28,000 to 30,000 new jobs will be offered when production begins at aviation and arms plants.

A \$14,000,000 Army aviation supply and repair depot, expected to be built in the vicinity of Rome, will employ several thousand workers during construction, Loyson said, and 2,500 workers for single-shift operation.

A new \$2,500,000 steel plant to be constructed at Dunkirk will employ about 500. Syracuse will have almost 6,000 new jobs, the Rome-Utica area more than 8,000, Rochester about 13,000, and Schenectady more than 5,000.

Meantime the State employment service filled more than 49,514 jobs during the month of May—the highest for any May on record.

The State labor department also reported that increased highway building was responsible for an April to May gain of 12.3 percent in employment and 10.9 percent in pay rolls of New York's construction industry.

Road contractors were employing 68.9 percent more workers who brought pay rolls up 63.4 percent. Employment by miscellaneous general contractors rose 17.3 percent.

Mr. PITTINGER. That sounds like real prosperity for upper New York.

Mr. GAVAGAN. However it is no answer to the problem of the city of New York. Outside of the fact that the mayor of the city of New York happens to be the head of the Home Defense we do not know that there is any war program going on at all, as far as employment in the city of New York is concerned.

Mr. BEITER. But with the construction of this seaway we will have no prosperity in upper New York.

Mr. GAVAGAN. If there is such a dire need for workers we can ship you carloads of them; I will get you plenty of tool makers, die makers, lathemen and every other kind you will need.

Mr. HAMLIN. Mr. Chairman, there is a man here from Buffalo who has to leave. I understand he has a short statement, and I can return tomorrow morning, if you wish.

STATEMENT OF THOMAS C. O'BRIEN, CHAIRMAN, PORT DEFENSE COMMITTEE, BUFFALO, N. Y.

Mr. O'BRIEN. Mr. Chairman, in presenting the case of the commercial elevators in Buffalo, we have already had considerable help from the proponents of the St. Lawrence waterway project. They have definitely stated that Buffalo would lose a large part of the transferring of grain now enjoyed.

This is true and that is why we are here. The grain elevators at Buffalo are so constructed that they could be used for no other purpose, and in the event of the diverting of a large part of the export transfer business from Buffalo, these plants would have to be demolished.

The Buffalo elevators have been a large source of tax revenue to the city of Buffalo, county of Erie, and State of New York.

The men employed in the grain elevators at Buffalo enjoy one of the finest labor contracts in the country, having had for years 12 months guaranteed employment, 2 weeks' vacation with pay, sick benefits, time and a half for overtime and double time for Sundays and holidays, and a minimum hourly wage of 85 cents per hour. The decrease in port receipts to Buffalo would naturally come in the reduction of grain for export, which has been the main stay of the elevators of Buffalo, especially the commercial elevators. There have been seasons when as high as 158,000,000 bushels have been loaded to rail cars for export to New York, and there have been other years when as high as 40,000,000 bushels of grain have been routed via the Erie Canal for export, and there have been years when as high as 60,000,000 bushels were loaded out of the port of Buffalo for Montreal for export.

These figures would indicate that the export business is practically the life of the Buffalo elevators.

We are this year in a rather unusual position, having had the Wells committee of the Department of Agriculture in Buffalo for the last month asking our full cooperation in helping the Department take care of the surplus grains they find themselves in possession of. The port of Buffalo has willingly and generously agreed to cooperate in every way in the handling of this surplus grain for the Government and while our operating costs are up considerably since 1932, this grain is being stored under uniform storage contracts at a rate showing only 50 percent of the revenue enjoyed in 1932 and 1933.

It seems that where full cooperation is given one department of the Federal Government, it is rather an unusual situation when we are called upon to fight for our existence against such a proposition as the St. Lawrence seaway.

The Federal Government has recognized the value of the elevator facilities at Buffalo on different occasions, namely, the removal of the

6-cent-per-bushel preference which went on in 1932 at the time of the Empire Conference in Ottawa, and remained in force for 4 or 5 years, until such time as our Federal Government arranged with the British Government to have this penalty against American ports handling Canadian grain removed.

In closing, I am submitting a blueprint showing the receipts in the port of Buffalo from 1870 to 1940, inclusive; also in the square blocks the export grain shipped out of Buffalo via the Barge Canal, the Welland Canal and rail for export.

This chart shows the importance of the handling of export grain so far as the port of Buffalo is concerned.

(The chart referred to appears on facing page.)

Mr. BEITER. I wish at this time to get the record straight concerning a question to which I referred before, when Mr. Culkin was questioning Mr. Hamlin. Mr. Hamlin stated he had been advised the Senate had taken action with reference to the construction of weirs in the upper Niagara. The Senate has not taken action on that; the Senate has merely taken action on the agreement whereby additional water can be taken from the Niagara River to operate the Adams plant, and not construct weirs in the upper river as stated.

Mr. CULKIN. Did you say I said that?

Mr. BEITER. No; I said you refused to yield when I wanted to correct the record when that statement was made.

Mr. CULKIN. If I did so, I regret it. The gentleman charges me with a good deal; sometimes I am guilty.

Mr. BEITER. I did not charge the gentleman with that.

Mr. PITTENGER. Did you hear the testimony of Mr. Barnes the other day?

Mr. O'BRIEN. No; I only got in this morning.

Mr. PITTENGER. His testimony was that the construction of the St. Lawrence would be injurious to Buffalo, I understood you to say.

Mr. O'BRIEN. That was carried in the Buffalo press. The statement was made we would lose at least 700,000 tons. That is anybody's guess at this time.

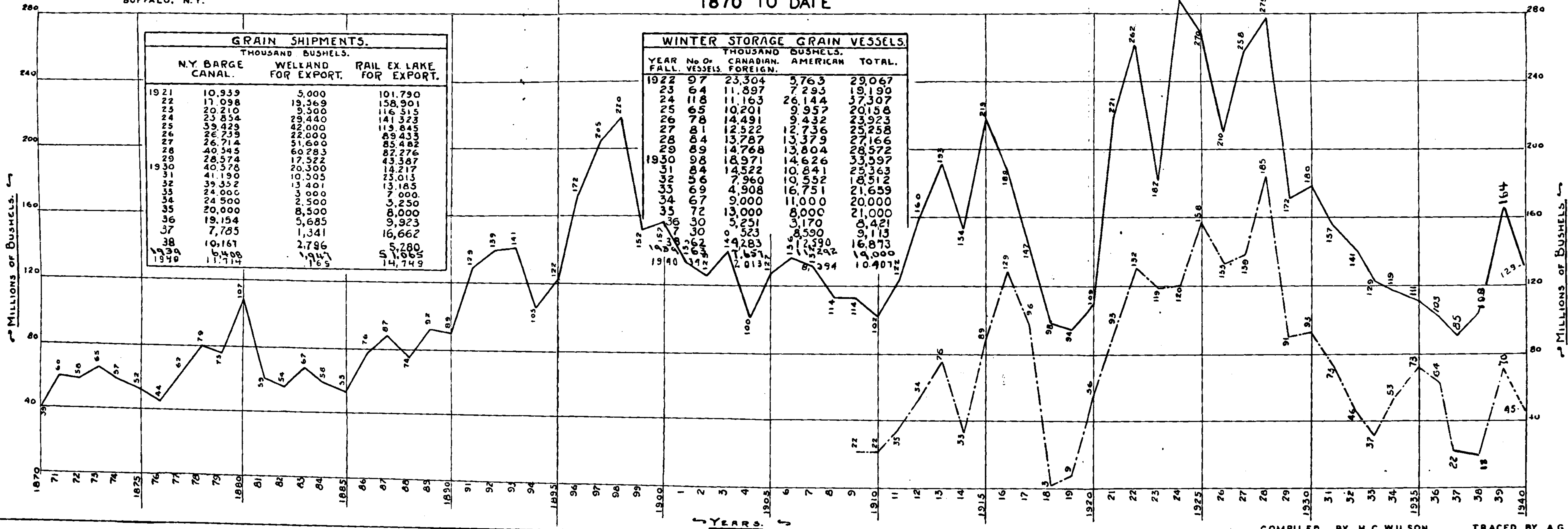
The CHAIRMAN. We will recess at this time until 10.30 tomorrow morning.

(Whereupon at 5 p. m. the committee adjourned to 10.30 a. m. Thursday, June 26, 1941.)

COMPLIMENTS OF -
LAKE GRAIN FORWARDING INC.
 CHAMBER OF COMMERCE BLDG.
 BUFFALO, N. Y.

LAKE GRAIN RECEIPTS. PORT OF BUFFALO. 1870 TO DATE

LEGEND.
 TOTAL RECEIPTS, ———
 CANADIAN & FOREIGN RECEIPTS, - - - - -



GRAIN SHIPMENTS.			
THOUSAND BUSHELS.			
	N.Y. BARGE CANAL.	WELLAND FOR EXPORT.	RAIL EX LAKE FOR EXPORT.
1921	10,939	5,000	101,790
22	17,098	19,569	158,901
23	20,210	9,500	116,515
24	23,854	29,440	141,323
25	39,429	42,000	119,845
26	26,739	22,000	89,433
27	26,714	51,600	85,482
28	40,345	60,283	82,276
29	28,574	17,522	43,387
1930	40,578	20,300	14,217
31	41,190	10,505	25,013
32	39,352	13,401	13,185
33	24,000	3,000	7,000
34	24,500	2,500	3,250
35	20,000	8,500	8,000
36	19,154	5,685	9,923
37	7,785	1,341	16,662
38	10,167	2,796	5,200
1939	6,408	1,947	11,000
1940	11,714	165	14,749

WINTER STORAGE GRAIN VESSELS.				
THOUSAND BUSHELS.				
YEAR	No. OF FALL. VESSELS.	CANADIAN. FOREIGN.	AMERICAN.	TOTAL.
1922	97	23,304	5,763	29,067
23	64	11,897	7,293	19,190
24	118	11,163	26,144	37,307
25	65	10,201	9,957	20,158
26	78	14,491	9,432	23,923
27	81	12,522	12,736	25,258
28	84	13,787	13,379	27,166
29	89	14,768	13,804	28,572
1930	88	18,971	14,626	33,597
31	84	14,522	10,841	25,363
32	56	7,960	10,552	18,512
33	69	4,908	16,751	21,659
34	67	9,000	11,000	20,000
35	72	13,000	8,000	21,000
36	30	5,251	3,170	8,421
1937	30	4,283	8,590	12,873
1938	12	1,651	1,290	2,941
1939	12	2,013	1,394	3,407
1940	12	2,013	1,394	3,407

COMPILED BY H. C. WILSON. TRACED BY A. G. R.

GREAT LAKES-ST. LAWRENCE BASIN

THURSDAY, JUNE 26, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met pursuant to adjournment at 10:30 a. m., in the committee room, New House Office Building, Hon. Joseph J. Mansfield, chairman, presiding, for further consideration of H. R. 4927.

The CHAIRMAN. The committee will please come to order.

FURTHER STATEMENT OF CHAUNCEY J. HAMLIN, CHAIRMAN, NIAGARA-FRONTIER PLANNING BOARD

The CHAIRMAN. Mr. Hamlin, did we finish with you yesterday?

Mr. HAMLIN. I am not sure whether there are any further questions or not.

The CHAIRMAN. I don't recall whether we had finished or not.

Mr. BEITER. I believe Mr. Angell was questioning.

Mr. ROGERS. You spoke about the total expenditures necessary to put the canal and seaway project in operation. In your studies have you taken into consideration what would be the annual expenditures in order to maintain and operate the project?

Mr. HAMLIN. Yes, sir.

Mr. ROGERS. Did we get those figures?

Mr. HAMLIN. Just a moment. You wanted just the operation?

Mr. ROGERS. Maintenance and operation.

Mr. HAMLIN. Without the payment of interest?

Mr. ROGERS. That is right.

Mr. HAMLIN. It is in our brief, and I will ask Mr. Tallamy, who wrote the brief, to find it.

I have here on page 34, of our St. Lawrence project brief an estimate; Operation and maintenance, during amortization period, \$1,000,000 per year for the United States portion, and about \$1,000,000 per year for the Canadian section.

We say here:

It is believed that this is a very conservative figure, since maintenance and operation of the Erie Canal aggregates approximately \$2,000,000 annually, and other existing inland waterways have comparable amounts. The Government's interdepartmental report, 1934, estimates that this item would approximate \$600,000 per year for the United States alone. This figure is believed to be entirely too low.

That is a statement from our brief. In other words, we stated it would cost about \$1,000,000 per year, as our estimate, for the United States portion, and \$1,000,000 per year for the Canadian portion.

Of course, we think the Canadian portion, as a matter of fact, will have more locks—will it not, Mr. Tallamy?

Mr. TALLAMY. Yes, it will.

Mr. HAMLIN. There will be more locks in the Canadian section than there will be in the American section.

Mr. ROGERS. As I remember General Robins' testimony, the cost was not to exceed \$250,000 per year.

Mr. HAMLIN. I didn't hear his testimony on that point.

Mr. ROGERS. If my recollection is correct, you would conclude his estimate is too low?

Mr. HAMLIN. If he testified to that amount, I wonder what costs he took into consideration.

Mr. ROGERS. It was not broken down.

Mr. HAMLIN. We have a break-down, of course, of the cost of maintenance on the Erie Canal, or at least, we could furnish it, the number of locks and so forth, in the operation of the Erie Canal. But, of course, that is a much smaller canal.

Mr. ROGERS. That is all I have.

Mr. ANGELL. Mr. Hamlin. Is the Canadian Parliament in session; or when will it next convene?

Mr. HAMLIN. Sir, I cannot answer that question; I do not know.

Mr. ANGELL. I notice from the text of the bill before us, H. R. 4927, it is provided in the last sentence, in section 2—

The arrangement negotiated pursuant to this section, shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by the Congress and the State of New York.

Calling your attention to that language, if this bill receives the approval of the Congress and the President and becomes law, it will not become operative until the next session of Congress, but also not until the next session of the New York State Legislature.

Mr. HAMLIN. That is correct. The next session of the New State Legislature—

Mr. ANGELL. After the convening of the next session of the Congress, and of the New York State Legislature.

Mr. HAMLIN. I think that convenes next January.

Mr. ANGELL. The same time as Congress.

Mr. HAMLIN. Unless there is a special session of the legislature called, my impression is that the legislature does not meet until next January.

Mr. ANGELL. In any event, there could be no operation under this law, or proposed law, until some time next year?

Mr. HAMLIN. Well, I assume that it might be possible for the Congress to pass a bill and proceed with the work, although I hoped that they would not do so preliminary to the signing of the agreement between the United States and the State of New York in respect to the power matter.

Mr. ANGELL. It is true, however, is it not, that in this bill authority is given to the President to negotiate a contract, and that contract must be referred back to the Congress at the next session before it can be acted upon?

Mr. HAMLIN. That is correct, sir, but I do not know whether that fact would necessarily defer construction on the project, in case the bill is passed by the Congress, until that agreement is ratified.

Mr. ANGELL. Certainly, nothing legal could be done on it until the matter has been referred back to Congress at the next session, pursuant to the terms of the bill.

Mr. HAMLIN. I would not know about that, Mr. Angell.

Mr. ANGELL. My inquiry in respect to that is to determine the length of time that would probably be taken to complete the project. General Robins testified, under favorable conditions and good luck, it would take, perhaps, 4 years.

Mr. HAMLIN. As I understood General Robins' testimony, it was to the effect that if this bill became law reasonably promptly, and became effective, that during the winter we would be able to move in materials and supplies with the idea of being able to start work next spring, next season, and that they would have to do a certain amount of preliminary work during the winter.

Mr. ANGELL. But, of course, they could not move legally until after convening of the Congress next year, and the approval of any arrangement that might have been entered into by the President pursuant to the terms of this bill.

Mr. HAMLIN. As I said, Mr. Angell, I am not sure whether the reading of the full bill would imply that necessarily. That is a legal point that I am not prepared to pass upon. I would hope that amendments would be written into the bill, or, may I put it this way—I would hope that that point would be cleared up definitely by a proper amendment to the bill which would be to the effect that no work shall be started in reference to this project until the contract negotiated by the President with the State of New York had been ratified by both the Congress and the New York State Legislature. It seems to me that it would be wise, if that is the wish of the committee, or the belief of the committee, that that is the procedure that should be followed, that a clearing or clarifying amendment should be written into the bill to that effect, so there would not be any question about it.

Mr. ANGELL. Is it your understanding that there is any authorization in this bill for the expenditure of money?

Mr. HAMLIN. No, sir; I am not very familiar with the procedure of Congress. I understand that after this there would have to be an authorization by the Appropriations Committee.

Mr. ANGELL. There would not only have to be an authorization bill, but there would also have to be an appropriation before any work could be begun on it.

Mr. HAMLIN. I am not too familiar with the procedure of Congress in that respect.

Mr. CARTER. Will the gentleman from Oregon yield for a question?

Mr. ANGELL. Yes; I yield to the gentleman from California.

Mr. CARTER. If this is not an authorization bill, what is it doing here before this committee at this time?

Mr. PITTENGER. That is what I would like to know.

Mr. CARTER. I want to say I searched diligently through the bill and have not been able to find any authorization clause in the bill.

Mr. ANGELL. I can find no authorization in the bill.

Mr. CARTER. I was wondering, as I read the bill, why it was not referred to the Committee on Foreign Affairs.

Now, it may be that there is authorizing language in the bill, but I agree with my colleague from Oregon that so far it is so hidden or

tucked away that I have been unable to discern it, and I have looked diligently for it.

Now, you are a lawyer, I understand, Mr. Hamlin?

Mr. HAMLIN. Yes; some years ago I was.

Mr. CARTER. Years and years of wisdom and experience have been accumulated. Can you find in this bill any authority authorizing an appropriation in any amount?

Mr. HAMLIN. I cannot find anything in the bill authorizing an appropriation; no figure is mentioned. I suppose, in the authorization of an appropriation, you have to mention the amount.

Mr. ANGELL. No; it may be general as to the amount, but there must be an authorization.

Mr. CARTER. Yes; it may mention a specific amount, or it may be in general terms for such sums as are necessary for carrying out the terms of this particular bill.

Mr. HAMLIN. You would have to ask that question of a person, someone who is more familiar with congressional procedure and the laws on the subject than your humble servant.

Mr. CARTER. It is a question I would like to have some help on, and I have read and re-read the bill.

Mr. ANGELL. I agree with my colleague from California. I have read it very carefully, and I can find no authorization in it.

The CHAIRMAN. Have you ever seen any such provision in any other rivers-and-harbors bill?

Mr. ANGELL. But that is not the point. There is no authorization in here.

The CHAIRMAN. This follows the usual form.

Mr. ANGELL. The reason I raise the point is this, that time is a very important matter in this whole project, the time the project may be completed, and we have spent considerable time ourselves in determining how long the project may take, because it is now coming before us as a national-defense project.

Mr. CARTER. Will you yield further?

Mr. ANGELL. In just a second, Mr. Carter. It is important, of course, to determine what we must still do if we approve this bill before we go forward with this project. Is there any authorization in this bill, or will that require separate legislation?

Mr. PITTENGER. The witness has already said that he could not answer the question.

Mr. HAMLIN. I do not know about the legal phraseology of the bill, but from a practical point of view, approaching it as a business matter, I should think that no expenditure should be permitted to be incurred until after the agreement referred to in the bill has been negotiated by the President with the State of New York and ratified by both the Congress and the New York State Legislature, and, if I may respectfully suggest, language to that effect might well and properly be written into the bill as an amendment.

Mr. ANGELL. It would probably be well along in the next calendar year before any actual construction work could begin on this project, even if it were approved now.

Mr. HAMLIN. Unless there is a special session of the legislature called in New York State, it would not come before the legislature before the 1st of January, and then I assume that the New York State Legislature, this being such an important matter, would undoubt-

edly hold hearings on it, and it takes some time to put measures through the New York State Legislature.

Mr. PITTENGER. However, you are assuming that we would have to wait for that if we adopt this bill.

Mr. HAMLIN. That is my feeling.

Mr. PITTENGER. I do not agree that we would have to wait.

Mr. ANGELL. The bill states—

The arrangement negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

Our next session is January 1, 1942.

Mr. PITTENGER. You are talking about the agreement between the Federal Government and the New York Power Authority on power.

Mr. ANGELL. I am talking about when it becomes effective.

Mr. CULKIN. This bill, as I understand it, and I am not positive on that ground, was drawn by the engineers, and I think the scope of it and all of that will be developed when General Robins is recalled.

May I say that I do not think it is necessary to hold this project up until the agreement between New York and the Government is consummated for the approval of Congress. I think they are two distinct propositions.

Mr. ANGELL. Has the Legislature of the State of New York ever acted favorably upon this proposal, or a similar proposal, for the St. Lawrence seaway?

Mr. HAMLIN. I do not think this proposal has ever been brought before the Legislature of the State of New York.

Mr. ANGELL. Have the people of New York ever voted upon the question?

Mr. HAMLIN. No, sir.

Mr. ANGELL. Well, then, there is no assurance at the present time that favorable consideration would be given to it by the New York Legislature?

Mr. HAMLIN. There is no assurance. As a matter of fact, I am inclined to think that the people of the State of New York are very much exercised about this proposition, and there will be very positive opposition registered before the New York State Legislature as to the enactment of any legislation which would permit of the construction of a seaway which will have such damaging effect upon the commercial, industrial, and labor interests of New York State.

Mr. ANGELL. You are a citizen of New York?

Mr. HAMLIN. Yes, sir.

Mr. ANGELL. How long have you resided in New York?

Mr. HAMLIN. Since January 11, 1881, when I was born.

Mr. ANGELL. And you have given this project a great deal of consideration?

Mr. HAMLIN. Yes, sir.

Mr. ANGELL. And, in your opinion, Mr. Hamlin, do you believe that the people of New York, that is, the majority of the people of New York, favor this project?

Mr. HAMLIN. I do not believe that the majority of the people in the State of New York are favorable to the project, and I do not believe that a majority of the State legislature would favor the project.

Mr. ANGELL. I call your attention to the first part of section 2, which authorizes the negotiation of an arrangement with the Power Authority of the State of New York, through the President, in which it is stated that it shall include provision for the payment of \$93,375,000—

which represents the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers, United States Army, and the Power Authority of the State of New York dated February 7, 1933, such payment to be made by the power authority over a period of 50 years with interest at the rate of 3 percent compounded annually.

You made some reference to the question of interest compounded annually referred to in the excerpt I have read. I would like to have you, if you will, Mr. Hamlin, explain that a little bit further.

Mr. HAMLIN. I read this section several times, Mr. Angell, and every time I read it I wondered about that word "compounded," why that word "compounded" was included. Now, it is an intimation, as I gather it, and I think it is reasonable to make that assumption, that it is not expected that the New York State Power Authority is to pay this 3 percent on the line on the first of January of each year, or whenever it becomes due. In other words, it is suggested that they need not pay it when it becomes due, but it can lie there and be compounded.

Now, that might be a very good idea for the New York State Power Authority, because I assume that when they start out on a project of this kind they do not know how much money they are going to collect from the sale of power. There is a possibility of there being an accident, or some trouble at the powerhouses. There is a possibility that there might be some sabotage at one of the powerhouses, which would involve a large expense, which might possibly utilize, for the purpose of repairs, all of the money that they had collected up to that time.

Of course, there is no control over the authority, gentlemen, as to what salaries are to be paid to the New York State Power Authority officials, or the number of employees that they are going to employ. There is no control by the United States Government on that. They are given *carte blanche*, or *carte blanche*, whatever it is, to proceed to administer the Federal Government's interest in the water power in the St. Lawrence River, and all they have got to do is to eventually pay, or, at least, they promise to pay \$93,375,000 with 3 percent compounded interest. Now, when is that going to be paid? There is not assurance here that it is ever going to be paid, because the credit of the State of New York is not pledged. It cannot be pledged under the basic law of the New York State Power Authority. The machinery and the water power cannot be pledged. As a matter of fact, the machinery and the water power is tied up completely by the United States Government, and I can imagine—I do not think it would occur—but I could imagine a situation where, from the legal point of view, they could go through 40 or 50 years, and then, at the end of that period, say, well, gentlemen, we have not very much money on hand, so you are out of luck.

Mr. ANGELL. What authority has been granted to the New York Power Authority to enter into obligations to bind the authority to the payment of this sum of \$93,375,000?

Mr. HAMLIN. The fundamental act creating the New York State Power Authority is very clear and specific on that subject.

It provides, in section 8, that, "No bonds or other obligations"—of course, this payment of \$93,375,000 plus is an obligation—

of the power authority shall be issued until firm contracts for the sale of power shall have been made by the power authority sufficient to insure payment of all operating and maintenance expenses of the project and interest and amortization and reserve charges sufficient to retire bonds of the power authority issued for the project in not more than fifty years from the date of issue thereof.

Therefore, it would be ultra vires for the power authority to sign an obligation to pay to the United States Government \$93,375,000 with 3 percent interest compounded until they have in their files and in their possession contracts that have been entered into with private companies, with municipalities and distribution companies, running for 50 years, the total amount to be received by virtue of those contracts to be at least sufficient to take care of or to insure payment of all operating and maintenance expenses of the project, interest, amortization of the bonds, and reserve charges. So that, therefore, if you are going to rely on the power authority signing any contract under the existing law, you have got to wait until they have got these contracts signed up in advance.

Mr. ANGELL. Under the New York Power Authority Act, has that authority the power to dispose of and market electricity outside of the State of New York?

Mr. HAMLIN. I do not believe so, sir.

I would like to call your attention to this: I do not know whether you are familiar with what has been going on in the State of New York, but there has been a certain amount of industry that has left the State. At least, it is claimed that it has left the State, on account of high taxation, and for one reason or another, and our State legislature became so much exercised about that that they appointed a special committee, and gave them a good appropriation, and they have been investigating the subject for a couple of years, as to why industry has left New York State. Now, they were so exercised about it that when they created the New York State Power Authority, they wrote into the act this clause:

SEC. 4. To study the desirability and means of attracting industry to the State of New York, consistent with and in effectuation of the policy declared in paragraph 5 immediately following.

Mr. ANGELL. In order for the power authority to undertake to enter into the contract which you have named, which would be required, as I understand, under this proposed law?

Mr. HAMLIN. Yes, sir.

Mr. ANGELL. To enable it to bind the authority to pay this obligation, would it not be necessary to build transmission lines and facilities and substations first for marketing the power?

Mr. HAMLIN. That would all depend upon to whom the power is to be sold. There are a number of plants that are in the immediate vicinity of the site, and I suppose transmission lines could be built to hook up those plants, and then we have a great distribution system in the State of New York known as the Niagara-Hudson system, and if the power from this site is connected to that system, that system, I am sure, would be able to handle the distribution of the power without

asking the power authority or the State or the Federal Government to make any contribution for the erection of additional transmission lines.

Mr. ANGELL. But if the Authority attempted to market it outside of New York in any of the other States, they would have to build transmission lines and substations?

Mr. HAMLIN. I should think so, because, as I understand it, the Niagara-Hudson system, and I am subject to correction, is entirely an intrastate system.

I believe that at one time they did deliver some power outside of New York State, but some years ago, my understanding is, the demands for power were so great within New York State that they desisted from exporting any power from New York State to the adjoining States. So, it is entirely an intrastate company.

Mr. ANGELL. My experience with the Bonneville project and Grand Coulee leads me to this opinion, that, regardless of your transmission system, if you burden it with this increased load, you will have to add additional transmission lines, because a line carrying electricity is like a railroad train carrying a load of freight. The more freight you have, the more cars you must have in the train; and the more electricity you transmit, the more transmission lines you have to build, with the transmission lines of about 220,000 volts to carry additional load.

Mr. HAMLIN. I would assume, sir, as to the Niagara-Hudson system, if it were to become the recipient of any considerable block of this power, would find ways and means, within its own system, to build the necessary transmission lines to take that power to the points where they would expect that it would be ultimately distributed to ultimate consumers.

Mr. ANGELL. But unless the power is to be utilized in New York State, there would have to be constructed an extensive system of transmission?

Mr. HAMLIN. If the power is to be delivered, certainly into New England, let us say, from the site, I should think it would be necessary for the New York State Power Authority, or some other governmental agency, to construct transmission lines to carry the power from the site to the other States.

Mr. ANGELL. Mr. Hamlin, have you a copy of the New York law which created the New York State Power Authority, which might be available to us to place in the record?

Mr. HAMLIN. Yes, sir; I have a copy of the law. I do not know whether this copy has been carefully compared, but I would suggest that it should not be difficult to secure it from the Library of Congress, and I will arrange that and hand it to the reporter.

That is chapter 772 of the laws of 1931.

Mr. ANGELL. Mr. Chairman, I ask permission to put that law with amendments in the record.

Mr. SMITH. Were there any amendments to the act of 1931?

Mr. HAMLIN. I think there was an amendment to the laws of 1933, chapter 448, which is the amendment which provides that the trustees of the power authority shall receive a per diem allowance of \$75 per day while in attendance at meetings, or traveling, or what not.

Mr. GAVAGAN (presiding). What was your request, Mr. Angell?

Mr. ANGELL. That a copy of the New York law, with all amendments, which created the New York Power Authority, may be submitted for the record.

Mr. GAVAGAN. Without objection, it is so ordered.

(Ch. 772 of the Laws of New York, 1931, above referred to, is as follows:)

An act to declare the policy of the State of New York in respect to the use of the St. Lawrence River for the improvement and furtherance of commerce and navigation and the protection and development of the water-power resources thereof, and providing for the creation of "the power authority of the State of New York" to effectuate the same, and making an appropriation for the purposes of the act

Became a law April 27, 1931, with the approval of the Governor. Passed, three-fifths being present

The people of the State of New York, represented in senate and assembly, do enact as follows:

SECTION 1. That part of the St. Lawrence River within the boundaries of the State of New York is hereby declared to be a natural resource of the State for the use and development of commerce and navigation in the interest of the people of this State and of the United States, and for the creation and development of hydroelectric power in the interest of the people of this State, and such natural resources, including the bed and waters of the river as instrumentalities of commerce and navigation, and the bed, waters, power, and power sites in, upon or adjacent to or within the watershed of the said river, owned or controlled by the people of the State, or which may hereafter be recovered by or come within their ownership, possession, and control, shall always remain inalienable to, and ownership, possession, and control thereof shall always be vested in, the people of the State.

SEC. 2. For the purpose of effectuating the policy declared in section 1 and of improving the St. Lawrence River as an instrumentality of commerce and navigation and developing the hydroelectric power resources thereof, there is hereby created a corporate municipal instrumentality of the State to be known as "the power authority of the State of New York," hereinafter referred to as the power authority which shall be a body corporate and politic, a political subdivision of the State, exercising governmental and public powers, perpetual in duration, capable of suing and being sued, and having a seal, and which shall have the powers and duties hereinafter enumerated, together with such others as may hereafter be conferred upon it by law.

SEC. 3. Such power authority shall consist of five trustees, who shall serve respectively for terms of 1, 2, 3, 4, and 5 years, to be appointed by the Governor, by and with the advice and consent of the senate. Each trustee shall hold office until his successor has been appointed and qualified. At the expiration of the term of each trustee and of each succeeding trustee the Governor shall, by and with the advice and consent of the senate, appoint a successor, who shall hold office for a term of 5 years, or until his successor has been appointed and qualified. In the event of a vacancy occurring in the office of a trustee by death, resignation, or otherwise, the Governor shall, by and with the advice and consent of the senate, appoint his successor, who shall hold office for the unexpired term. Three trustees shall constitute a quorum for the purpose of organizing the power authority and conducting the business thereof.

SEC. 4. The trustees shall choose from among their own number a chairman and vice chairman. They shall take over such part of the staff of the St. Lawrence power development commission, organized under chapter 207 of the laws of 1930, as they deem necessary and convenient, and from time to time shall select such employees, including engineering, marketing, and legal skill, as they may require for the performance of their duties and shall prescribe the duties and compensation of each officer and employee. They shall adopt bylaws and rules and regulations suitable to the purposes of the act. As long as and to the extent that the power authority is dependent upon appropriations for the payment of its expenses, it shall incur no obligations for salary, office, or other expenses prior to the making of appropriations adequate to meet the same. It shall report annually to the Governor and the legislature upon its operations and transactions.

SEC. 5. Forthwith upon the appointment and organization of the trustees and subject to the conditions and limitations in this act contained, the power authority, in cooperation with the proper Canadian authorities and those of the United States as hereinafter directed, shall proceed with the improvement and development of the international rapids section of the St. Lawrence River (which is

defined as that part of the said river from Ogdensburg to the point where it leaves the territory of this State) for the aid and benefit of commerce and navigation and for the development of the hydroelectric power inherent therein, generally in accordance with the report and plan submitted under date of January 15, 1931, by the majority of the St. Lawrence power development commission, appointed under chapter 207 of the laws of 1930, and in accordance with the provisions of this act.

The power authority is authorized and directed:

1. To cooperate with the appropriate agencies and officials of the United States Government to the end that any project undertaken under the authority of this act shall be consistent with and in aid of the plans of the United States for the improvement of commerce and navigation along the St. Lawrence River and shall be so planned and constructed as to be adaptable to the plans of the United States therefor, so that the necessary channels, locks, canals, and other navigational facilities may be constructed and installed by the United States in, through, and as part of the said project.

2. To negotiate with the appropriate Canadian authorities and agencies respecting the improvement and development of the International Rapids section of the St. Lawrence River for the aid and benefit of commerce and navigation and the development of hydroelectric power therefrom, and to plan and agree with them upon cooperative action to that end including any shifting of international boundary lines between Canada and the United States and upon the use, control, and disposition of the facilities to be created and the hydroelectric power to be developed by the project. Such negotiations and agreements shall be conducted and concluded with due regard to the position of the United States in respect to international agreements, and any such agreements as may be reached with Canadian authorities or agencies may be submitted by the power authority to Congress for its approval, if it be advised that such approval is necessary or desirable.

3. To apply to the appropriate agencies and officials of the United States Government and/or of the Dominion of Canada or its Provinces, including the International Joint Commission, for such licenses, permits, or approval of its plans or projects as it may deem necessary or advisable, provided that neither the said power authority nor any trustee, officer, or agent thereof shall have any power to waive or surrender for any purpose whatsoever any right of the State of New York, whether sovereign or proprietary in character, in and to the St. Lawrence River, its waters, power, channel, bed or uses, or the right of the said State to assert such rights at any future time, and provided further that if for any reason the power authority shall fail to secure any such license, permit, or approval as it may deem necessary or advisable, or shall decide not to make application therefor, it is authorized to institute suit, or to apply to Congress for legislation, or take such other action in the premises as it may deem necessary or advisable, in the furtherance of the project and for the protection of its rights and those of the State.

4. To study the desirability and means of attracting industry to the State of New York, consistent with and in effectuation of the policy declared in subparagraph 5 immediately following.

5. To develop, maintain, manage, and operate that part of the project owned or controlled by it in such manner as to give effect to the policy hereby declared (and all plans and acts, and all contracts for the use, sale, transmission and distribution of the power generated by the project, shall be made in the light of, consistent with and subject to this policy); namely, that the said project shall be in all respects for the aid, improvement, and benefit of commerce and navigation in, through, along, and past the St. Lawrence River and the International Rapids section thereof, and that in the development of hydroelectric power therefrom the said project shall be considered primarily as for the benefit of the people of the State as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity. In furtherance of this policy and to secure a wider distribution of the said power and use of the greatest value to the general public of the State, the power authority shall in addition to other methods which it may find advantageous make provision so that municipalities and other political subdivisions of the State now or hereafter authorized by law to engage in the distribution of electrical current may secure a reasonable share of the power generated at the project, and shall sell

the same or cause the same to be sold to such municipalities and political subdivisions at prices representing cost of generation, plus capital and operating charges, plus a fair cost of transmission, all as determined by the trustees, and subject to conditions which shall assure the resale of such power to domestic and rural consumers at the lowest possible price. To that end, the power authority may provide in any contract or contracts which it may make for the sale, transmission and distribution of the said power that the purchaser, transmitter or distributor shall construct, maintain, and operate, on such terms as the power authority may deem proper, such connecting lines as may be necessary for transmission of the power from main transmission lines to such municipalities or political subdivisions.

6. To negotiate in the manner hereinafter provided a contract or contracts for the sale, transmission, and distribution of the power generated under the project, which by the terms thereof will provide:

- (a) Payment of all operating and maintenance expenses of the project.
- (b) Interest on and amortization and reserve charges sufficient within 50 years of the date of issuance to retire the bonds of the power authority issued for the project.
- (c) Continuous control and operation of the project by the power authority.
- (d) The effectuation of the policy declared in subparagraph 5 above.
- (e) Full and complete disclosure to the power authority of all factors of cost in the transmission and distribution of power, so that rates to consumers may be fixed initially in the contract and may be adjusted from time to time on the basis of true cost data, provided that in fixing such cost of transmission and distribution no account shall be given to any franchise value, going value, or goodwill based upon the existence of the contract and the availability of the power for sale by the transmitting or distributing company or any company associated therewith.
- (f) Periodic revisions of the service and rates to consumers on the basis of accurate cost data obtained by such accounting methods and systems as shall be approved by the trustees and in furtherance and effectuation of the policy declared in subparagraph 5 above.
- (g) That the rates, services, and practices of the purchasing, transmitting, and/or distributing companies in respect to the power generated by this project shall be governed by the provisions and principles established in the contract, and not by regulations of the public-service commission or by general principles of public-service law regulating rates, services, and practices.
- (h) The rate structures agreed upon in the said contract may provide different rates for different localities, classes of consumers, and amounts of current consumed, and for changes in the rates resulting from variation in operating costs and fixed charges.
- (i) For the cancelation and termination of any such contract upon violation of the terms thereof by the purchasing, transmitting or distributing company or any subsidiary or associate thereof.
- (j) For such security for performance as the power authority may deem practicable and advisable, including provisions assuring the continuance of service by the purchasing, transmitting and/or distributing companies and/or the use of their facilities for such service and/or the continuance of an outlet and adequate market for the power generated under the project.

(k) Such other terms not inconsistent with the provisions and policy of this act as the power authority may deem advisable.

7. Upon the completion of the necessary contract or contracts as provided for in subparagraph 6 immediately preceding, to proceed with the physical construction of the project authorized by this act, including the erection of the necessary dams, powerhouses and other facilities, instrumentalities and things necessary or convenient to that end, and including also the erection of transmission lines, designed to conduct electricity to industrial and other users located at or near the site; and thereafter to maintain and operate the said project in accordance with the provisions and policy of this act. The power authority shall follow the plan reported by the majority of the St. Lawrence Power Development Commission above mentioned, but it shall have power to make such changes in the engineering plans as shall be necessary for agreement with the proper Canadian and United States authorities, or as it may itself find desirable upon further study. The power authority is specifically authorized to undertake the construction of the said project in one or more steps as it may find economically desirable or advantageous, and as it may agree with the appropriate Canadian and United States authorities. Whenever in this act reference is made to the "project," it shall be understood to refer to such part of the entire project as may from time to time be in existence or immediately projected.

8. To exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this act; and as incidental thereto to own, lease, build, operate, maintain, and dispose of real and personal property of every kind and character, to acquire real property and any or every interest therein for its lawful purposes by purchase, or by condemnation as hereinafter provided, to borrow money and secure the same by bonds or liens upon revenue from any property or contracts held or to be held by it, to sell water or electric power, and generally to do any and everything necessary or convenient to carry out the purposes of this act, provided that the power authority shall have no power at any time to pledge the credit of the State nor shall any of its obligations or securities be deemed to be obligations of the State nor shall the power authority have the power to lease or sell any dam, or powerhouse at the site.

9. Notwithstanding any limitations hereinbefore expressed, the power authority is authorized and directed forthwith or from time to time as it shall deem advisable and within the limitations of the appropriations made available for it to initiate and prosecute all inquiries, investigations, surveys, and studies which it may deem necessary or desirable as preliminary to the effectuation of the other powers and duties conferred upon it by this act.

SEC. 6. The State of New York hereby consents to the occupation and use by the power authority of any and all property of the State of whatever kind or character within the International Rapids section of the St. Lawrence River, and hereby vests the power authority with and delegates to it the right to exercise any and every right and power of the State in connection therewith, whether proprietary or sovereign in character, which the State itself might exercise, provided that such consent and delegation of power shall not permit the impairment or limit or prevent the future improvement of the navigability of the International Rapids section of the said river, consistent with the maintenance of this project, but on the contrary the project shall be such as will improve and benefit commerce and navigation therein and provided further that the power authority shall have no power to limit, waive, or surrender any right or interest of the State of New York in the said river or the use thereof. The State of New York does hereby pledge to and agree with those subscribing to the obligations to be issued by the power authority for the construction of such project and with those parties who may enter into contracts with the power authority pursuant to the provisions in subparagraph 6 above, that the State will not limit or alter the rights hereby vested in the power authority until the said obligations together with the interest thereon are fully met and discharged and/or the said contracts are fully performed on the part of the power authority, provided that nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of those advancing money on such obligation of the power authority or those entering into such contracts with the power authority. The power authority as agent for the State is authorized to include this pledge and undertaking for the State in such obligations or contracts.

SEC. 7. It is hereby found and declared that the project authorized by this act is for the aid and improvement of commerce and navigation, and that such aid and improvement of commerce and navigation and the development, sale, and distribution of hydroelectric power is in all respects for the benefit of the people of the State of New York, for the improvement of their health and welfare and material prosperity, and is a public purpose, and the power authority shall be regarded as performing a governmental function in undertaking the said project and in carrying out the provisions of this statute, and shall be required to pay no taxes or assessments upon any of the property acquired by it for this project or upon its activities in the operation and maintenance thereof. The securities and other obligations issued by the power authority, their transfer and the income therefrom shall, at all times, be free from taxation within this State. It is furthermore declared that the object and purpose of this statute is that the said project should be in all respects self-supporting.

SEC. 8. No bonds or other obligations of the power authority shall be issued until firm contracts for the sale of power shall have been made by it sufficient to insure payment of all operating and maintenance expenses of the project, and interest on, and amortization and reserve charges sufficient to retire, the bonds of the power authority issued for the project in not more than 50 years from the date of issue thereof.

SEC. 9. Contracts negotiated by the power authority as provided in subparagraph 6 of section 5 of this act, shall be entered into and executed as follows:

1. After agreement upon the terms of any such contracts shall have been reached by the power authority and its coparty or coparties, the power authority

shall hold a public hearing or hearings upon the terms thereof. At least 30 days' notice of such hearing shall be given by publication once in each week during such period in each of six newspapers within the State to be selected by the power authority. Copies of the proposed contract shall be available for public inspection during such period of 30 days at the office or offices of the power authority and at such other places throughout the State as it may designate.

2. Following such public hearing, the power authority shall reconsider the terms of the proposed contract or contracts and shall negotiate such changes and modifications in the contract or contracts as it then deems necessary or advisable.

3. When such contract or contracts are finally agreed upon in terms satisfactory to the power authority and its coparty or coparties, and which the power authority believes to be in the public interest, the power authority shall thereupon report the proposed contract or contracts, together with its recommendation and the record of the public hearings thereon to the Governor of the State who shall within 60 days thereafter, indicate his approval or disapproval thereof and give his reasons therefor. For the purpose of supplementary investigation of such contract by the Governor, \$25,000 is hereby appropriated out of any moneys in the State treasury not otherwise appropriated, to be expended by him for such investigation and the retention of such expert assistance thereof as he may desire. The said \$25,000 so appropriated shall be paid out of the State treasury on the audit and warrant of the comptroller upon vouchers signed by the Governor.

4. If the Governor shall approve such contract, then the same shall be executed by the chairman and secretary of the power authority and it shall thereupon come into full force and effect and be binding upon the power authority and all other parties thereto in accordance with its terms.

SEC. 10. In the event that the power authority shall be unable to agree upon the terms of a contract or contract in accordance with the provisions of subparagraph 6 of section 5 above, it shall report to the Governor and legislature the circumstances and the reasons for such inability to agree. It shall also report a plan or plans for the disposal of the power through some other method or methods, which in its judgment will effectuate the policy and purposes of this act, including the building of transmission lines, steam plants and/or distributing systems by it, if it finds the same practicable, together with estimates of the cost of such additional facilities, and the revenues to be derived therefrom. In the event of such inability to agree upon the terms of a contract or contracts as herein provided, or upon the Governor's disapproval of the proposed contract, none of the powers herein granted by section 5, subparagraph 7, to own, build, operate, and maintain dams, powerhouses, and other instrumentalities and things incidental to or connected with the development and sale of hydroelectric power shall be exercised until the legislature and the Governor shall have approved the plan or plans reported by the power authority.

SEC. 11. For the purpose of exercising its powers and performing its duties hereunder and of securing such information as it may deem necessary hereunder, the power authority shall have the power to compel the attendance of witnesses and the production of documents in the manner provided for in the civil practice act for the subpoenaing of witnesses and production of documents before a referee or special master, and if a person subpoenaed to attend before it shall fail to obey the command of such subpoena without reasonable cause, or refuse to be sworn or examined, or to answer a pertinent question or produce a pertinent book or paper the power authority may apply to the supreme court or any judge thereof for an order requiring such person to show cause why he should not comply with the subpoena or direction of the power authority. The court, or a justice before whom such order shall be returnable, shall examine such person, determine whether or not the testimony or evidence is relevant or pertinent, and if it be so determined, shall order such person to comply accordingly forthwith, and in the event of refusal may commit the offender to jail there to remain until he submits to the order of the court or such justice, or is discharged according to law. The power hereby conferred upon the power authority may be exercised by any one or more of the trustees if he or they are authorized so to act on behalf of the power authority by resolution or by law.

SEC. 12. If, for any of the purposes hereunder, including temporary construction purposes and the making of additions or improvements, the power authority shall find it necessary or convenient for it to acquire any real property as herein defined, whether for immediate or future use, then the power authority may find and determine that such property is required for a public use, and upon such due determination, the said property shall be and shall be deemed to be required for such public use until otherwise determined by the power authority

and with the exceptions hereinafter specifically noted the said determination of fact shall not be affected by the fact that such property has theretofore been taken for, or is then devoted to, a public use; but the public use in the hands or under the control of the power authority shall be deemed superior to the public use in the hands of any other person, association, or corporation. If the power authority is unable to agree for the acquirement of any such property, or if the owner thereof shall be incapable of disposing of the same, or if, after diligent search and inquiry, the name and residence of any such owner cannot be ascertained, or if any such property has been acquired or attempted to be acquired and title or other rights therein have been found to be invalid or defective, the power authority may acquire such property by condemnation under and pursuant to the provisions of this act.

1. When any real property within this State is sought to be acquired by condemnation, the power authority shall cause a survey and map to be made thereof and shall cause such survey and map to be filed in its office. There shall be annexed to such survey and map a certificate executed by the chief engineer of the power authority, or by such other officer or employee as may be designated by the trustees, stating that the property or interest therein described in such survey and map are necessary for its purposes.

2. Upon filing such survey and map the power authority shall petition a special term of the supreme court held in the judicial district in which the property is located, or the county court of any county where such property is located, for the condemnation of such property or interest therein, as have not been otherwise acquired. The said petition shall be generally in the form prescribed by section 4 of the condemnation law, so far as consistent herewith. Such petition, together with a notice of pendency of the proceeding, shall be filed in the office of the county clerk of the said county and shall be indexed and recorded as provided by law. A copy of the said petition together with a notice of the presentation thereof to such special term of the supreme court or to the county court shall be served upon the owners as provided in sections 5 and 6 of the condemnation law. The power authority may cause a duplicate original affidavit of the service thereof to be recorded in the books used for recording deeds in the office of the county clerk of the county wherein the said property described in such notice is situated, and the recording of such affidavit shall be prima facie evidence of due service thereof.

3. At any time after the recording of the petition and notice as above provided the power authority may enter upon and use and occupy all the parcels of real estate described in the proceedings for the condemnation thereof, provided that it shall first deposit with the court a sum equal to the assessed valuation of such real property, or in the event that the assessed valuation thereof cannot readily be ascertained, such sum as in its judgment shall be sufficient as compensation for the real property acquired. The sum so deposited shall be applied as provided in section 24 of the condemnation law. Upon the recording of the petition and notice and the making of the deposit, the owner or person in possession of such real property shall deliver possession thereof to the power authority upon demand, and in case possession is not delivered when demanded, or demand is not convenient because of absence of the owner or inability to locate or determine the owner, the power authority may apply to the court without notice for an order requiring the sheriff to put it into possession of such real property. Such an order must be executed as if it were an execution for the delivery of the possession of the property.

4. The proceedings thereafter shall be in the manner prescribed by the condemnation law so far as consistent herewith.

5. The commissioners appointed to ascertain and determine the compensation which ought justly to be made to the owners of property or interests therein appraised by them as provided in section 13 of the condemnation law shall make their report of the value thereof to the supreme court within 100 days from the date of their qualification.

6. The persons or corporations whose property shall have been taken by condemnation and who shall have agreed upon the compensation to be paid therefor in settlement of the proceedings, or to whom an award of compensation shall have been made by the court, shall be entitled to payment of the agreed or awarded compensation within 3 calendar months after the date of agreement upon the amount of the compensation or of the entry of the order confirming the report of the commissioners of appraisal, together with interest upon the amount of such compensation from the time of the entry and appropriation thereof by the power authority, to the date of payment of such compensation; but such interest shall cease upon the service by the power authority, upon the person or corpora-

tion entitled thereto, of a 15 days' notice that the power authority is ready and willing to pay the amount of such compensation upon the presentation of proper proofs and vouchers. Such notice shall be served personally or by registered mail and publication thereof at least once a week for 3 successive weeks in a daily newspaper, having a general circulation in the county where such property or any part thereof is located.

7. The power authority may, at its option, acquire such real property within the State of New York, under the general condemnation law.

8. The power authority and its duly authorized agents and employees may enter upon any real property for the purpose of making the surveys or maps mentioned in this section, or for such other surveys or examinations of real property as may be necessary or convenient for the purposes of this act.

9. The term "real property" as used in this act is defined to include lands structures, franchises, and interests in land, including lands under water and riparian rights, and any and all other things and rights usually included within the said term, and includes also any and all interests in such property less than full title, such as easements, rights-of-way, uses, leases, licenses and all other incorporeal hereditaments and every estate, interest, or right, legal or equitable, including terms for years and liens thereon by way of judgments, mortgages or otherwise, and also all claims for damages for such real estate.

SEC. 13. Forthwith upon their organization the trustees shall receive and take over the furniture, fixtures, books, maps, plans, records, reports and other papers and property of whatsoever kind pertaining or belonging to or in the custody of the members of the St. Lawrence Power Development Commission, appointed under and pursuant to chapter 207 of the laws of New York for 1930, or in their possession or under their control as such commissioners, or held by them or for which they are responsible in their official capacity, together with such members of their administrative, engineering, marketing, and legal staffs as the trustees shall deem necessary or convenient for them to carry out and perform their duties. They shall take up, study and consider the majority report of the said St. Lawrence power development commission and more especially the policies and recommendations therein contained. Immediately upon the organization of the power authority after appointment and qualification of a quorum of the trustees thereof, and upon completing the transfer above prescribed, the members of the St. Lawrence Power Development Commission shall be discharged from the performance of all further duties; except that the chairman or in his absence the vice chairman shall be authorized to sign all vouchers for payment for obligations theretofore incurred until all such obligations are paid.

SEC. 14. The trustees shall receive no salary, but each trustee shall be paid his reasonable expenses in the performance of his duties hereunder, together with a per diem allowance of \$100 when traveling or rendering services as trustee, provided that the aggregate of such per diem allowances to any 1 trustee in any 1 year shall not exceed the sum of \$10,000.

SEC. 15. \$300,000 is hereby appropriated out of any moneys in the State treasury not otherwise appropriated for the expenses of the power authority. The said sum so appropriated shall be paid out of the State treasury on the warrant of the comptroller upon vouchers signed by the chairman of the said power authority.

SEC. 16. All appropriations made by the State to the power authority shall be treated as advances by the State to the said power authority, and shall be repaid to it without interest either out of the proceeds of securities, or other obligations issued by the power authority for the construction of the project pursuant to the provisions of this act, or out of excess revenues from such project.

SEC. 17. If any term or provision of this act shall be declared unconstitutional or ineffective in whole or in part by a court of competent jurisdiction, then to the extent that it is not unconstitutional or ineffective such term or provision shall be enforced and effectuated, nor shall such determination be deemed to invalidate the remaining terms or provisions thereof.

SEC. 18. The rates, services, and practices relating to the generation, transmission, distribution and sale of power to be generated from the project authorized by this act shall not be subject to the provisions of the public service law nor to regulations by, nor the jurisdiction of the department of public service, but shall be regulated and determined under the provisions of the contracts entered into by the power authority as provided in subparagraph 6 of section 5 of this act. The provisions of the public service law and of the conservation law and every other law relating to the department of public service or the public service commission or to the conservation department or commission or to the

functions, powers, or duties assigned to the division of water power and control by chapter 619 of the laws of 1926, shall so far as is necessary to make this act effective in accordance with its terms and purposes be deemed to be superseded, and wherever any provision of law shall be found in conflict with the provisions of this act or inconsistent with the purposes thereof, it shall be deemed to be superseded, modified, or repealed as the case may require. Sections 6, 7, 8, and 9 of chapter 207 of the laws of 1930 are hereby repealed.

SEC. 19. This act shall take effect immediately.

Mr. CARTER. Do you know whether there has been any amendment to that section which relates to the authority to issue bonds?

Mr. HAMLIN. I am sure there has not been.

Mr. CULKIN. I call your attention to page 111 of your exhibit, the St. Lawrence seaway project.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. And to that portion of the report which States:

The Power Authority of the State of New York was created by an act of the State legislature in 1931, and was authorized to develop St. Lawrence power in conjunction with the Federal Government, should the St. Lawrence project become an actuality.

So that the power authority has been created by the legislature, which vested in the New York Power Authority the authority to act jointly with the Federal Government in the development of this power.

Mr. HAMLIN. Oh, yes; there is no question about that.

Mr. CULKIN. Just one more brief question: Under the State law, as I understand it, the provision in the law is that in the first instance that the contract shall be made with private utilities, if feasible. Do you recall that section?

Mr. HAMLIN. Yes, sir. Not when feasible; the contract should be arranged with the private consumers, private companies, and if such contract can be arranged, then it has to be submitted to the Governor for hearing.

Mr. CULKIN. To the Governor?

Mr. HAMLIN. Yes.

Mr. CULKIN. Then, if that cannot be accomplished, the legislature must take other means?

Mr. HAMLIN. No; excuse me—I do not mean to contradict you.

Mr. CULKIN. Go ahead.

Mr. HAMLIN. But the situation is this, gentlemen, that in case there is no meeting of the minds between the New York State Power Authority, and let us say, the Niagara-Hudson Co., or the Aluminum Co. of America, or whatever the other distribution company is, in respect to the entry into a contract which will run for 50 years, and which will produce enough money to pay the carrying charges, then, if there is no meeting of the minds, then the power authority is directed by the act to prepare a plan, an alternate plan, and that alternate plan, whatever it may be, then must be submitted to the New York State Legislature for their consideration.

In respect to the contracts that I spoke about a moment ago, if those contracts receive the approval of the Governor, after they have been entered into, they can be signed, and it is not necessary to have any further reference made to the New York State Legislature, but if there is no meeting of the minds, then the power authority has got to make another plan, and then it has got to submit that to the legislature, and, of course, the legislature could consider the plan and

either accept it or throw it out. That depends on what the plan is, and what the attitude of the legislature might be toward the plan.

Mr. CULKIN. Well, there is under the existing State law in New York; there is no attempted rape of the utilities.

Mr. HAMLIN. No attempted rape?

Mr. CULKIN. No attempted rape—to use a rather vulgar word—to the utilities company, is there?

Mr. HAMLIN. As I understand the public policy of the State of New York is declared in this act and reading into the act is that the State of New York as a public matter believes that the power on the St. Lawrence should remain for all time within the control of the public, you see, and should be developed by public authority. That is on the sale of power and the distribution of the power.

Mr. CULKIN. I do not think that that represents the thing—

Mr. HAMLIN (interposing). The policy of the State seems to be as indicated by this statute that arrangements should be made, if possible, for the distribution of power by the private companies, before any other plan is resorted to. Is that correct, Mr. Culkin?

Mr. CULKIN. That is all.

Mr. HAMLIN. Thank you.

Mr. ANGELL. Mr. Hamlin, the act creating the Federal Power Commission provides in section 6:

SEC. 6. The licenses under this act shall be issued for a period not exceeding 50 years.

There is no limitation in the transfer of this power to the State of New York under this proposed law, is there?

Mr. HAMLIN. As I read this proposed law, if the New York State Power Authority at the end of the 50 years has discharged completely its obligations to the Federal Government by payment of \$93,375,000, plus 3-percent interest, they will then become the sole proprietors as to the privilege of the use of the water and the plant for the development of hydroelectric power and that from that time on, in the sale of power to the State, they will not have to take into consideration any capital charges, and therefore the State will benefit by having the power sold to the ultimate consumers at operating costs only of the plant.

Mr. ANGELL. Under the Federal Power Commission Act, it is not only provided that licenses shall be limited to 50 years, but it also provides for recapture, contains a recapture clause, so that the Federal Government at the end of the 50 years may recapture the property.

Is there any such provision under this proposed law?

Mr. HAMLIN. No, sir. I should say that this law, which I suppose is the law passed subsequent to the passage of some general law, supersedes it? That is the practice in New York State, and I assume it is the practice in Congress.

Mr. ANGELL. I call your attention to a statement made by Mr. John W. Scott, a member of the Federal Power Commission in a little pamphlet recently issued, this year, 1941, in which he says:

This act created the Federal Power Commission and gave it authority to license, for not more than 50 years, water-power developments located on lands of the United States and waters subject to Federal control. It recognized such hydroelectric development to be essentially a public business that might be entrusted to private enterprise to the extent it served the predominant public interest in

the development of the Nation's water resources in an orderly, comprehensive manner in harmony with the best interests of the public.

The Power Act provides for the right of the United States to take over projects at the end of the license period.

In carrying out the policy as established by the Federal Government in this Federal Power Commission Act and in the work that has been done under it, in your judgment, would it not be advisable in any arrangement that might be entered into with the State of New York to place a limitation as to time, or such limitation should be put in, and also the right of the Federal Government to recapture the property?

Mr. HAMLIN. Well, I think, sir, that possibly a distinction might be made between a privately owned corporation and a State, and a State authority. This is a State authority and would be acting really as the agent, in a way, of the Federal Government, in the development and distribution or sale of power that is to be developed at the St. Lawrence.

I notice that in the act that you read to me, the licensing system seemed to refer to private companies.

Mr. ANGELL. No; may I call your attention to the language of the act. That is not correct, if I may say so.

Mr. HAMLIN. Yes, sir.

Mr. ANGELL. In subdivision (d) of section 4 of the Federal Power Commission Act it is provided:

To issue licenses to citizens of the United States, or to any association of such citizens, or to any corporation organized under the laws of the United States or any State thereof, or to any State, or municipality for the purpose of constructing, operating—

and so forth.

The license applies to the State as well as to any private corporation.

Mr. HAMLIN. I was not familiar with that language. That is correct; that clears the point clearly.

Mr. ANGELL. So, if we should enter into this arrangement with the Power Authority of New York, in accordance with the bill before us, we would be departing from the established policy laid down by the Congress in the Federal Power Commission Act and the licenses that have been issued under it.

Mr. HAMLIN. There is no question about it; sir.

Mr. ANGELL. Well, in determining what should be the public policy with respect to the power generated in this project, should not consideration be given to the fact that the economic transmission territory for the power, not only includes New York, but several other States much nearer than New York City itself?

Mr. HAMLIN. I think that Mr. Tallany when he appears here will establish, beyond peradventure of a doubt, that it will be impossible to sell power economically from this project in New York City.

Mr. ANGELL. Well, my understanding is that it may be marketed economically to a distance of 300 miles.

Mr. HAMLIN. Well, that will be developed by later witnesses as to the district.

I should say as a matter of public policy that the power available should be marketed within the area in which it can be most economically sold. I do not know whether I express myself correctly on that or not. In other words, let me put it this way, that if a radius, within

a radius of 50 miles, there should be a sufficient demand to absorb all of the power, then it would not be appropriate to export it beyond the 50-mile radii.

On the other hand, if you have got to take a radius of 100 miles in which to absorb the full load, now, it may be that a 300-mile radius might be the appropriate radius within which there would be developed demand for the absorption of this full amount of power.

So, I call that radius the economic radius which is based on the demands that would develop within the particular area, and if it should be developed that a 300-mile radius is the radius within which there would be a sufficient demand to absorb the power, then that should be the territory to which the power is distributed, and if that 300-mile radius takes in, from the point of view of the United States, other States than New York, then arrangements perhaps should be made that the power should be distributed throughout the whole territory.

Mr. ANGELL. Well, a 50-mile radius, apparently, would be all in New York; but a 100-mile radius would take in a portion of Vermont, and a 150-mile radius in addition to a portion of New York, would take in practically all of Vermont and a portion of New Hampshire, and a 250-mile radius would take in, of course, a large part of Pennsylvania, Connecticut, Massachusetts, New Hampshire, and Vermont.

Mr. ANGELL. Yes, sir.

Mr. ANGELL. And still would not reach New York City.

I think that is all.

Mr. HAMLIN. Thank you, sir.

Mr. BENDER. Mr. Chairman.

The CHAIRMAN. Mr. Bender.

Mr. BENDER. Under the bill, Mr. Hamlin, there is no recapture clause in case the New York Power Authority defaults in the principal payment of interest. Is that your understanding?

Mr. HAMLIN. On account of the inclusion of the word "compound" in there, there would be no default in the payment of interest until the end of the period, 50 years.

Mr. BENDER. "Compound" or "compounded" then thus becomes an escape clause to defer obligations; defer the payment of an obligation.

Mr. HAMLIN. To defer the payment of an obligation; yes, sir.

Mr. BENDER. The St. Lawrence program depends as much upon Canada as it does upon the United States?

Mr. HAMLIN. Yes, sir.

Mr. BENDER. What possible assurance can there be that a division of labor now undertaken by the Canadian Government will be completely fulfilled?

Mr. HAMLIN. The treaty.

Mr. BENDER. That is, can we say that the people of Canada will be able to sustain a tremendous financial burden imposed by the war without the additional load of the St. Lawrence? That is, the St. Lawrence project.

Mr. HAMLIN. Well, frankly, my personal feeling is that we are asking Canada to undertake an enormous burden in respect to the St. Lawrence which is not at all for their benefit but is for the alleged benefit, at least, for the United States. So that, therefore, Canada will strive its utmost, Mr. Bender, to carry out any agreement that

she enters into. That is the way in which the Canadians have always done, and the reason I speak of that particularly is the fact that Mr. Mackenzie King signed this agreement in the first instance—it was to carry out an agreement that he evidently had made with our administration. You see, the situation seems to be this: The Canadian Government for years has been trying to develop the water-power at Niagara and they offered at their own expense to turn 5,000 additional feet of water into Lake Superior. They were going to draw that from the Hudson Bay watershed. In other words, they were going to divert water from rivers flowing into Hudson Bay and let it flow into Lake Superior to the extent of 5,000 cubic feet per second.

Now, they came to the United States Government and said, "We want to do this, because we need the power, and we want to use that water at Niagara Falls. We will turn the 5,000 feet into Lake Superior, raise the lake levels, and let us draw it out at Niagara Falls," and the United States Government said "No. You cannot do that unless you sign the St. Lawrence treaty."

Well, I do not see that the St. Lawrence treaty has any more to do with that than—well, let us say, than the development at Passamaquoddy Bay has to do with it or the very fine plan that is before your committee for the development of the ship canal through Florida. There is no possible connection.

Well then what happened was this: The war came on. They needed the power. They evidently came and approached our Government again, our administration, and said, "Do let us take this water and power into Lake Superior and withdraw it at Niagara Falls."

Mr. BENDER. That is on their own part?

Mr. HAMLIN. Their own water, surely, and at their own expense, and our Government said, "All right, we will do that," but our administration said, "But if we do that, if we give you permission to use that water at Niagara Falls, your own water, and your own machinery, you have got to sign the St. Lawrence treaty." And so Mackenzie King, pressed as he was by the need of power, agreed, and it is right here in this letter that I read here yesterday.

We are also duly appreciative of the agreement recently reached between our respective governments, whereby the Province of Ontario has obtained the right to the immediate use of additional power at Niagara, and the diversion of the waters of the Ogoki and Long Lac Rivers in to Lake Superior—

Which now flow into Hudson Bay—

in consideration of which authority was given for the immediate investigation by United States engineers of the project in the international section of the St. Lawrence River in Ontario, in order to enable work of future development to proceed with the least possible delay, once an agreement between the two Governments respecting the St. Lawrence development was concluded.

Now, this, gentlemen, was the condition which was made by our Government to Mackenzie King, under stress of the circumstances, that they needed power at Niagara, and then is when Mackenzie King, when the agreement is presented, gentlemen, writes a letter, a revealing letter, which I read to you yesterday, really an appealing letter too, if you will read between the lines. "Do we have to carry through this bargain?" "Mr. Roosevelt says 'Yes'." Mr. Mackenzie King, gentlemen, is a gentleman. He is a businessman. He put his signature to something, and he says, "All right. bring the agreement. I will sign." He signed.

Mr. PITTENGER. Anyhow, you admit that we are not going to have any trouble with Canada taking care of her obligation?

Mr. HAMLIN. I think that Canada is fine and will stand right up and take care of it.

Mr. PITTENGER. I agree with you. I think that is an objection to the waterway that we can well dispense with.

Mr. BENDER. However, Canada is in this war with both feet.

Mr. HAMLIN. Yes, sir.

Mr. BENDER. That is correct?

Mr. HAMLIN. Yes, sir.

Mr. BENDER. In spite of that, you think that they will be able to carry on their part of this agreement.

Mr. HAMLIN. Yes. Gentlemen, if you want to know what I think, I think this: I think they will go through with anything they put their signatures to, although it hurts; but I think that they will carry that in the bottom of their hearts as long as they live as Canadians, in resentment of what our country is doing to them. That is what I think about it. I know Canada. I know Canadians. They are just as clearheaded as any of the fellows that live on this side of the barrier and they know that a spade is a spade.

Mr. PITTENGER. You do not think that there is any resentment on their part to the program and the work that the United States is doing to help them in this World War, do you?

Mr. HAMLIN. No, sir.

Mr. PITTENGER. I agree with you.

Mr. BENDER. Mr. Hamlin, the real objective of this project is to get another T. V. A. on the St. Lawrence. Do you not think that most of this navigation argument is moonshine?

Mr. HAMLIN. Well, gentlemen, I agree with your chairman when he stated yesterday that he never saw any particular—I am probably not properly quoting him—any particular justification in the economic development of the St. Lawrence seaway. Am I correct in that, Mr. Mansfield.

The CHAIRMAN. I said I had never advocated navigation.

Mr. HAMLIN. The navigation feature.

The CHAIRMAN. No.

Mr. HAMLIN. I do not want to put any words in your mouth, Mr. Chairman.

The CHAIRMAN. Neither have I ever opposed it.

Mr. HAMLIN. Yes, sir.

Mr. BENDER. Is there a crying need for power, additional power, at this time in this area that present facilities cannot take care of?

Mr. HAMLIN. Yes, sir; I think there is.

Mr. BENDER. In what particular area?

Mr. HAMLIN. Why, as I understand it, there is a large plant of the Aluminum Co. of America that is up near Massena and I think there are some other large plants. Mr. Culkin, perhaps, could explain what they are. They are up in his territory and he could probably explain that they are in need of additional power.

However, our engineer, Mr. Tallamy, who will follow me, will point out a practical way in which those plants can be furnished with all of the possible power that they will require at very much less expense.

Mr. BENDER. Without undertaking this project?

Mr. HAMLIN. Without undertaking the St. Lawrence project.

Mr. CULKIN. Will the gentleman yield?

Mr. BENDER. Yes.

Mr. CULKIN. How do you explain, Mr. Hamlin, the Canadians' unwillingness to build this seaway, proposed seaway, when they on their own responsibility, and single-handed, built the Welland Canal; the new Welland Canal, at a cost of \$133,000,000. How do you differentiate that?

Mr. HAMLIN. As pointed out by your chairman yesterday, a great amount of the traffic upon the Welland Canal is completely of Canadian origin and for the service of Canadian ports, while the building of the seaway will destroy the values created at the ports of Montreal, Quebec, Halifax, and St. Johns, and also will seriously threaten the financial stability of the Canadian National Railway, which is a wholly owned Government railroad.

Mr. CULKIN. That apparently has been considered by the Canadian Government. They rejected these internal considerations which you refer to by signing this treaty, and prior to that, they spent \$133,000,000 developing this marvelous Welland Canal with locks in it, I think, a thousand feet long.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. I am sorry that I cannot follow your reasoning on that. That is all.

Mr. HAMLIN. Well, I think, and I hope I have made my position clear in the matter.

I think that they have signed this treaty, sir, to carry out an enforced agreement.

Mr. CULKIN. Well, your inference that the Canadians are not in favor of this?

Mr. HAMLIN. In other words, they abandoned their domestic economy in order to forward themselves in connection with their war efforts.

Mr. CULKIN. Do you think that there was ever any question about the right of the Canadians to recapture that 5,000 cubic feet per second of water from the Hudson Bay country?

Mr. HAMLIN. It is absolutely and completely within their own territory.

Mr. CULKIN. I understand all of that.

Mr. HAMLIN. They have an absolute right, but they could not draw it out of the falls without the consent of the United States.

Mr. CULKIN. Well, I think that you are unfair to the President's all-out efforts; all-out efforts which the President is making in connection with this—

Mr. HAMLIN. I am completely in accord with the all-out efforts of the President of the United States in his conduct of the foreign affairs of this country and of the aid to Great Britain.

Mr. CULKIN. And Canada?

Mr. HAMLIN. And Canada.

Mr. DONDERO. Just one question. Mr. Hamlin, how do you explain to this committee the fact that the St. Lawrence Channel has been deepened on three different occasions, in the face of your statement that it will destroy commerce to Montreal and also the fact that that was done by the Canadian Government?

Mr. HAMLIN. I have no explanation.

Mr. DONDERO. That is all.

Mr. BENDER. Mr. Hamlin, I read a list of ports that would be benefited as the result of the development of this project. This list was put in the record by my genial friend, Judge Culkin.

Mr. CULKIN. Thank you for the designation.

Mr. BENDER. And I think in that list there was the port of Rocky River. Is that correct?

Mr. HAMLIN. I gave the list to the reporter. I am sorry; I cannot remember Rocky River.

Mr. CULKIN. Will the gentleman yield there?

Mr. BENDER. Yes, sir.

Mr. CULKIN. Did you put that discussion in the record as we agreed upon?

Mr. HAMLIN. Yes, sir. I gave the entire bill to the reporter.

Mr. CULKIN. I am going to mail each member of the committee a copy of that. I located them this morning. I think that they are illuminating.

Mr. BENDER. Rocky River is in my county, and I know something about the port of Rocky River. I am curious to know if many of these ports listed are about on the same order as the port of Rocky River?

If the people in this area are to be kidded about creating ports in their areas, by virtue of their being listed as possible international ports, I think it is important for us to establish that fact and put it in the record.

Mr. CULKIN. Will the witness yield to me there?

Mr. HAMLIN. Certainly.

Mr. CULKIN. This is correct. These ports can be reached from the larger ports in that area. They can be reached by other means of transportation, by truck or by rail, and if need be, by lighterage. Lighterage is in use in one-half of the ports of the world.

If the gentleman will pardon me further, I was in Buenos Aires 3 years ago, and the *Normandie* came in there carrying tourists. She had to anchor 20 miles off shore. She was actually out of sight of land. Her draft was too great. She could not get any closer than 20 miles. She could not be seen from the shore at times. The people were brought ashore through the medium of various smaller craft. That illustrates the possibility of lighterage, which, as I say, is in effect in one-half of the ports of the world.

The territory around Rocky River, the larger ports are benefited, if their growth is stimulated as was Corpus Christi's—and I hope that the gentleman will read my discussion in detail on that question—it will have a profoundly and favorable effect upon these smaller areas. That definitely is my contention.

All that the gentleman has to do is attempt to visualize the development of his own State which came from the lake—Cleveland, for example, and cities in other States; Chicago, and Buffalo.

They all owe their location on the water and industry and other developments followed that, and it probably affected the smaller areas. That is not an apology, gentlemen, but my explanation of that.

Mr. BEITER. The gentleman from Ohio—Mr. Bender—would have to stretch his imagination a great deal to picture the *Normandie* out there at Rocky River, would he not?

Mr. BENDER. Yes. I am afraid that I would have to drink a lot of liquor. I never drank in my life, but I am afraid I would have to drink a lot of liquor before I could do that; that I would have to get awfully drunk before I could visualize Rocky River as a seaport.

Mr. CULKIN. All I want the gentleman to do is just not to be too visionary, but I want him to be realistic.

Mr. BENDER. That is what I am talking about.

Mr. CULKIN. And give me credit, and not be too realistic, but give his imagination some degree of play on the possible economic results of this situation.

Mr. BENDER. Mr. Hamlin, I have before me the speech of Hon. Francis D. Culkin in the House of Representatives on January 22, 1940; and in the speech he says:

The seaway will convert more than 85 inland communities of the United States into seaports. The following is a list of lake ports that will be profoundly and favorably affected by the completion of the St. Lawrence seaway.

There is no question about Rocky River being included in this list. Have you ever been to Rocky River, Mr. Hamlin?

Mr. HAMLIN. No, sir; I never had the pleasure.

Mr. BENDER. I suggest on your way home you drop off in Cleveland and try to take a big boat to Rocky River, and try to find the port.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. I will say to the gentleman that this list was submitted to me by the United States Army engineers.

Mr. BENDER. Well, I have great respect for the United States Army engineers and I have always respected them, and I think they are fine people and their word is certainly good with me and always has been. But if some of the testimony of the Army engineers is as good as this, then I have got to revise my opinion of the Army engineers, testimony.

The CHAIRMAN. If the gentleman will permit me to state, you can compare that with the record of the War Department, and you will find that list contains every port on the Great Lakes, big and little. They only have about eighty-one or two or three or four ports; I have forgotten the exact number. And that list contains every one of them.

However, it has been the policy of Congress ever since I have been a Member of it, not to deepen any port unless it can be shown conclusively that the needs of commerce for that port justify the cost proposed.

Now, at New York we have increased the depth there recently from 40 to 45 feet, just to accommodate a few large ships that do not go to any other American port. We have not thought of doing that for any other port. Down at Houston and Galveston, in my State, where we handled 50,000,000 tons of commerce, we only have 34 feet; and I had to wait for 10 years to get that.

Mr. BENDER. Mr. Chairman, you know with what great esteem I hold you and every other member of the committee, and I have respect for all you say and grant that everything is correct. But I feel that these people are kidding my constituents into believing they are going to be benefited by this project. They are advancing the T. V. A. project here and are embellishing it with this navigation argument, and then advancing such a statement as this as one of the reasons for the United States to go into this project. Mr. Culkin's speech has been widely circulated in my area.

Mr. GAVAGAN. Will the gentleman yield for a moment?

Mr. BENDER. Yes.

Mr. GAVAGAN. Has the gentleman been hearing from the folks back home?

Mr. BENDER. Yes; I have been hearing plenty from the folks back home against the project.

Mr. GAVAGAN. I wanted to be certain that the gentleman would be interpreted correctly. I was fearful the gentleman was a little afraid of the opinion of his people back home, of his constituents.

Mr. BENDER. I am not the least bit disturbed about that. As a matter of fact, I have before me today two editorials appearing in two of the leading newspapers of my home town yesterday, one of them for the project and the other against it. Here they are.

Mr. Chairman, I ask for unanimous consent to insert both of these editorials in the record.

The CHAIRMAN. Without objection, so ordered.
(The editorials are in full as follows:)

[From the Cleveland Plain Dealer, June 25, 1941]

WHERE IS CLEVELAND?

It is time for the people of Cleveland to find out why so many of the leaders of this community—business, civic, and political—have failed to rally to the support of a project which would make our city an ocean port for at least two-thirds of every 12 months; why, in fact, some of these leaders are down in Washington vigorously opposing the St. Lawrence seaway.

One wonders what hold some of the railroads and some of the lake ship owners have on this town that the fear they will lose a little business is able to outweigh all the obvious advantages which the St. Lawrence project would give to the industrial, commercial, labor interests, and the consumers of Cleveland.

What are some of these advantages? First of all, Cleveland would become a shipbuilding center almost as soon as the project was approved, for the Government would immediately begin laying down the keels for our two-ocean Navy and the commercial bottoms which are going to be needed for a long time to come and which would be about ready when the waterway was completed.

Secondly, Cleveland, as a customs port, would receive much of the raw products which are used in industry both here and in the whole northeastern Ohio area—such as rubber for Akron, sulfur for our chemical works, the higher grade ores which are not available in other lake parts and must come from other parts of the Nation and the world. This would reduce the cost of these raw materials to the manufacturers, thus lowering the price of the finished product and making it possible for this area to compete better with industries in those areas which are now favored by ocean transportation.

In the third place, many of the products manufactured in and near Cleveland could be shipped to the world market directly from our wharves, again reducing the price at which they could be sold, and thus placing us in a better competitive position.

But most important of all, perhaps, would be the reduction in the price of food-stuffs and materials which are used here and which come from all over, but especially from other parts of the continent, such as bananas from Central America and canned goods and lumber from the Northwest.

Other Great Lakes ports have been quick to foresee these benefits, and are actively fighting to bring them to the cities of this great inland sea. Chambers of commerce are backing the St. Lawrence project in such cities as Detroit, Milwaukee, Duluth, and Muskegon. In Detroit the mayor has appointed a committee made up of business, labor, civic, and professional leaders which is carrying on a vigorous campaign for the waterway. The whole State of Michigan is working for the project through its Great Lakes Tidewater Commission.

But what of Cleveland? Why, Cleveland is the place where on last January 17 the National St. Lawrence Project Conference was organized to help the cities of the Atlantic coast and the Gulf of Mexico keep Cleveland from becoming an ocean port. Cleveland is the home of Congressman George H. Bender, who is

fighting the St. Lawrence project tooth and nail on the House Rivers and Harbors Committee. Cleveland's Chamber of Commerce is a leader in the opposition. And not even those Clevelanders who have seen the light have yet been gathered together in a group to offset the efforts of those who are working against the community's best interests.

[From the Cleveland News, June 25, 1941]

DANGER TO CLEVELAND'S FUTURE

The parade of Federal position-holders, commission chairmen, bureaucrats, etc., each to say he "favors the St. Lawrence seaway project as a defense measure," continues until the congressional committee stenographers can almost write the testimony before it is given. It is stereotyped. It adds up only to this one point: The plain determination of President Roosevelt to force the seaway project through Congress in order to get another Tennessee Valley Authority on the St. Lawrence.

Power is the only thing the administration is interested in. What testimony there has been about the use and effect of the proposed waterway has been so meager as to be pathetic. The witnesses themselves know nothing and care little about the seaway's character.

And yet to Cleveland it might work a disastrous economic revolution. Here we are today, the capital of the Great Lakes by domination and control of the Lakes shipping. But let small ocean-going ships start coming by fleet into the Great Lakes, and what domination and control can Cleveland have over them and their prices and their wage rates and the revenue their operations would bring? Very little; and we do not think it sensational to say that such a change in the character of the Lakes traffic might slowly retire Cleveland to a second rate shipping future.

This city exists because it is the short-line junction for upper lakes iron ore and southeastern coal in their land and water travel. Divert both into ocean traffic of which Cleveland would have little or no portion, and what is to become of us?

It is somewhat shocking that the public-power-obsessed Government witnesses for the project have had so little to say about the fate of the Great Lakes, the richest industrial territory in the whole country. It is as if they had not given such a thing any thought. That is not the manner of responsible authorities.

Even more upsetting is the plain plan of President Roosevelt and the congressional leaders to treat the project as a matter of internal legislation, and not as the usual treaty with Canada—which the St. Lawrence project certainly is. A treaty would take a two-thirds vote of the Senate to pass. That is why the attempt is being made to evade it. The thoughtful citizen will tell his Congressmen to oppose this project.

Mr. GAVAGAN. Will the gentleman yield to me now?

Mr. BENDER. Yes.

Mr. GAVAGAN. Then evidently Mr. Culkin's speech is having some effect on your constituents. At least, it has converted one of your newspapers.

Mr. CULKIN. Half a newspaper.

Mr. BENDER. Long before they heard of Judge Culkin, this newspaper has been advocating the Great Lakes-St. Lawrence seaway.

Mr. CULKIN. Don't you want Rocky River to be benefited by this?

Mr. BENDER. I don't want the people of Rocky River to be "horn-swoggled" in this manner, and sitting up nights waiting for the *Normandie* to land.

Mr. PITTENGER. What is the population of Rocky River?

Mr. BENDER. Rocky River is in the western part of Cuyahoga County. You see that picture over there, and the mountains up there?

Mr. PITTENGER. I asked you the population. Do you have filling stations?

Mr. BENDER. We have some filling stations; yes.

Mr. PITTENGER. More than one?

Mr. BENDER. Yes; we have about 25 or 30 thousand people, but it is contiguous to Cleveland. It is a suburb of Cleveland.

Mr. PITTINGER. That is my next question. It is right next to Cleveland.

Mr. BENDER. Yes; that is right.

Mr. PITTINGER. The two are one, for practical purposes, and for commercial purposes?

Mr. BENDER. Rocky River is a part of Cuyahoga County, our county. It is a part of metropolitan Cleveland.

Mr. PITTINGER. That is right.

Mr. GAVAGAN. Something like Yonkers is to New York?

Mr. CULKIN. If the project is built, Rocky River will go to 100,000, that is my prediction, in spite of the gentleman's objection.

Mr. HAMLIN—

Mr. CULKIN. One more suggestion: As I am sending the gentleman a full copy of that speech, I hope you will read it carefully again. Then he will become, as I am, more or less of a qualified "empire builder." The gentleman needs a touch of imagination.

Mr. BENDER. We certainly do, in connection with this project.

Mr. CULKIN. The only thing the gentleman lacks is a little touch of imagination plus some applied realism.

Mr. BENDER. I am a realist to the extent of wanting to know from Mr. Hamlin regarding the defense argument in connection with this project, which is more essential at this time, the spending of this money for this project or the building of destroyers, cruisers, battleships, and warships for Great Britain?

Mr. HAMLIN. Well, sir, in regard to the defense argument, my feeling is that there are only two possible claims that could be made for this project as a defense matter: One is that you might be able to build a certain number of boats up in the Great Lakes yards and float them to the sea through a deepened St. Lawrence Waterway. And the other is that you might be able to develop in the course of years a certain amount of needed electric power.

I did hear an argument once that the fleet could take refuge in the Great Lakes, but I never put much faith in that argument, because I thought the fleet would certainly rather stay on the high seas than coop themselves up somewhere in Lake Superior, far from the coast and hampered by the canals and one thing and another in the St. Lawrence.

So, really, the only two reasons in the world as to why this thing could be utilized as a defense project: One is they could build some boats up in the Great Lakes, and the other is you can develop some power.

Now, so far as the building of boats is concerned, I am told by a competent authority that the entire shipbuilding facilities in the Great Lakes could be utilized from now for 4 or 5 years in the building of destroyers and submarines and mine sweepers and tugs and tenders and all of these various small boats, for the relief of Atlantic and Gulf and Pacific coast yards to that extent. As a matter of fact, you could build some of the merchantmen, as was pointed out by the captain here the other day, up in the Great Lakes yards.

So it seems to me that the defense argument on the proposition of building boats up there is sufficiently answered by the fact that the

yards up there have been used to their capacity to produce needed vessels, and that has relieved the yards below.

Now, this power question will be covered by Mr. Tallamy. But it seems to me that this whole argument for the St. Lawrence as a defense project is that somebody is trying to "pull some chestnuts out of the fire, old chestnuts," by bringing up this defense argument. I cannot see it any other way, gentlemen. I think it would be a fearful waste of money and men and material at this critical moment in the world's history. A hundred thousand men would be required to build this project here, to complete the project within 4 years. It would take a commitment of the United States and Canada, unless the toll system is to be put through, to carry the costs of the tax burden on the taxpayers of \$1,144,000,000; 50-50 for Canada and the United States. It just seems too ridiculous to consider.

Mr. BENDER. Mr. Hamlin, my last question: What is in the seaway for Oswego?

Mr. HAMLIN. Oswego, if the harbor were deepened there, as I assume that Mr. Culkin feels perhaps it might be, would become an ocean port, along with Buffalo, Cleveland, Chicago, Milwaukee, Duluth-Superior, and the other great ports on the Lakes, the 13 ports. It could well be one of the 13 great ports, I think.

Mr. DONDERO. Mr. Chairman, I move we now adjourn for lunch.

Mr. HAMLIN. Are there any further questions for me, sir? There are lots of other people who want to be heard, and I feel I have taken up too much time already.

Mr. GAVAGAN. I have some questions to ask you. I do not want to put you out of your way.

Mr. HAMLIN. That is all right, sir.

The CHAIRMAN. We want to take up somebody else this afternoon, so you had better finish your questions.

Mr. GAVAGAN. Mr. Hamlin, you have expressed a very high opinion of the efficiency and honesty and patriotism of the Canadian officials and of the Canadian people in general; and I assume you have as high an opinion of American officials, is that correct?

Mr. HAMLIN. Yes; of many of them.

Mr. GAVAGAN. You qualify it. But let us stick to this project. You evidently feel that the Canadian official has a very high sense of duty and patriotism, and you have expressed yourself on that. Now, don't you think that the American statesman has as high a degree of patriotism and honor as the Canadians, insofar as this project is concerned, now?

Mr. HAMLIN. Well, sir, I don't think so.

Mr. GAVAGAN. All right; I will take that answer. Now, you seem to be much worried about the use of an adverb here. In section 2 on page 3 you seem to build up, in my opinion, a "straw man" as to the provision that the rate of interest on the contract between the United States Government and the Power Authority of the State of New York would be 3 percent compounded annually. Now, you are of the opinion that that word "compounded" has been used for some nefarious reason; in other words, it is a way for the power authority or the State authority to escape the provisions of this agreement; is that right?

Mr. HAMLIN. I cannot see why it is in there, why they write it in.

Mr. GAVAGAN. All right; suppose we take it out. Will you then favor the project?

Mr. HAMLIN. I think you ought to take it out, but I will not favor the project, because that is just a small word. Take out a few more words, and I will favor it, maybe.

Mr. GAVAGAN. Now, in section 2 of the bill, I am going to ask you now in your opinion as a lawyer, if section 2 of this bill does not contemplate two things, two separate and distinct things; one, the transfer to the power authority by the Federal Government of the power facilities constructed pursuant to this authorization, and of the right to the use of the United States' share of the water; is that correct?

Mr. HAMLIN. I think that is the language of the bill.

Mr. GAVAGAN. So there is quite a distinction, then—and I am asking you as a lawyer again—between the transfer to the power authority of power facilities, and the use of the water power, is there not?

Mr. HAMLIN. Well, they transfer the right to use the United States' share; they transfer the power facilities and the right to use.

Mr. GAVAGAN. But there are two different and distinct transfers are there not?

Mr. HAMLIN. Well, one transfers—

Mr. GAVAGAN. Take the first one, the transfer to the power authority of the power facilities; that is a transfer in fee to the power authority is it not?

Mr. HAMLIN. I should think so.

Mr. GAVAGAN. But the control, you see, of the right to the use of the water, that is not a transfer in fee, is it?

Mr. HAMLIN. It is a transfer in perpetuity.

Mr. GAVAGAN. I did not ask you that. I ask you as a lawyer, is that a transfer of a fee or of the title to the water?

Mr. HAMLIN. It is a transfer to the usufruct of the water.

Mr. GAVAGAN. So the transfer of the usufruct of the thing is not a transfer to the title of the thing; is it?

Mr. HAMLIN. No. You know, water runs along, it comes in one end—

Mr. GAVAGAN. You are too good a lawyer, and so am I, to take that.

Mr. HAMLIN (continuing). And goes out the other.

Mr. GAVAGAN. Will the stenographer read my question?

The REPORTER (reading):

I ask you, as a lawyer, is that a transfer of a fee or of a title to the water?

Mr. HAMLIN. I should say it is a transfer of the right to use the flowing water. It is the usufruct of the water. Now, water runs in one end and runs out the other.

Mr. GAVAGAN. But that is not a transfer of the title to the water or water power; is it?

Mr. HAMLIN. No; the water comes out below and goes on and does not belong to anybody.

Mr. GAVAGAN. And it still leaves it that it belongs, it remains in the Federal Government, pursuant to the terms of this agreement?

Mr. HAMLIN. Well, but if it goes into the Atlantic Ocean, then it becomes international.

Mr. GAVAGAN. Well, now, let us stick to the agreement.

Mr. HAMLIN. All right, sir.

Mr. GAVAGAN. Let us stick to the agreement. So you concede now, that the transfer of the right to the use of the water is not the transfer of the title to the water?

Mr. HAMLIN. No; the title to the water is not transferred, as I understand it.

Mr. GAVAGAN. Now, Mr. Angell—and I am sorry he is not here—read several passages from the Power Authority Act, forbidding sales to any individual or corporate body or municipal body of the ownership in perpetuity or the fee in perpetuity. Now, that act has no application to the right, to the permission or to the right to the use of the water, has it?

Mr. HAMLIN. I am afraid I do not understand the question; I am sorry.

Mr. GAVAGAN. Well, Mr. Angell referred your attention, he called your attention to the Federal Power Act, and that act forbids the transfer of title to a water power, and by the phraseology of that act it remains in perpetuity in the United States.

Now, is not this an attempt by the Federal Government to conform with that law or with that act, in the sense that this agreement merely gives to the power authority the use of the water?

Mr. HAMLIN. I think I understand completely now your point, and I am very much inclined to agree with you. In other words, the power authority has no right at all under State authority to transfer to anybody or to pledge in any way as security for any moneys it may borrow, this right to use the water or the dynamos or the dams or anything. The only thing that it can pledge as security to meet its obligations are the contracts that it enters into with private concerns and with municipalities.

Mr. GAVAGAN. We will come to that in a minute. So that you now agree that this is not a transfer by the Federal Government to the Power Authority of the State of New York of ownership in that water?

Mr. HAMLIN. No, sir; it is the transfer of the right to use the water.

Mr. GAVAGAN. Just to use the water?

Mr. HAMLIN. Yes, sir.

Mr. GAVAGAN. Then of course you know that the agreement also provides that the right to use or the usufruct, as you say, of the water, shall be upon such terms and conditions as may be subsequently agreed upon; is not that right?

Mr. HAMLIN. I think a lot of the terms and conditions are mentioned right in the bill.

Mr. GAVAGAN. And other terms are evidently anticipated by this legislation we have before us. But it specifically provides at the top of page 3, upon such terms and conditions as may be agreed upon?

Mr. HAMLIN. But pardon me, sir; that is limited by the phraseology from line 9 to line 17. In other words, they cannot agree upon any terms and conditions that would conflict with the protection of the public interest.

Mr. GAVAGAN. Not any terms or conditions that would be in conflict with the enabling act; of course not.

Mr. HAMLIN. No.

Mr. GAVAGAN. And it also contemplates that future agreements shall be ratified by Congress; on page 3, line 17:

The arrangement negotiated pursuant to this section shall be reported to Congress, and shall become effective when ratified by Congress and the State of New York.

Mr. HAMLIN. Yes; that is what we were talking about, the necessity of having the matter presented to the New York State Legislature.

Mr. GAVAGAN. And then back to the Congress?

Mr. HAMLIN. Yes, sir.

Mr. GAVAGAN. And that the agreement that is to be subsequently entered into, assuming that this legislation is passed, that the agreement subsequently entered into between the United States Government and the State of New York will be ratified again by the Congress; is not that anticipated by this bill?

Mr. HAMLIN. Yes, sir; and also by the New York State Legislature.

Mr. GAVAGAN. Yes; that is true.

Now, you also called our particular attention to section 8 of the New York Power Authority Act?

Mr. HAMLIN. Yes, sir.

Mr. GAVAGAN. Now, is not that section simply an attempt by the legislature or by the State of New York—

Mr. HAMLIN. Pardon me, sir; do you not refer to subdivision 8 of section 5?

Mr. GAVAGAN. Well, I had it here in your statement, Mr. Hamlin, on page 19:

Finally, section 8 of this act provides—

and you go on—

Mr. HAMLIN. Yes.

Mr. GAVAGAN (reading):

And this is the stumbling block, I quote the exact language—

Mr. HAMLIN. Yes.

Mr. GAVAGAN (reading):

No bonds or other obligations of the power authority shall be issued until firm contracts for the sale of power shall have been made by it sufficient to insure payment of all operating and maintenance expenses of the project and interest and amortization and reserve—

and so forth.

Now, is that not nothing more nor less than an honest attempt by the State of New York to protect the credit of the Power Authority of the State of New York?

Mr. HAMLIN. Certainly.

Mr. GAVAGAN. And nothing more nor less than a delimitation of this authority's power?

Mr. HAMLIN. Correct.

Mr. GAVAGAN. That is all.

Mr. MACIEJEWSKI. Mr. Chairman, just one or two questions.

The CHAIRMAN. Yes.

Mr. MACIEJEWSKI. I see that you are chairman of the Niagara Frontier Planning Board?

Mr. HAMLIN. Yes, sir.

Mr. MACIEJEWSKI. And your organization has continually tried to help that part of the country of Buffalo and around there?

Mr. HAMLIN. Yes, sir; that is our duty.

Mr. MACIEJEWSKI. And your contentions are that this project is going to hurt Buffalo; am I right?

Mr. HAMLIN. No, sir—well, it will hurt Buffalo; yes. But we have approached the thing, as I tried to outline in my statement—

Mr. MACIEJEWSKI. But it would hurt Buffalo?

Mr. HAMLIN. Yes, sir; but we have tried to approach it from a national viewpoint; sir.

Mr. MACIEJEWSKI. And you are a member of that St. Lawrence project conference that has been organized to defeat this project?

Mr. HAMLIN. We were invited—I attended the meeting; I was invited to attend the meeting in Cleveland.

Mr. MACIEJEWSKI. Did you help organize this conference?

Mr. HAMLIN. I was invited to attend this meeting, and I was there at the time the resolution was made organizing the conference. As a matter of fact, I think I made the motion.

Mr. MACIEJEWSKI. That is all.

Mr. BENDER. Were you the Progressive Party's candidate for Governor in 1912 in New York?

Mr. HAMLIN. Lieutenant Governor.

Mr. BENDER. Lieutenant Governor.

The CHAIRMAN. Any further questions of this witness?

Mr. BEITER. I would like to ask some questions: I was particularly interested, Mr. Hamlin, in the letter that you had inserted in your remarks from Mackenzie King to Mr. Moffat, and in the last paragraph of that letter, I quote:

We would naturally be prepared to give every consideration to power and navigation developments which the United States may deem necessary.

I call your attention to the fact there is no mention in there of the Dominion of Canada. I am wondering if you have any comment to make on that?

Mr. HAMLIN. No, sir; I think Mr. Mackenzie King's letter speaks for itself. And I think particularly in view of Mr. Dondero's remarks the other day that seven-eighths of the commerce on this proposed seaway would be of American origin and destination, it would perhaps be taken into consideration.

Mr. BEITER. There is no mention made in the bill as to the amounts specified for salaries to be paid to various persons. I assume that you are referring to the New York State Power Authority?

Mr. HAMLIN. Yes; I was.

Mr. BEITER. Well, do you think they would be satisfied to continue their efforts at \$75 a day; you would, would you not?

Mr. HAMLIN. I don't know, sir; what the situation would be.

Mr. BEITER. That is the salary they are getting at the present time and have been receiving under the present act?

Mr. HAMLIN. I think there is a limitation as to the amount they can receive, however, in any one year.

Mr. BEITER. Referring to article 7—

Mr. CULLEN. Will the gentleman yield there?

Mr. BEITER. No; just a moment. Referring to article 7 of the present treaty, with reference to tolls, do you believe—I think you touched on that very lightly yesterday, and I would like to clear it up now, a little bit—do you believe that under the terms of that article tolls can be imposed?

Mr. HAMLIN. Gentlemen, yesterday afternoon I think the gentleman from New York asked me as a lawyer in regard to the meaning of article 7, and I was a little tired at the end of a long session yesterday. I have reread carefully the article and have consulted with Mr. Templeton, who is here, the former United States district attorney for the western district of New York, a friend of mine. We have read that over together, and both of us are of the opinion that article 7 of the

agreement between the United States and Canada contains no language which would limit the imposition of tolls by either Canada or the United States in connection with the canals and locks in the St. Lawrence River development.

There is this conclusion, however, that as to any tolls that are charged by the United States, no greater tolls may be charged to vessels belonging to Canada or England. The same amount has to be collected; there can be no differences.

The CHAIRMAN. No discrimination?

Mr. HAMLIN. No discrimination; I could not think of the word.

Mr. BEITER. The tendency within the past few years has been to eliminate tolls where possible. However, I note that there are some existing toll bridges and tunnels and the new highway in Pennsylvania is a toll road. In view of the testimony of the Secretary of Commerce, who is also the head of the Reconstruction Finance Corporation, and his suggestion concerning tolls, I am wondering whether tolls will be imposed on this project.

Mr. HAMLIN. Yes; it is my feeling that one of two courses should be followed; either the American people should be toll free of what the entire cost of this project will be over the years, because you would have to include the payment of the interest through the amortization period; or tolls should be charged, a schedule of tolls which would make this project self-liquidating.

I am glad you spoke of the question of highways, because just a short time ago I had the pleasure of driving over that beautiful new highway running straight across the State of Pennsylvania. It is a wonderful route to take. And we paid a toll, and that seemed to be quite the proper thing to do, if it is going to pay for that highway. You go through the tunnels in New York or across the bridges, and they are being paid for by tolls. In this day and generation, when we have all got to look to our pocketbooks with increased taxes, it seems to me every proposition that can be set up on a self-liquidating basis should be done, and that very careful inquiry should be made as to whether that is not possible.

Mr. BEITER. That is all, Mr. Chairman.

Mr. CULKIN. Might I observe there that the New York Power Authority receives a per diem for such time as they actually are on duty.

Mr. HAMLIN. Yes, sir.

Mr. CULKIN. Is that not true?

Mr. HAMLIN. That is correct.

Mr. PITTENGER. I move we adjourn.

Mr. CULKIN. Are we to meet at 2 o'clock?

The CHAIRMAN. Two o'clock.

Thank you, Mr. Hamlin.

Mr. HAMLIN. I want to express my appreciation for the courtesies extended to me by the members of the committee, in the rather long examination.

The CHAIRMAN. Now, we will take up, I presume, Mr. Holling, the mayor of Buffalo, is that the understanding?

Mr. BEITER. Yes; Mayor Holling has expressed his desire to be heard. I think he will only take about 10 minutes.

The CHAIRMAN. We will adjourn until 2 o'clock.

(Whereupon, at 12:30 p. m., a recess was taken until 2 p. m.)

AFTER RECESS

(The committee resumed pursuant to recess at 2 p. m.)

The CHAIRMAN. Gentlemen, Congressman Andrews wants just a minute to make a statement.

Mr. ANDREWS. Mr. Chairman, and gentlemen of the committee, with the permission of my good friend, the mayor of Buffalo, I desire to file with the committee a resolution adopted by the common council of the city of North Tonawanda, N. Y.

(The resolution is as follows:)

Moved by Alderman Brauer:

Whereas it has come to the attention of this common council that the Rivers and Harbors Committee of the House of Representatives will hold hearings on the proposed legislation authorizing the construction of the St. Lawrence seaway project, and

Whereas it is the opinion of this common council that such a project would be detrimental to the best interests of this city: Therefore, be it

Resolved, That this common council does hereby oppose the passage of any legislation for the making of such project and does further hereby direct the city clerk to file with the said Rivers and Harbors Committee a copy of this resolution and to forward copies to Hon. Walter Andrews and Senator James M. Mead.

Carried.

The CHAIRMAN. Mayor Holling, of the City of Buffalo.

Mr. BEITER. And may I add, one of the best mayors the city of Buffalo has ever had.

The CHAIRMAN. Are you ready to proceed, Mr. Holling?

Mr. HOLLING. Yes, sir.

STATEMENT OF HON. THOMAS L. HOLLING, MAYOR, CITY OF BUFFALO, N. Y.

Mr. HOLLING. Mr. Chairman, I am officially appearing before your committee as mayor of the city of Buffalo, N. Y., but I do not wish to testify from a purely selfish viewpoint, vital as it is to the interests of my city. This project in its many ramifications is far-reaching, not localized.

I am not an engineer nor a navigation authority, but as a citizen of the United States and through close family connections a friend who is intimately acquainted with our good neighbor to the north, I am very deeply interested and concerned about the efforts which are being again revived to construct this St. Lawrence project.

As I view this proposed St. Lawrence development, there are two broad, separate, and distinct divisions:

1. Power development.
2. Navigation, deep waterway.

Unbiased, nonpolitical, sincere citizens and commissions of both the United States and Canada have repeatedly stated without successful contradiction, that this project is so divided and should be so considered by your honorable committee.

The development of electrical energy in the St. Lawrence may prove of mutual value to both countries. Such power development, in my opinion, should be based on an equal capital investment with equal benefits of the power so developed.

I am reliably informed that less than 20 percent of the water power capable of development would be on American soil, the other 80 percent on Canadian soil.

As to the features of this project involving navigation and deep waterways, I wish to voice the following objections. These objections apply equally as well to the development of the power.

1. The cost of this project is not only subject to attack, but does not represent the true expense, judged from the actual cost of previous waterway projects. It is also an unnecessary burden on the taxpayer.

2. The climatic conditions will prevent the use of this seaway for 4 or 5 months of the year. The St. Lawrence River is frozen over during 4 to 5 months of the year. How are you going to keep it open for navigation in an efficient and economical manner?

3. The design of the ships for the navigation of the St. Lawrence could not be used for travel on the Atlantic Ocean with safety in all weather.

4. The water-borne commerce on the Great Lakes exceeds by two or three hundred percent the tonnage that passes through either the Suez or Panama Canals in one year, and the largest commodities carried on the Great Lakes contribute to interstate trade and are not seeking outlets to the sea and are not interested in the deepening of the St. Lawrence.

5. The diversion of traffic from the Buffalo Harbor alone will seriously affect possibly 15,000 marine workers, reducing their earnings and seriously affecting their buying power.

6. The diversion of traffic to this seaway will seriously affect the moving of tonnage by the railroads, one of our largest industries and a vital link in the backbone of our Nation in peace or war.

7. It will be shown that during normal times no additional transportation facilities are necessary. The cost of harbor improvements to accommodate ocean-going vessels will be prohibitive when the cost is definitely determined.

8. The investment made by New York State and other States in the Union in our own national waterways will be seriously affected, and the integrity of investments made by citizens of our country and political subdivisions will be destroyed.

9. The St. Lawrence River is 90 percent a Canadian River. Two-thirds of the new money invested in this enterprise as proposed would be American money.

10. Only 10 percent of the grain that may be exported through the seaway would be American grain. Less than 5 percent of the ocean-going ships engaged in the transportation of grain would be American-owned. Are we to encourage and finance the development of our great inland waterways to be harbors for the tramp steamers of the world?

11. Less than 20 percent of the water power capable of development would be on American soil. Experts in this type of construction have estimated that the cost of the project would approximate \$1,000,000,000.

12. The project internationalizes Lake Michigan, which is an American lake wholly within the United States. The project does not provide sufficient diversion for the Mississippi River channel or the Chicago drainage canal. Why destroy the possibilities of this country's own waterways?

13. A country should have entire control of all its transportation systems in peacetime as well as in war.

14. It should have entire control of all terminals and harbors in peacetime as well as war.

15. It should have entire control of its food distribution in peacetime as well as in war.

Further detailed data substantiating these claims will be furnished by others, but for these principal reasons as I have set forth, I am, and the people of the city of Buffalo are, unalterably opposed to this project.

The CHAIRMAN. Mr. Holling, in regard to the water discharged through the sanitary canal at Chicago, and for navigation down the Illinois River, in 1924, when we had the bill before us to equalize it, your city was one of the most bitter opponents of that proposition.

Mr. HOLLING. Well, one with others; there was the question of lowering the lake levels there at the time.

The CHAIRMAN. Well, if we did it now, the lake level would be the same, would it not?

Mr. HOLLING. I don't know how that would finally work out.

The CHAIRMAN. Well, it was worked out finally through a law suit that was decided by the Supreme Court, on the testimony of General Pillsbury, Assistant Chief Engineer, before Chief Justice Hughes, who was master. He testified that 1,500 cubic feet per second, plus the pumpage for domestic purposes would be ample for navigation purposes, and that is all the water that has been diverted there for navigation since that time. It was reduced gradually from year to year when their sanitary works were completed. That is all that they are getting now, 1,500 feet, plus the pumpage for domestic purposes; altogether they are getting about 3,300 cubic feet. The decision of the Supreme Court was based on the testimony of General Pillsbury who testified that that was ample for the needs of navigation.

Mr. BELL. Might I interrupt?

The CHAIRMAN. Yes.

Mr. BELL. You mean on the Mississippi River?

The CHAIRMAN. Navigation down to the Mississippi; first on the Desplaines, and then on the Illinois to the Mississippi. We have had several bills since then to increase it to 5,000 cubic feet. We have never received any encouragement from Buffalo or any of the other cities on the Great Lakes on that proposition.

Mr. BEITER. I don't want to put words in the mayor's mouth, but I think of two evils he chose the lesser.

Mr. GAVAGAN. Well, those two are undoubtedly evils.

Mr. CARTER. But neither of them lesser.

The CHAIRMAN. Mr. Carter says neither of them is lesser.

Mr. BEITER. I defer to Mr. Carter.

The CHAIRMAN. You state in section 10 of your statement that less than 5 percent of the oceangoing ships engaged in the transportation of grain would be American-owned. That is undoubtedly the case so far as foreign commerce is concerned, but on commerce that is engaged in intercoastal trade, nothing but American ships can engage in that trade, and if that grain goes into coastwise trade, it would all have to be handled in American bottoms. Whether it would go that way or not, I do not know.

Mr. CARTER. What power company serves your city, Mayor?

Mr. HOLLING. Niagara Hudson serves the city of Buffalo.

Mr. CARTER. Are there any new industries locating there at the present time?

Mr. HOLLING. Plenty of them.

Mr. CARTER. Have you heard any complaints about shortage of power in your community?

Mr. HOLLING. No, sir.

Mr. CARTER. So far as you know, those industries demanding power are being supplied it by the company to which you refer.

Mr. HOLLING. Yes; they seem to have plenty of power and a surplus available.

Mr. CARTER. That is all.

Mr. GAVAGAN. You haven't heard any complaints about the rates charged, Mr. Mayor?

Mr. HOLLING. To tell the truth, I haven't; we enjoy a very low rate up there, fortunately.

Mr. GAVAGAN. The people in your city, then, are complacent about paying the rates of the Niagara Hudson Power Co. Is that what we understand you to be saying?

Mr. HOLLING. I have no complaints, and I understand the rates are very favorable in comparison.

Mr. GAVAGAN. And you have never heard of any complaints.

Mr. HOLLING. I have never heard any complaints.

Mr. CULKIN. Mr. Mayor, I regret to say I do not agree with some of your statements, but they were splendidly presented. I just want to ask about the statement that we only get 20 percent of the power. I don't understand that. Under this arrangement with Canada, we get half the power created in the International Rapids section by this dam. That would be about 1,100,000—

Mr. HOLLING. Did I say we would get only 20 percent?

The CHAIRMAN. You stated that proportion of the water was Canadian, in your statement, I believe. You stated less than 20 percent was on American soil.

Mr. HOLLING. Yes.

Mr. CULKIN. As a matter of fact, under the treaty we get one-half of the power created at this dam, instead of 20 percent. We get half of it. Are you referring to the power that is created wholly within Canada?

Mr. HOLLING. No. This statement is that less than 20 percent of the power development would be on American soil. I did not state as to how the power would be distributed, but the development itself is largely in Canada.

Mr. CULKIN. I misunderstood your statement, but, of course there are some portions of the seaway wholly on American soil. You know that?

Mr. HOLLING. Yes; I am familiar with the district. I fish there.

Mr. CULKIN. The fact that your rates are low in Buffalo is due to the influence of the Niagara development; isn't that true?

Mr. HOLLING. I would say it is perhaps due to that, as well as the vigilance of the Power Commission.

Mr. CULKIN. And yourself.

Mr. HOLLING. No; I have nothing to do with it.

Mr. CULKIN. You made another statement about the weather that impresses me. Buffalo isn't particularly balmy in winter, is it?

Mr. HOLLING. It is good and healthy.

Mr. CULKIN. Vigorously healthy.

Mr. HOLLING. We don't do any boat sailing in Buffalo in the winter, though. Navigation is closed.

Mr. CULKIN. The same as it would be in the seaway?

Mr. HOLLING. Yes, sir.

Mr. CULKIN. So that the hazards of weather the seaway would face are now and have been faced from the beginning by the magnificent port of Buffalo.

Mr. HOLLING. Oh, yes.

Mr. BELL. Your power there at Buffalo is water-created power, hydroelectric power, isn't it?

Mr. HOLLING. No, sir; it is mostly steam-generated power.

Mr. BELL. How far are you removed from the coal mines?

Mr. HOLLING. From the source of coal?

Mr. BELL. Yes.

Mr. HOLLING. A couple of hundred miles, approximately.

Mr. BELL. How far is the plant from Buffalo?

Mr. HOLLING. The plant is right adjacent to Buffalo; it is right on the edge of the city. It is on the Niagara River.

Mr. BELL. What are your rates there at Buffalo, Mr. Mayor?

Mr. HOLLING. I am sorry, I haven't got the exact figures, but they are available. I will see that you are supplied with those various figures. They do vary a lot, according to the quality and the like.

Mr. BELL. Are you familiar with the comparative costs of producing electricity by hydroelectric power and by steam?

Mr. HOLLING. Only by hearsay.

Mr. BELL. That is all.

Mr. DONDERO. Mr. Holling, following the question asked by my colleague, Mr. Bell, your plant is 200 miles from the coal mines, but your city is less than 20 miles from Niagara Falls. Why is it that power is generated by steam rather than hydroelectric in Buffalo?

Mr. HOLLING. We use Niagara Falls power, also. Of course, that is an international body of water there, and some of it is on the Canadian side.

Mr. DONDERO. Do you find the steam plant is more economical than water?

Mr. HOLLING. They tell me it is cheaper by steam than water.

Mr. DONDERO. That information has been given me before. That is the reason I am asking you now.

Mr. HOLLING. That is my information.

Mr. DONDERO. That is rather a strange situation, that you should be within 20 miles of Niagara Falls and still generate your power from coal that comes 200 miles away.

Mr. HOLLING. I say 200; it is between one and two hundred. It is approximately that. I am glad you brought that up, because that is a question.

Mr. DONDERO. I am only asking for information, not to embarrass you at all.

Mr. HOLLING. I can only tell you what I heard, and that is what they tell me; it is cheaper to generate by steam than it is to use the water power.

Mr. DONDERO. Your safety is almost vouched for by the absence of Mr. Rankin who is on this committee.

Mr. CARTER. We have had that very same testimony from Mr. Scattergood of Los Angeles before this committee on another hearing, which had nothing to do with the St. Lawrence, but involves the Boulder Dam. He testified that they could generate electricity cheaper in the city of Los Angeles with oil than they could purchase from the Boulder Dam.

Mr. HOLLING. That is what I have heard.

Mr. BEITER. If the gentleman will yield, I think the next witness, Mr. Tallamy, will develop that and show it is cheaper to develop power in the Niagara area by steam than hydro. He is an engineer and has those figures.

Mr. DONDERO. I was interested in your statement No. 15, in regard to the internationalism of Lake Michigan. Are you aware that this agreement does not change the existing situation there? In other words, it leaves it exactly as it is now. It doesn't change that situation. Did you know that?

Mr. HOLLING. I didn't know that, no.

Mr. DONDERO. There is no change at all.

Mr. HOLLING. Just the same as it is?

Mr. DONDERO. Yes; no change at all.

Mr. CARTER. Mr. Mayor, there is one point I would like to clear up. You say that river freezes over up there in the wintertime.

Mr. HOLLING. Yes, sir.

Mr. CARTER. Mr. Mayor, I was born and raised in the delightful and salubrious climate of California, and I would like a little information on this freeze-up business up there. Does that river freeze solid?

Mr. HOLLING. Sure; you can skate across it.

Mr. CARTER. Here is the point I want to clear up. What effect is the intense freezing going to have on this proposed power plant and their getting the water to the turbine wheels during that extreme cold winter season, if you know?

Mr. HOLLING. Well, even Niagara Falls has frozen up, you know, at times, but I don't know what effect it has on it.

Mr. CARTER. Am I to infer from that, then, that this hydroelectric plant that is under consideration here would be put out of service during part of the winter by reason of the freezing?

Mr. HOLLING. I can't tell you that, Mr. Carter.

Mr. CARTER. You don't know?

Mr. HOLLING. I don't know.

Mr. PITTINGER. I don't think the mayor intended to say it freezes from the top of the water, the surface, clear down to the bed. There is a 12-months' flow of water there under the ice, isn't there?

Mr. HOLLING. I assume so.

Mr. PITTINGER. I have a letter from the Niagara Power Co. telling me they make power 12 months the year around. They ought to know.

Mr. CARTER. I was just wondering.

Mr. HOLLING. Well, they make it at Niagara Falls.

Mr. PITTINGER. The year around.

Mr. CULKIN. May I observe—the testimony referred to by my colleague from California, that the cost of power, relative cost between steam and Boulder Dam on the coast area, as stated here, is due to

the high cost of electrical transmission, some \$50 a mile, and reach, I think, 250 miles.

Mr. CARTER. Yes; all of that; and I think there is another element, too. I think the cheapness of the oil, the proximity of the oil fields, has something to do with it.

Mr. PITTENGER. But you are using Boulder Dam power in Los Angeles?

Mr. CARTER. Oh, yes.

Mr. PITTENGER. And lots of it.

Mr. BENDER. Mr. Mayor, have you a shortage of power in Buffalo at the present time?

Mr. HOLLING. There is no shortage of power there.

The CHAIRMAN. Well, Mr. Mayor, we thank you.

Mr. HOLLING. Thank you very much, sir.

Mr. BEYER. At this point I ask unanimous consent to insert in the record a communication from the City Council of the city of Buffalo, N. Y.

The CHAIRMAN. Without objection it will be made a part of the record.

(The communication referred to is as follows:)

To the Honorable J. J. Mansfield, Chairman, and Members, Rivers and Harbors Committee of the House of Representatives, Washington D. C.

GENTLEMEN: We are here representing the city council of the city of Buffalo, N. Y., and wish to present the views of its populace, gleaned from many public hearings and discussions and concurred in by all of the members of the city council.

It is our firm conviction that although the power part of the St. Lawrence project may appear to be meritorious its advantages are disproportionate to the disadvantages of the seaway, which would result in serious industrial and business loss and curtailment to our community. The costs are gigantic and the costs of the seaway which would be borne to a great extent by the people and industries of New York State through taxation which would outweigh enormously any return from the power project.

The investments of mammoth sums of money for power development is extreme and untimely as the supply would be out of kilter with the demand, as there is not any such extensive ready market for such power.

The diversion of water traffic from Buffalo would seriously affect its industrial and commercial status, it would, as a matter of fact, cripple and deteriorate Buffalo's industrial significance; it would seriously hamper about 15,000 marine workers, reducing their earnings and purchasing power.

The absorption of the necessary 100,000 workers into this project would divest and divorce these skilled industrial tradesmen from the sorely necessary activities of the national-defense program. It would paralyze the progress which we have in this respect, presently, with extremely damaging results. It is our contention that our country can ill afford to bring about such a destructive condition.

The tremendous cost of harbor improvements to be caused by this project are prohibitive.

We firmly believe that a country should have entire control of all its transportation systems in peacetime as well as in war.

In Buffalo, Work Projects Administration today has shrunk to a measly 3,000 people, mostly unabsorbable into the national-defense program, proving the scarcity of manpower, and the St. Lawrence project would be a disastrous drainage of this highly limited supply.

Buffalo in coping with the usual progress and development of big cities has indebted itself to such an extent that its debt service amounts to one-third of a tax dollar. To add to the cost, to be borne by these same taxpayers, the cost of this project would be so destructive as to be termed "confiscatory" in its effect.

There is a specific need of approximately 65,000 skilled mechanics in the various diversified industries of western New York, engaged in national-defense program. Our fine vocational training schools are working 24 hours daily and are turning out thousands of trained workers, and this skilled manpower supply cannot stand a withdrawal of one individual from this more important part of our national-defense program.

We endorse the views of our Chief Executive, the Honorable Thomas L. Holling, mayor of the city of Buffalo, and the city's Commissioner of Public Works, Hon. Louis A. Harding, and his City Engineer, Hon. Fred H. Wing, and we heartily support the views of western New York industries and labor representatives.

We stress our unalterable opposition to this project.

Yours respectfully,

E. F. TOMMY HUGHITT,
GERALD WHALEN,
JOHN A. ULINSKI,

Committee of the City Council of Buffalo, N. Y.

STATEMENT OF BERTRAM D. TALLAMY, CHIEF ENGINEER, NIAGARA FRONTIER PLANNING BOARD

Mr. TALLAMY. Mr. Chairman and members of the committee, as chief engineer of the Niagara Frontier Planning Board, I have been directed to appear before this committee and oppose H. R. 4927 or any other legislation designed to ratify the agreement which is now pending ratification in the Congress of the United States pertaining to the St. Lawrence waterway project.

I have a prepared statement, but in the interest of the economy of time and length of the record, I think I will speak extemporaneously, using the prepared statement as an outline.

The Niagara Frontier Planning Board, as has been brought out this morning and yesterday, is a member of the National St. Lawrence Project Conference, and this conference requested that I represent them today as well as the Niagara Frontier Planning Board, and that I confine my remarks primarily to the power portion of the St. Lawrence project, and in answer to part VI of the St. Lawrence survey as recently released by the Department of Commerce. That part of the survey, as you know, applies to the power portion of the St. Lawrence waterway.

This document, which I refer to as being issued by the Department of Commerce, contains 140 pages of detailed calculations and statistics, figures and computations, which, in my opinion, are very likely to be misconstrued and result in unsound conclusions in reference to the power portion of the project.

Very often a technician in making a study of this type or any other type of highly complicated forecast is likely to become so engrossed in the particular calculation or work that he is doing that he loses sight of the general picture he is trying to paint; just like a near-sighted artist who has to get close to his canvas; each object, each individual thing he paints is perfect in detail; you stand close to it and admire each one of the objects, but when you move away and look at the entire canvas, much to your surprise it is distorted and does not present the picture that you anticipated it would present when you were observing it closely. I am sure, gentlemen, this report of the Department of Commerce is just such a type of painting.

I have read this report rather carefully; some of my associates have read it and conferred with me, and they very definitely were left with the impression that all of the benefits which are supposed to accrue as a result of the power portion of the project will accrue to the State of New York and will attract all of this industry and employment after the expenditure—and it is a large expenditure—for the St. Lawrence waterway project is made.

That was the impression that I received, and I think that most everyone that reads this report will feel the same thing, that after we get the St. Lawrence behind us, the rest is easy, there isn't very much. We may have a few transmission lines to build, or some substations to build, or something like that, but after all the expense will not be very great.

Now, I want to point out that the coordinated scheme which is described in this report, and which was originated by the Power Authority of the State of New York requires an expenditure of over \$600,000,000 in the State of New York. That is, in my opinion, a pretty large figure and should be mentioned in this huge document released by the Department of Commerce.

I have a table in this outline which I have before me, which I would like to insert in the record, and call it table A, which I will give to the stenographer. It outlines the cost of the various works as to public and private expenditures in the State of New York which would have to be made, in addition to the St. Lawrence project if the benefits as claimed in this report I am speaking of are to come true.

(The table referred to is as follows:)

Investment required in New York State for power authority plan of coordinated St. Lawrence-Niagara and steam power

To be paid Federal Government for International Rapids section power plant.....	\$93,375,000
Estimated cost—Niagara Falls development.....	78,000,000
Super grid systems, New York State.....	105,000,000
Interest during construction.....	14,000,000
Total.....	290,375,000
To this must be added, as per report of New York State Power Authority for 1938, developments of private companies—	
Cost of required steam plants to carry anticipated load.....	192,400,000
Cost of adaptation present private distribution to new system.....	119,960,000
Total.....	312,360,000
Total cost of power project.....	602,735,000

Mr. TALLAMY. This table shows that \$290,375,000 will have to be expended in the State of New York by the power authority of the State of New York. That is made up of the power authority's contribution of \$93,375,000 on the International Rapids section of the St. Lawrence, and it is made up of transmission items, Niagara Falls improvements, interest during construction—and incidentally I did not add that interest during construction. That is their own figure. All of these are their own figures, with the exception of the \$93,375,000. That has been changed by the \$3,375,000 increase over the previously estimated contribution of the power authority of \$90,000,000.

The CHAIRMAN. Just a question. The table you referred to a while ago—is that the one that appears on page 3?

Mr. TALLAMY. That is right.

The second half of that table shows the cost of \$312,360,000. Those are expenditures proposed to be made by private distributing companies in the State of New York, and they are made up of additional steam-plant requirements. That is to firm up the St. Lawrence

and Niagara power, and also to increase their distribution systems, making a total cost then of \$602,000,000.

That is not all of it, gentlemen. A few days ago some one testified—I have just forgotten who; I think maybe it was Mr. Olds—to the effect that the \$93,000,000 was an equitable and fair share of the cost of the work on the International Rapids section chargeable to power, and that it really was above the normal amount that you charge in projects of this type.

I can't say whether it is a fair charge or not, but I do know from the figures released by General Robins that the Federal Government in addition to the \$93,000,000 has a \$35,000,000 item chargeable to power or works common to power and navigation. In other words, if you take the power cost that the United States has to pay under the pending agreement and the figures that General Robins gave us, and half of the navigation and power allocation, works common to navigation and power, you will find that the cost is \$128,655,000.

Well, now, if you take \$93,375,000 from that you see there is a difference of about \$35,000,000 which the Federal Government still has in the power works, either American or Canadian, I don't know which, but anyway it is interest in power works in the International Rapids section.

Mr. Pittenger. You mean money invested?

Mr. TALLAMY. Money invested; yes, sir.

Mr. CARTER. For which no repayment is provided?

Mr. TALLAMY. That is correct, sir, as I understand it; no repayment whatsoever.

Mr. PITTENGER. Is not that the part which is chargeable to both navigation and power in the construction of this project?

Mr. TALLAMY. The \$128,655,000 is made up by taking one-half the cost of the works common to power and navigation set aside by General Robins in his estimate, plus the full cost for power alone. You see, in the International Rapids section, that is the cost of power, so this \$602,000,000 roughly represents the cost to the State of New York, plus \$35,000,000 in the International Rapids section on the part of the Federal Government, which, to be perfectly fair, I suppose may partially represent the Canadian cost of power plant and powerhouses; I do not know, but it is certainly power.

In that connection, I do not think it has been clearly brought out thus far that the United States is paying on the Canadian side for all of the power works, with the exception of the machinery. Now, we are building the structure, the penstocks, and everything in connection with power on the Canadian side, with the exception I mentioned.

Mr. PITTENGER. At what point are you talking about?

Mr. TALLAMY. In the International Rapids section.

Mr. PITTENGER. In the International Rapids section?

Mr. TALLAMY. Yes, sir.

The CHAIRMAN. You are speaking of the main dam?

Mr. TALLAMY. That is right.

Mr. PITTENGER. As I recall the testimony of General Robins, the Canadians are charged with half of it and the American Government the other half.

Mr. TALLAMY. That is why I wanted to correct that impression.

Mr. PITTENGER. Is he wrong about that?

Mr. TALLAMY. I think he is. I expect that he is coming back and I would like to have you question him on that.

Mr. PITTINGER. I would like to have you tell me where he is wrong.

Mr. TALLAMY. I would like to clear that up, if I might take a minute or so to do it.

Mr. PITTINGER. I do not want to delay the witness, because we can get those figures from General Robins, but I thought you might have them handy.

Mr. TALLAMY. I have, sir, but I just do not locate them at the minute. However, I will have someone look that up. It is in the agreement, and as soon as it is found, I will return to it for a moment.

Now, the Department of Commerce in its Survey, part VI, presents a series of graphs and tables of populations. They are presented to show that Buffalo, the city of Buffalo and the industrial area, and the statement is made really that the Buffalo industrial area has grown faster than any other area in the country, and that Niagara Falls has quadrupled its population.

The CHAIRMAN. What do you mean by the country—New York?

Mr. TALLAMY. Of the United States; and that Niagara Falls has quadrupled its population since 1900.

Other cities in the United States have done the same thing. Other cities, which are not close to Niagara Falls, and which are very largely dependent upon steam-generated electric energy.

At least, I thought that was the case. So I had some population data searched, and on page 6 you will see a table which I would like to insert in the record as table B, which shows the population trends of Cleveland, Detroit, Chicago, New York City, the United States as a whole, and the Buffalo area.

Now, the Buffalo area includes, I think, in the Department of Commerce report, Erie County, which includes the city of Buffalo, and Niagara County, which includes Niagara Falls. That seems to check out with the population of those two counties.

(The table referred to is as follows:)

Population trends

Year	Cleveland		Detroit		Chicago	
	Thousands	Percent of United States	Thousands	Percent of United States	Thousands	Percent of United States
1870.....	93	0.24	80	0.21	299	0.77
1880.....	160	.32	116	.23	503	1.00
1890.....	261	.41	206	.33	1,099	1.73
1900.....	382	.50	286	.37	1,699	2.22
1910.....	561	.61	466	.51	2,185	2.36
1920.....	797	.76	694	.95	2,702	2.56
1930.....	900	.73	1,369	1.28	3,376	2.74
1940.....	878	.67	1,623	1.24	3,397	2.60
	New York City		United States		Buffalo area	
1870.....	1,478	3.8	50,156	.....	229	1.60
1880.....	1,912	3.8	62,948	.....	274	.55
1890.....	2,507	4.0	75,995	.....	386	.61
1900.....	3,437	4.5	91,972	.....	509	.67
1910.....	4,757	5.2	105,711	.....	621	.68
1920.....	5,620	5.3	122,773	.....	733	.71
1930.....	6,930	5.6	131,410	.....	908	.74
1940.....	7,455	5.7	.....	.....	956	.73

Mr. TALLAMY. Now, you will notice the table which sets forth the years 1870 to 1940, and the population in thousands, and the percent of the United States total, and by observing these percentages of the United States total—and that means the number of people in a particular city as compared with the entire country—you will see that Detroit, Chicago, and New York City grew faster than the Buffalo industrial area, and that Cleveland grew faster up until 1920, and then Cleveland began spreading out into suburbs. So, I do not think the information as to population, you see, from 1920 on is a true indication.

Mr. BENDER. For the witness' information, Cleveland is surrounded by suburban areas and, although they receive some of the benefits of Cleveland, they find it convenient not to join the parent city, which makes it possible for their growth.

There are suburbs like Lakewood, Rocky River, Maple Heights, Cleveland Heights, East Cleveland, Shaker Heights, Parma, and, in fact, so many suburbs that if that population were combined with the city's population, Cleveland's population would show a very favorable growth.

Mr. TALLAMY. I know that, sir. I have been to Cleveland many, many times.

The CHAIRMAN. Rocky River is a great city.

Mr. BENDER. Yes.

Mr. CULKIN. I thought the gentleman certainly would mention it. I am going to put it on the map.

Mr. GAVAGAN. Mr. Tallamy, I think the agreement as to the construction by the United States, to which you referred, is covered by subdivision (b) of article III of the covenant entered into between Canada and the United States. Is that what you had reference to?

Mr. TALLAMY. Yes, sir.

Mr. GAVAGAN. That provides the United States shall—

provide, as required by the progress of the works, funds for the construction, including design and supervision, of all works in the International Rapids section except (1) machinery and equipment for the development of power, and (2) works required for rehabilitation on the Canadian side of the international boundary—

Is that what you refer to?

Mr. TALLAMY. Yes; so that the only thing that they have to provide is machinery and the rehabilitation works. Therefore, it must mean that we have to provide powerhouses and all other works.

The CHAIRMAN. That powerhouse, by the way, also serves as a section of the dam.

Mr. TALLAMY. Yes; there are two dams, and the powerhouses serve as a section of the dam; that is correct, sir.

The CHAIRMAN. Yes.

Mr. TALLAMY. So, in view of the fact that these other cities have kept pace with Buffalo and the Buffalo industrial area, and are dependent primarily on steam-generated energy, my conclusion was that the data in relation to populations presented by the Department of Commerce, to be weak in my statement, is most unconvincing. There is a great deal of space devoted to that data, but it really does not mean anything.

Mr. PITTENGER. You heard the testimony of Mr. Hamlin?

Mr. TALLAMY. Yes, sir.

Mr. PITTENGER. He quoted from a list of statistics in this book, here, issued by the Niagara Frontier Planning Board. Do you agree

with his figures about these relative items of cost, and so forth, that were in it?

Mr. TALLAMY. On the cost of this project?

Mr. PITTENGER. Yes; do his figures correspond with yours on the cost of it?

Mr. TALLAMY. Well, he is my chairman.

The CHAIRMAN. You are not in a position to disagree with him, are you?

Mr. TALLAMY. I am a good soldier, you know; but I do agree with him.

Mr. CULKIN. You harness your imagination to his.

Mr. TALLAMY. There is one statement I want to make in relation to the industrial growth in the Buffalo area and the city of Buffalo. I am not trying to give the impression, and I do not wish the committee to feel that I am opposed to orderly hydroelectric development, either in the State of New York or in the Nation at large.

Mr. PITTENGER. Are you opposed to public development?

Mr. TALLAMY. No, sir. I do not think, sir, that it makes any difference whatsoever who constructs the plant.

Mr. PITTENGER. Well, you would just as soon see the private power utilities do that?

Mr. TALLAMY. Yes, sir; I do think, under proper regulations—I do not think it makes a bit of difference which one develops them or builds the dam.

I think, sir, take Niagara Falls—and I would like to say at the moment, now, that I am not speaking for the Niagara Frontier Planning Board, because they have never discussed public versus private enterprises, and I am not authorized to speak for them, nor the project conference on that issue—but you ask my opinion, and in my honest opinion it does not make any difference who develops hydroelectric energy, provided rules and regulations are in effect which protect the public.

Mr. PITTENGER. It is too bad Mr. Rankin is not here, because you and he would have some difference of opinion on that.

Mr. BENDER. In that connection, Mr. Rankin has his own ideas, and so have we all. It would not mean very much to me whether he was here or not. As far as Mr. Rankin is concerned, he can hullabaloo all he wants to, and he does not scare me. He can take care of himself and so can we all.

Mr. SCHULTE. I want to defend Mr. Rankin in his absence, and say that he is not hullabalooing any more than you are trying to scare us.

Mr. BENDER. No; I am not trying to scare you and, as between you and myself, I could not outshout you if I tried.

Mr. CULKIN. You will admit that you at least tried to intimidate me.

Mr. BENDER. I referred to the gentleman as genial.

Mr. BELL. Mr. Chairman, in order to prevent any casualties on the committee, may we proceed in order?

The CHAIRMAN. Is the sergeant at arms present?

Proceed.

Mr. GAVAGAN. I would like to defend John, but I do not think he needs it.

Mr. BENDER. For the record, let me say that I think John Rankin is a gentleman and a scholar.

Mr. MACIEJEWSKI. Without defending John Rankin, I do hope we will have a Boulder Dam out in the Middle West somewhere, because our rates are very high out there. We certainly need something like that out in the Middle West.

Mr. DONDERO. Let us proceed.

Mr. TALLAMY. There is one other statement I want to make in reference to that, in connection with my opinion on hydroelectric power. I do maintain that overdevelopment financially is a highly dangerous course to pursue, and I think that whenever we enter into a hydroelectric expansion program, we want to do so cautiously, carefully, and weigh the pros and cons and all of the evidence, and not be swept away by any general statements as to the advantages of hydroelectric power. I feel that most sincerely, and I submit that after careful consideration.

The CHAIRMAN. In other words, if nature has placed a tremendous amount of power in some streams, why, it is proper to go to reasonable expense to develop it, but you would not want to incur those expenses all over the United States?

Mr. TALLAMY. I certainly would not.

The CHAIRMAN. In those places where so many streams are not worthy of it.

Mr. TALLAMY. You can develop hydroelectric power anywhere, if there is any water to speak of.

The CHAIRMAN. By going to the expense that may be incurred in its development.

Mr. TALLAMY. Yes; by going to the necessary expense; but just because there is a plant location where huge blocks of hydroelectric energy should be developed sometime, is no indication that now is the time to do it, and that is the point that I want to caution against.

I think that some people who are very much impressed with hydroelectric power development are swept away by their enthusiasm and forget the time they are in, and that is a point I want to make and stress, that I think hydroelectric power should be considered just as carefully as we are considering the navigation portion of the project, and not assume right off that it is going to be good because we need more power. Let us analyze it closely and carefully, and I am going to try to do that in my own meager way, as I progress.

The thought I wanted to bring out about hydroelectric power, while I am discussing populations and industries and so forth, is that I do not want to have you feel that I am opposed to all hydroelectric power development, because that would not be good, common, engineering sense.

Now, the next items that I have to discuss here are a series of tables and statistics which are presented by the Department of Commerce in relation to manufacturing employment in Buffalo, in the Buffalo industrial area, and the Nation, and so forth.

This report that I am referring to constantly has presented again a series of curves and tables, showing the Buffalo industrial area, and that report very definitely infers that the decline in manufacturing employment in the Buffalo industrial area is the result of the complete using up of the present installed capacity at Niagara Falls. In other words, that now we are using all of the power at Niagara Falls that we are able to generate according to the Treaty of 1909, and since supplemented, and therefore we have to go to steam.

Our manufacturing employment has reduced, and, therefore, they say, since that is the case, it is because of the hydroelectric problem that we have. But I maintain that is not true, and I will show you why. Before doing that, this report points out, and I will quote it verbatim:

It would appear that population growth (Buffalo industrial area) was maintained by a rapid increase in nonmanufacturing industries.

Mr. MACIEJEWSKI. What page is that on?

Mr. TALLAMY. Page 7 of my report. Now, that is a direct quotation from the Department of Commerce Survey Report. Now, they have taken cognizance of the importance of commerce in the Buffalo industrial area, and they have admitted that Buffalo, which has increased in population, and which they spent a great deal of time pointing out in the first part of their report, they admit that it is the result of our increase in nonmanufacturing industries, and our commerce is the main one. That is the reason, and Buffalo and the Buffalo industrial area realize that that is important to Buffalo, not just manufacturing, but our commercial position is important, and that is one of the reasons why we are so opposed to the seaway portion of the project.

Now, I have prepared some tables which are shown on pages 8 and 9, which we will call Exhibit C.

(The tables referred to are as follows:)

Manufacturing wage earners

Year	Number	Percent of of United States	Year	Number	Percent of of United States
Ohio:			Cleveland—Con.		
1900.....	346,000	7.6	1931.....	101,000	1.6
1910.....	447,000	6.7	1937.....	132,000	1.5
1920.....	731,000	8.1	1939.....	112,000	-----
1931.....	507,000	8.2	Detroit:		
1937.....	664,000	8.1	1900.....	46,000	1.0
1939.....	568,000	-----	1910.....	81,000	1.2
Michigan:			1920.....	167,000	1.0
1900.....	156,000	3.4	1931.....	136,000	2.2
1910.....	231,000	3.5	1937.....	235,000	2.7
1920.....	471,000	5.2	1939.....	182,000	-----
1931.....	370,000	6.0	Buffalo area:		
1937.....	661,000	7.7	1900.....	46,000	.97
1939.....	523,000	-----	1910.....	75,000	1.13
Cleveland:			1920.....	117,000	1.28
1900.....	99,000	1.3	1931.....	79,000	1.30
1910.....	95,000	1.4	1937.....	106,000	1.23
1920.....	158,000	1.7	1939.....	-----	-----

Mr. TALLAMY. These tables show the manufacturing wage earners in the State of Ohio, the State of Michigan, the cities of Cleveland and Detroit, and the Buffalo industrial area. They show the years 1900 to 1939, the number of manufacturing employees, wage earners, in thousands, and the comparison of the percent of the United States total of manufacturing wage earners.

You will notice from an investigation of this table that Michigan and Detroit far surpass in manufacturing employment the Buffalo industrial area, and you will notice by number and percent of United States total that Cleveland, Ohio, went right along with us.

Now, the important thing that I want to bring out in this table is that there are many other factors other than hydroelectric energy

which cause manufacturing employment of a certain area. It is obvious. Just take a look at that proposition for Michigan.

In Detroit, in 1910, they had 81,000 manufacturing employees, and in 1937 they had 235,000 manufacturing employees. In 1920, they had 167,000 manufacturing employees. Naturally it is the automobile industry which settled there. Now, the automotive industry also came to Buffalo, and it affected the population of Buffalo. It helped to increase the population of Buffalo as well as the commerce.

So, I want to definitely state that all of that data which have been presented in the Department of Commerce report, part VI, pertaining to industrial employment and their inferences that it fell off because of the complete utilization of Niagara power, as developed by the treaty and controlled by the treaty, does not mean anything.

Now, on page 10, you will see some typical electric bills just to clinch the point. You will notice that in Detroit, Cleveland, Buffalo, Milwaukee, and St. Louis, I have set forth the industrial power per kilowatt and per kilowatt-hour, and the rates in existence in 1941. You will notice that in every one of these instances the cost of power is considerably higher; that is, industrial power is considerably higher, much higher, in fact, than in Buffalo, and yet those cities grew more rapidly in manufacturing employment than I am speaking of than Buffalo.

The same thing applies in commercial power. We will take Detroit, Cleveland, Buffalo, Milwaukee, and St. Louis. I included Milwaukee because it was about the same size as Buffalo, and the same thing applies there.

Take Detroit, for example, 12 kilowatts, 1,500 kilowatt-hours, cost \$45 to \$62.10 a month. In Buffalo the same thing costs \$29.25.

So it was most unreasonable and most unfair, I think, for the Department of Commerce report to say and to infer that Buffalo has lost manufacturing employment as a result of the hydro situation, and all we need is the installation of more hydroelectric power, and all of this industry will flock back to Buffalo and greatly increase their manufacturing industry. That inference is not fair.

Mr. PITTENGER. Was that whole report intended to cover conditions in Buffalo?

Mr. TALLAMY. I do not know; they spent a great deal of time on it.

I am criticizing the Department of Commerce report, St. Lawrence Survey, part VI, which was prepared under the direction of Mr. Daniellian, and signed by Secretary of Commerce Jones.

Mr. PITTENGER. Are you questioning the details, or the conclusions?

Mr. TALLAMY. The conclusions in the report.

Mr. PITTENGER. You are not questioning the correctness of the details?

Mr. TALLAMY. No; that goes back to my fundamental statement.

This report is a work of art; if you look at each individual table and each individual calculation, it is all right, but if you look at the conclusions, I think they are greatly distorted.

Mr. SCHULTE. Will you give me the cost of electricity in Buffalo, in the Buffalo industrial area, again?

Mr. TALLAMY. In the Buffalo industrial area?

Mr. SCHULTE. Yes.

Mr. TALLAMY. One thousand kilowatts, 200,000 kilowatt-hours, at 93 cents per kilowatt-hour.

Mr. SCHULTE. How does that compare with the Chicago industrial area rate?

Mr. TALLAMY. I do not know. However, I could get it and put it in.

Mr. SCHULTE. How does it compare with the Milwaukee industrial area?

Mr. TALLAMY. Milwaukee is 1,000 kilowatts, 200,000 kilowatt-hours, \$1.26 varying to \$1.58.

Mr. SCHULTE. You do not have the rate for Chicago?

Mr. TALLAMY. I am sorry, sir. I can get it and insert it in the record later.

Mr. SCHULTE. Is not the power plant in Chicago owned by the same people that produce power in Milwaukee?

Mr. TALLAMY. I do not know, sir.

Mr. SCHULTE. All of those figures are in part VI, which you do not like?

Mr. TALLAMY. These power figures?

Mr. SCHULTE. Yes.

Mr. TALLAMY. No; they are my figures. I present those to show that the power rates are higher in Detroit, Cleveland, Milwaukee, and St. Louis, than they are in Buffalo, yet those cities have grown as rapidly as Buffalo.

Mr. MACIEJEWSKI. That is the steam power rate?

Mr. TALLAMY. Largely.

Mr. MACIEJEWSKI. Largely?

Mr. TALLAMY. Yes.

Mr. BELL. May I ask the witness if he knows the residential rate in Buffalo?

Mr. TALLAMY. I think I have that here for you.

Mr. BELL. Do you have it from the record, Mr. Beiter?

Mr. BEITER. The first 15 kilowatt-hours is 75 cents; the next 45 kilowatt-hours is 3.8 cents, and over 60 kilowatt-hours is 1.5 cents; and the minimum bill for all residences is 75 cents.

Mr. DONDERO. You are trying to convey to us the thought, regardless of the cost of power, whether it is hydroelectric or whether it is steam, it seems to have very little influence upon the growth of cities; is that the inference or the thought that you are trying to convey?

Mr. TALLAMY. It has very little effect upon the growth of a city.

Mr. DONDERO. Regardless of its cost?

Mr. TALLAMY. Well, I would not say completely regardless of its cost; I would not disregard it completely, no, because if it costs 10 times as much one place as another, it is something else again.

Mr. DONDERO. Of course, I do not mean it should go beyond reasonable extremes, but within reasonable limits it does not seem to have very much effect, one way or the other.

Mr. TALLAMY. I am speaking of diversified industry, the general effect.

When you pick out one or two specific industries, or relate it to the high load factor group, it does have a very definite effect, but not the diversified industries which the population depends upon primarily, within reasonable limits, my contention is, it is not of great importance industrially.

Mr. DONDERO. I am inclined to agree with you.

Mr. SCHULTE. Is it not the geographical location that counts most?

Mr. DONDERO. There are other factors that enter into it.

Mr. CULKIN. Mr. Tallamy, does the influence of hydroelectric power at Niagara, in your opinion, affect the price of power at Buffalo?

Mr. TALLAMY. There is no question about that, sir.

Mr. CULKIN. How substantial is that effect? Some part of the Niagara power flows into the pool of the Niagara-Hudson Co. for distribution, and you say it does affect or decrease the cost of domestic lighting?

Mr. TALLAMY. There is no question about that, sir. I could not tell you exactly how much it affects it, but I would presume, and I am just guessing, and if you want an accurate statement put in later, I will be glad to put it in, but I would say it affected it around a mill per kilowatt-hour.

Mr. CULKIN. Then the presence of that power there does favorably affect the householder and the manufacturer?

Mr. TALLAMY. I think you are right, sir.

Mr. SCHULTE. In spite of low-cost electricity in the Buffalo area it is impossible to attract industry; are we to assume that from your testimony here?

Mr. TALLAMY. Not at all.

Mr. SCHULTE. Manufacturing industry?

Mr. TALLAMY. Not at all. The manufacturing industry in Buffalo, in the Buffalo industrial area, is growing very rapidly, and I am glad you brought that out. The Department of Commerce report or survey took absolutely no cognizance of the fact that we were going through a depression from 1929 to 1937, and especially in 1933. They just pointed to declines in manufacturing and employment and said that is the result of not having further Niagara power—or they inferred that—and the impression they put over was that that was a very important factor in the decline of manufacturing employment, but, as the mayor testified just a few moments ago, industries are moving into the Buffalo area very rapidly.

Mr. SCHULTE. They are moving in or expanding?

Mr. TALLAMY. Both. They are moving in, and those that are there are expanding.

Mr. SCHULTE. To what extent, what percentage would you say?

Mr. TALLAMY. Percentage of what?

The CHAIRMAN. However, that depression condition has come to all of these other cities you were referring to?

Mr. TALLAMY. Of course; that was the depression.

Mr. MACIEJEWSKI. I have just one question: What percentage is steam and what percentage is hydro on your report on these electric bills, as far as Buffalo is concerned?

Mr. TALLAMY. Well, I judge it would be somewhere around 50-50.

Mr. BENDER. As to industry, what percentage of the total cost of operation would the power cost be, taking the cost of operating expenses into consideration of any given industry, outside of these few industries that depend on power more than a diversified industry does?

Mr. TALLAMY. It is very, very low.

I made some tables to show some of the industries you are mentioning. In the majority of instances, the cost of power in relation to the cost of the product is less than 1 percent of the cost.

Mr. BENDER. And to the consumer, a survey was made on the cost to the consumer?

Mr. TALLAMY. Yes, sir.

Mr. BENDER. One of the good things that the W. P. A. did was that in 1937 they made a survey of 59 American cities and they found that the cost of electricity represented 1½ percent of the total expenses of the average household.

Mr. BELL. Are you prepared in your testimony to give the committee a statement on the comparative cost of producing electricity by hydroelectric power and by steam?

Mr. TALLAMY. Yes, sir; I have analyzed that in relation to this whole St. Lawrence coordinated plan, but, if you do not mind, I would just as soon go into that later.

Mr. BELL. I just wanted to inquire whether you intended to go into that later.

The CHAIRMAN. It is different at different places.

Mr. TALLAMY. Sure, it is different at different places, but we have the coordinated plan here for the entire State which the Department of Commerce report discussed, and that is why I said it in broad terms, although I can give the data along with that in particular localities.

While I am discussing the relation of power to industries, I would like to point out the employment possibilities in the high-load-factor industries. I am afraid that the majority of the people of the country look upon these high-load-factor industries, from the statements which have been made about the Aluminum Co. needing much power and these other high-load-factor industries needing a lot of power, and they couple that up with employment, and think that it is going to mean a lot to their particular area in relation to employment. I do not think that is true. I would like to point out some things in connection with that.

In the first place, the high-load-factor industries use a tremendous amount of power in comparison with the other industries. That is the first thing we have to consider, if we are going to analyze this problem.

In 1936 there were three principal activities in New York State which were using tremendous quantities of power in the high-load-factor areas. They were Erie County, Buffalo, Niagara County, and St. Lawrence County, up in the Massena section. Those three counties employed approximately 14,000 workers. They used somewhere around 2,000,000,000 kilowatt-hours.

The workers in those industries, some 15,000 of them, in 1937 used as much power as 380,000 other employees in the State.

Now, there is a good comparison of the value of high-load-factor industries, compared to diversified industries, insofar as power is concerned—15,000 employees employed in high-load-factor industries as compared to 380,000 in diversified industries.

Now, in the aluminum industry, we find that each worker requires about 320,000 kilowatt-hours a year, whereas in the other industries the workers require about 5,250 kilowatt-hours, or they require 60 times as much in the aluminum industry per individual employed.

So, when anybody says that the aluminum industry is going to greatly enhance employment possibilities in the area, do not be fooled by it. The fact of the matter is socially—and now I am speaking

again of my opinion—socially I think it is bad, perhaps, because these high-load-factor industries are affected most drastically by depressions.

Now, when the present need for aluminum is over, when this war is over, it is going to be drastically cut, and when that happens these employees in that particular industry are out. There you will have a real social problem on your hands.

In diversified industries, such as they have in Philadelphia or in New York State generally, they are not affected to as great an extent.

I just want to comment a bit on the T. V. A. I do not know anything about the T. V. A., and maybe I am not qualified to comment on it, but I do want to comment on a table that was presented in this Department of Commerce report. It presented a table which showed in the period of 1938-39 the millions of kilowatt-hours used in the T. V. A. area and how they were diverted into the principal classifications.

(The table referred to is as follows:)

	<i>Kilowatt-hours</i>
<i>Tennessee Valley Authority sales 1938-39</i>	
Municipalities.....	328, 400, 000
Industries.....	901, 500, 000
Other utilities.....	192, 200, 000
Interdepartmental.....	196, 200, 000
Total.....	1, 618, 300, 000
Aluminum Co. of America.....	577, 000, 000

Mr. TALLAMY. It shows the municipalities used 328,000,000 kilowatt-hours; that industries used 901,000,000 kilowatt-hours; other utilities, 192,000,000 kilowatt-hours, and interdepartmental, 196,000,000 kilowatt-hours, and that the Aluminum Co. of America used 577,000,000 kilowatt-hours. In other words, the Aluminum Co. of America was using 36 percent of the output of 1,618,300,000 kilowatt-hours. Doubtless, they are using a great deal more now.

When this war is over, when our soldiers come back from the camps, and the industries which are engaged now in war production close their doors to a great extent, and we are faced with production from practically slave-labor conditions all over the world, the barter system, in my opinion, we are going to be up against a problem never confronted in this country before in peacetimes.

What is going to happen in the T. V. A. area, where so much power is consumed by one industry, which is going to have to drop its consumption tremendously?

I would like to point this out, because it forms an analogy to ourselves. When a huge block of power in the T. V. A. area ceases to be used, there are only two things that can happen, because the fixed charges are there, and since they are not selling so much power to meet the fixed charges, the rates will have to go up on the remaining sales, or the rates will remain the same and they will run at a deficit, which will dip into the taxpayers' pockets to pay some more deficits.

Maybe that is necessary, and doubtless it is necessary in the T. V. A. area for war and defense measures, but I want to point out that it is not necessary anywhere else for defense purposes, and I will point out later that it is not necessary to have this project in my opinion, for defense purposes. We want to be most cautious about accumulating

further capital expenditures against projects such as this one we are considering in the St. Lawrence section.

Mr. Bender, a little while ago, asked about the value of power in relation to the annual production, or the production of manufacturing industries. On page 13 I have a table which I obtained through the courtesy of the Buffalo Chamber of Commerce, which organization did a great deal of work in developing it for me.

(The table referred to is as follows:)

Type of industry:	Percent of annual power cost to value of annual production
Paint.....	0.28
Steel forgings.....	1.42
Furniture.....	.53
Leather.....	.76
Metal stamping.....	.61
Meat packing.....	.17
Color and photoengraving.....	.83
Chemicals.....	7.28
Tools.....	.42
Machinery.....	.5
Nonferrous castings.....	.44

Mr. TALLAMY. That points out for the several industries cited in the Department of Commerce report, as moving away from Buffalo, that the percent or value of power to the annual production of those industries, varies from seventeen one-hundredths of 1 percent in all but two of them to a high of eighty-three one-hundredths of 1 percent.

The CHAIRMAN. One is only five one-hundredths.

Mr. TALLAMY. That is five-tenths. There should be an extra cipher on there.

The remaining two are not very high. In steel forgings it was 1.42 percent, and chemicals, the highest one, it is 7.28 percent. So that the value of power to annual production is only high, relatively high, in the case of chemicals.

Now, to further prove that, I will discuss the relationship of power to the steel industry. We have two steel plants in the vicinity of Buffalo, but they are not in Buffalo or the Buffalo industrial area. One of them is located at Dunkirk, and the other one is located down at Syracuse. They are not big plants; they are just small plants, but both of them are located in areas where the rate is higher than in the Buffalo industrial district, and yet they have not moved into our area.

So the value of power to annual production is proven, as these tables show, to be not very high.

Now we come to the question of rates. Maybe I am spending too much time on this thing, but I want to get it into the record, if you do not mind.

Now to consider the New York City rates.

Mr. BENDER. Do you know how much money the taxpayers have invested in T. V. A. up to the present time?

Mr. TALLAMY. I do not know anything about the T. V. A.

Mr. BENDER. At the end of 1940, and it has been increased considerably since, we had invested in T. V. A. some \$343,000,000, and during that period, had T. V. A. paid interest as a private enterprise must pay, they would have had to have paid \$21,000,000 on the money that was supplied to them by the Government. Instead, they paid the R. F. C. interest of \$1,125,000. Private industries, during 1938,

for example, paid out for interest and dividend requirements, \$715,000,000.

I would like to develop somewhere, Mr. Chairman, so that I do not take up the time of the committee, the amount of taxes paid by private companies and utilities companies to the Federal Government. I think they total somewhere in the neighborhood of \$325,000,000, Federal, State, and local taxes, that T. V. A. is entirely relieved from.

Mr. DONDERO. Proceed, Mr. Tallamy.

Mr. TALLAMY. On page 41 of the Department of Commerce report there is shown a comparison of the average rates for energy, for the State of New York, and the average for the United States. Now, it is shown for residential, commercial light, commercial power, and industrial. In each instance the table indicates that the rates in New York State are higher than the average for the United States, and in the case of commercial power that the rates in New York State are higher than any other State in the Union. They go on to make other statements, and in one place they show that the commercial rate is higher in New York City than it is anywhere else in the Union.

Now, I think that it is manifestly unfair to take advantage of the city of New York. New York City is a problem of its own. The huge amount of underground transmission in the city of New York, their conduits, conduits for electric distribution, conduits as well as transmission lines, telephone lines, sewers, and countless other underground outlets, which have to be wiggled in and out, and wiggled out where they can find outlets, creates a special problem in New York City. I think it is manifestly unfair to include in the average in the State of New York the New York City rates, and the fact that New York City must have a higher rate than the rest of the State is recognized by almost every student of the electric problem in New York State. Certainly it is recognized by the Power Authority of the State of New York, which sets up higher rates and recognizes the problem in New York City.

So, if you do take out the New York City area and include all of the rest of the State of New York, where the huge majority of the real heavy industrial development is, anyway, you will find a very different picture in relation to the national average, and the rate on New York State power.

On page 41 of the Department of Commerce report the statement is made that for commercial power one instance of 12 kilowatts and 1,500 kilowatt-hours, and another instance of 30 kilowatts and 6,000 kilowatt-hours, "New York State is actually the most expensive State in the Union."

Now, when you deduct the New York City area, and compare it with others, the power sales that are made in up-State New York for this class of service are considerably below the average for the country. The Federal Power Commission, in its bulletin, Typical Electric Bills, Cities of 50,000 Population and More, and I am quoting, shows that in Memphis, Tenn., which I think is in the T. V. A. district, the bill for 12 kilowatts of demand and 1,500 kilowatt-hours is \$31.63. The corresponding bill in Buffalo is \$29.25.

Mr. DONDERO. Is that for the same amount of electric energy?

Mr. TALLAMY. The same amount of power.

Mr. SCHULTE. Is that being furnished by the T. V. A., or by an independent company that buys this power from the T. V. A.?

Mr. TALLAMY. They buy the power from the T. V. A.

Mr. SCHULTE. They buy it from the T. V. A.?

Mr. TALLAMY. Yes.

Mr. SCHULTE. And then that is sold back to the people?

Mr. TALLAMY. That is what I understand.

Mr. DONDERO. Will you give that Memphis rate once more?

Mr. TALLAMY. In Memphis, for 12 kilowatts of demand and 1,500 kilowatt-hours, the bill is \$31.63, and in Buffalo, for a corresponding power demand and 1,500 kilowatt-hours, it is \$29.25.

Now, we will take a higher demand, for 30 kilowatts and 6,000 kilowatt-hours: In Memphis it is \$89.70, and in Buffalo it is \$91. So, it is a comparable rate, you see.

The Buffalo commercial service or industrial service is not the highest in the country, by any means. Neither is up-State New York, it is a pretty decent rate. So our condition, I want to point out, is not as bad as the Department of Commerce reports might have us believe.

Now, a great deal of importance is placed on the probable use of power in 1950, in order to substantiate the St. Lawrence-Niagara Falls coordinated plan, which is completely discussed, predicated on this St. Lawrence proposal. We think we know pretty well what the demand will be in 1950, unless we forget any emergency which we would like to treat separately. The Department of Commerce does not mention a war proposition or emphasize it at all, but predicates everything on a normal demand in 1950.

Now, they go through a very peculiar, complicated, and difficult series of calculations to arrive at the probable demand in 1950. I am going to outline, very briefly, what that procedure is, so that you will understand how they arrive at the demand for 1950, and ask you whether, in your own opinion, all of their assumptions and all of their calculations warrant the St. Lawrence coordinated with the Niagara Falls development.

Mr. TALLAMY. In the first place, they divided the 1937 demand—that is in the State of New York. Everything is in the State of New York. They divided the demand into six different categories: Residential, farm, industrial, commercial, high load factor, and others.

Then, the next thing they do is to estimate how many less industries there will be in 1950 than there are in 1937. In other words they assume there are going to be less industries then and each industry is going to buy more power.

Then, they figure out and they estimate how much more each industry is going to pay per month in electric bills.

They estimated that each industry is going to pay 50 percent more in 1950, per month, for their power than they are now, that commercial industries are going to pay 30 percent more, and every farmer is going to pay a 12 percent higher bill in 1950 and every residential person is going to pay 15 percent more in 1950 than they are in 1937 for power. That is in monthly bills.

Mr. PITTENGER. That is what they claim?

Mr. TALLAMY. That is their claim; that is the fundamental premise upon which their estimate is based.

Mr. BENDER. Is it not a fact that power, the price of power has gone down continuously over a period of years?

Mr. TALLAMY. That is right.

Mr. PITTINGER. As its use becomes more general.

Mr. TALLAMY. That is right.

Mr. BENDER. May I interrupt, Mr. Tallamy?

Mr. TALLAMY. Yes, sir.

Mr. BENDER. Is any reason set forth for that anticipated increase in cost?

Mr. TALLAMY. Oh, yes; I was just going to come to that next.

They claim this increased cost will be caused by the fact that the power will be cheaper if this thing goes through. All power will be cheaper anyway, whether it goes through, and as Mr. Bender pointed out there has been a great reduction in the power rates in the past in the State of New York. I will come to that later, too, but to assume or declare that every farmer is going to pay 12 percent more in 1950 and the residential man 15 percent more in 1950, I think is a hypothesis which will not come true.

Mr. DONDERO. The point I am making is this, is that based upon the increased use of power or the cost of the same power that is used now?

Mr. TALLAMY. Both.

Mr. DONDERO. Same amount of power?

Mr. TALLAMY. Both; both. It is based on the idea that there are going to be less industrial consumers, and that the consumers will be buying more power at a lesser rate.

The same thing applies to the farmers and to others.

Mr. MACIEJEWSKI. Are they figuring on the taxes on energy used and taxed?

Mr. TALLAMY. A tax on energy.

Mr. MACIEJEWSKI. Yes.

Mr. TALLAMY. Yes.

Mr. DONDERO. What was the question?

Mr. BEITER. We did not get the question.

Mr. TALLAMY. The question was, Are they figuring taxes on energy used?

Mr. MACIEJEWSKI. That is right.

Mr. TALLAMY. Yes; they do. They take into consideration a gross tax item for either plan for power; the all-steam plan or the hydroelectric plan.

Now, in 1950, I think that we will find that—

Mr. DONDERO. Right there, Mr. Tallamy, I think that the committee would be interested in this. Is there a tax on energy now?

Mr. TALLAMY. No; the power companies are paying a whale of a tax now, though.

Mr. DONDERO. But the consumers do not pay a tax on the amount that they use, separately? The corporation pays it to the Government.

Mr. TALLAMY. That is right, sir; but in their estimates, they took the gross power demand or gross power sales and estimated the percentage of the gross as taxes, you see, and then said that since it is a public development they have to consider the tax item. So they arbitrarily took a percentage of the gross to care for the tax item.

That is what I meant on the energy sales.

Now, in estimating the number of farmers, the Department of Commerce admits that the State of New York has done a good job on its rural electrification. But, I would like to point out how they did compare the State of New York with several other States, and by comparison say that we still have a big job to do. They point to Rhode Island, Connecticut, and New Jersey as a comparison.

Now, all of those are little States and highly populous States. Rhode Island, is everywhere within 25 miles of Providence, and Connecticut, 50 miles of Hartford, and New Jersey, within 50 miles of Trenton, so we think it is unfair to consider New York in a comparison with these other States, but let us take them.

Rhode Island has a population, per square mile, of 110; Connecticut 85.7—this is outside of the cities—New Jersey 197; New York 46.

Rhode Island has 95 percent, according to the Department of Commerce, farm service; Connecticut and New Jersey, 68 percent—New Jersey and Connecticut, 68 percent; New York, 52 percent.

Now, the Department of Commerce says that 106,795 farms should be served in the State of New York and predicates that on some Cornell agricultural studies.

The 1940 report of the Public Service Commission in the State of New York on page 56 shows that 37,600 miles serving 102,300 farms as of December 31, 1940. This represents 84.5 percent of the mileage and 95.6 percent of the farms which the St. Lawrence survey assumes will ultimately receive electric service in the State of New York. I think our job is pretty well done with 96.6 percent of the farms served.

I am skipping over some of this, because you may wish to use the time in questioning.

Power savings: The Department of Commerce criticizes the Niagara Frontier Planning Board report which Mr. Hamlin gave to you, because we claim that the annual savings of the coordinated plan as established in the Power Authority report will be approximately \$22,000,000. They claim that the true figure is \$26,700,000. Although we do not claim that with the \$602,000,000 expenditure in the State of New York, plus the Federal expenditure, the savings will be \$22,000,000, because it is predicated upon premises which we think are highly favorable to them; but taking their own figures, we find that in paragraph 1, page 14; paragraph 3, page 20, and paragraph 4 on page 140, the Power Authority admits that the saving will be \$22,000,000.

Now, I would like to point out that in Niagara Falls, if this treaty goes through, we in the United States—

Mr. DONDERO. You mean this agreement?

Mr. TALLAMY. Yes. We in the United States have given up, in my opinion, all possibility of equalizing the flow at Niagara Falls.

You know that the treaty of 1909 established the amount of water that can be diverted on both sides of Niagara, 36 on the Canadian side and 20 on our side.

The proposed treaty of 1938—and I am right there when I said treaty—the copy of which was given to the Canadian Government on that date by our Government to study as being the basis of a treaty, and which finally turned out to be this agreement, stated that in Niagara Falls we should have an equal and equitable distribution of the water. That would mean that each side would get 28,000 second-feet under the treaty of 1909.

This agreement for some reason or other struck out the word "equal" and just has, I believe, it has the word "equitable." "Equal" is out.

Now, 8,000 second-feet at Niagara Falls is what we are losing if this thing goes through, unamended. Eight thousand second-feet at Niagara Falls has a potential value of 240,000 horsepower, a third of the firm horsepower at the St. Lawrence.

That is what we are just tossing out of the window, I am sure, if this thing goes through, unamended.

Mr. PITTENGER. Why, if it goes through unamended, does there have to be an unequal distribution?

Mr. TALLAMY. Because the Canadians, I think, would never agree to it. I would never agree to it if I were a Canadian. I do not believe that they will agree to giving up the extra 16,000 feet that they now have at the Falls. I know if I were a Canadian I would not.

Mr. DONDERO. Mr. Tallamy, do you think that that word "equitable" was used in view of the contemplated discharge into Lake Superior of Canadian rivers now, which would give them more water?

Mr. TALLAMY. Well, that is taken care of separately; there is a provision that any water that is added from another watershed can be taken out in equivalent amounts below the point of addition. So that that very definitely applies, in my opinion, to the question of equalizing the present diversions at Niagara Falls.

The CHAIRMAN. Are the Canadians utilizing now that 36,000 second-feet there?

Mr. TALLAMY. Oh, yes, sir. They are using 36,000 and then some.

The CHAIRMAN. Well, are we utilizing our 20,000?

Mr. TALLAMY. Yes, sir; and some more besides.

The CHAIRMAN. Then we are both taking more than we are entitled to under the treaty of 1909?

Mr. TALLAMY. Yes, sir; under the treaty of 1909, but both those additional diversions have been taken care of by some form of exchange of notes or other manner.

For instance, the Senate of the United States just ratified a treaty which permits an additional diversion of 3,000 second-feet on the Canadian side and 5,000 on our side, over and above the treaty of 1909.

I am sorry; I guess I said, "ratified a treaty." It ratified the changing of the treaty of 1909 by exchange of notes.

The CHAIRMAN. I believe the treaty of 1909 has a provision authorizing that.

Mr. TALLAMY. Oh, yes. I am not objecting to that.

The CHAIRMAN. Yes.

Mr. PITTENGER. Mr. Chairman.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTENGER. Now, if we are getting 36 to their 20, how does it follow here that we are losing 8,000, if we take that water out equally?

Mr. TALLAMY. Canada now is getting 36,000 second-feet under the treaty of 1909. This exchange of notes which I just referred to, which permits an increased diversion, is a temporary thing; and, even so, it is within the 2,000 second-feet of being an equal diversion—3,000 on the Canadian side and 5,000 on our side; and that is just a temporary diversion.

The 18,000 second-feet on the Canadian side is important and valuable to Canada and certainly—

Mr. PITTENGER. I thought it was 28,000.

Mr. TALLAMY. Eight thousand second-feet, I should have said, is important and valuable to Canada.

Mr. DONDERO. May I ask you a question there, Mr. Tallamy?

Mr. TALLAMY. Yes, sir.

Mr. DONDERO. If the question of the water diversion at Chicago did not have an influence on that agreement, to which Elihu Root referred.

Mr. TALLAMY. That is what the Chicago people say. I am not sure that that is correct.

Mr. DONDERO. I do not mean to inject that into this.

The CHAIRMAN. They get that from Root's statement before the Committee on Foreign Relations in the Senate when the treaty was acted upon.

Mr. TALLAMY. I understand that is the case, but it is a peculiar angle. It works out that if you take the existing diversion at Niagara Falls of 1909 and assume that there was a diversion of 20,000 second-feet at Niagara Falls on the American side, in 1909, and then take into account 6,000, the equivalent of about 6,000 second-feet of power exported from Canada to the United States in 1909, you would get 26,000 second-feet and then if you add 10,000 Chicago diversion, that will give you 36,000 second-feet out of the Great Lakes system, and I believe that is the way it has been considered by some.

The only trouble is we were not diverting on the American side 20,000 second-feet at that time. We only diverted about 15,000 second-feet. That treaty of 1909, I must confess, is a very mixed-up affair so far as I am concerned. It may be clear to your honorable chairman, but I have not had as much experience with this as he has.

Mr. DONDERO. In other words, we might be getting gypped just a little bit, from the impression I get from your testimony.

Mr. TALLAMY. I feel this way, sir; that that word "equal" should very definitely be reinserted in this treaty. If we do not reinsert it now, it is gone, in my opinion, and it is gone forever, and that is 8,000 second-feet that we are just tossing out of the window, if we do not correct that situation.

Mr. DONDERO. I am greatly impressed in hearing your testimony of today, and Mr. Hamlin's testimony of yesterday. He was afraid that we were imposing upon the Canadian Government today and you are afraid that the American Government is being imposed on.

Mr. TALLAMY. Well—

The CHAIRMAN. You do not agree with your boss then?

Mr. TALLAMY. I feel very definitely we ought to take that out of the treaty or agreement, as it is now, and we should reinsert the word "equal."

Now, there is a third of the St. Lawrence firm power development—a third of it—that we are just letting go by default, and Niagara Falls is right in the heart of the high-load-factor industry right now.

Now, they are in the heart of some of the future high-load district.

Mr. DONDERO. Mr. Tallamy, whatever is taken out of there will have no effect on the amount of power that might be generated lower down the river?

Mr. TALLAMY. Not at all; but it certainly will have an effect at Niagara Falls.

Mr. DONDERO. Yes.

Mr. TALLAMY. And the power is worth just as much there, in the high-load industries, as anywhere else, and they certainly ought to have it there; and if this other plan, by chance, should go through, we ought to have it down below, too.

Of course, we will have it down below.

We need it at Niagara Falls, and that is where we ought to have it, and we, on the frontier, are looking to have that word reinserted. We think it is highly important.

Mr. PITTENGER. As I understand at the present time they are getting 36 to our 20. You think that they are getting 8,000 more than they ought to have?

Mr. TALLAMY. That is right, and apparently more than what our Government thought they ought to have in 1938, because the proposed treaty which our Government submitted to the Canadian Government at that time had the word "equal" in it.

Between 1938 and now, for some reason, that word "equal" has been dropped, and I think that is most important.

Now, I have a lot of other things here. I would like to point out the tax situation a bit in the State of New York, if I might, and then go into the necessity of this thing for national defense.

On page 25 of the document that you have in front of you, you will see a summary of revenues and taxes of the gas and electric companies of New York City and adjacent metropolitan areas for the years 1925 to 1939.

I could not get the break-down of the individual electric or gas companies, but the general figures will show the situation.

Between 1925 and 1939, their revenues went up 33.88 percent; during the same period their taxes went up 188.81 percent.

Mr. DONDERO. Will you give that figure, that second figure again?

Mr. TALLAMY. The revenues went up 33.88 percent and taxes went up 188.81 percent.

Mr. DONDERO. Who are you referring to in that figure?

Mr. TALLAMY. These are all of the gas and electric companies of New York City and the metropolitan area.

Now comparable—and that did not include up-State—comparable conditions exist in up-State New York.

Mr. DONDERO. Your statement seems to indicate there is not any Santa Cluas in Government.

Mr. TALLAMY. Not a bit.

Mr. BENDER. Mr. Tallamy, is it not a fact, after the Tennessee Valley Authority had been established in fact, for 5 years after it had been established, that new industries, instead of being attracted to Tennessee, Tennessee was the last in the 48 States to show an increase in industry attracted, and during that year, or before the establishment of the T. V. A., taxes paid by the utility companies represented 17 percent of their income totaling four and one-half million dollars, which was lost to the State of Tennessee and which they have suffered from as a result of the T. V. A. and its establishment.

Mr. SCHULTE. May I interrupt at this particular time to defend the T. V. A., because my friend, Mr. Rankin, is not here.

Now, the reason for that is because of the high railroad rates. Is that not true? Industry has not located around the T. V. A. because

of that differential in freight rates as protested by the southern boys, and that is what the southern boys are objecting to.

To make myself clear—

Mr. BENDER. One of the arguments made by the T. V. A. was that it would attract new industries to that area.

Mr. SCHULTE. I do not know anything about that. I have heard that discussed. Of course, unfortunately, we being around the city of Chicago and under the old Insull regime, we have not had the benefit of any cheap electricity. We are still paying for that.

Getting back to the T. V. A. now, and I have heard that discussed any number of times, as to the reasons why industry did not locate there, was because of the differential in freight rates, and one good friend from the South here just the other day made the statement of where a carload of lumber was loaded in New York and shipped on down into Florida, the freight cost—I have forgotten how many hundreds of dollars—but, to ship it back from the original destination to the point from which it was shipped, there was a difference of over \$500.

So I just want to keep the record straight in connection with showing that cheap electricity is furnished in the Tennessee Valley, but the fact is that there has not been industrial development there, because of the difference in freight rates.

Mr. ANGELL. Mr. Tallamy, is it not also true that while the taxes imposed on these utility concerns went up at a very enormous rate, the tax burden against all other industries went up too during the same period?

Mr. TALLAMY. Oh, yes, sir. I just wanted to point out that in spite of that fact, that the revenues went up at a much lesser rate than did the taxes and that rates went down.

Now, in up-State New York we find that revenues increased 51.73 percent and the taxes increased 163.24 percent.

Now, that was between 1925 and 1939.

In Greater New York, in 1925, the average revenue per kilowatt-hour was 4.68 cents, and in 1938, 3.23 cents.

And, in up-State New York, in 1925, it was 1.75 cents, and in 1938, or 1937, it was 1.73 cents.

So there it did not make much difference, but it shows there was a big decrease in rates in spite of a huge increase in taxes.

Mr. CULKIN. You are not complaining about that?

Mr. TALLAMY. No, sir; but I do want to point out that in spite of this fact, the rates did go down and taxes went up, and that between now and 1950 the taxes will doubtless be increased further, and we think that the rates will continue to be reduced. I mean, as they have in the past, and, therefore, these questions as to probable demand in 1950 are more logically determined through a comparison of the demand curve in the past which included all of the factors, rather than to go through a great mass of calculations and hypothetical questions, as to how much more a man is going to be able to pay in 1950 than now, and then assume a reduction in rates, and then divide the reduction in rates into total cost of power that he is going to pay for; all in order to determine how much energy he is going to consume.

We say a more logical procedure would be to take the past demands curve and project it into the future.

Mr. BENDER. It is your idea to emphasize the point that we are killing the goose that has laid the golden egg?

Mr. TALLAMY. Well, I had hoped that you would get that inference; yes, sir.

Mr. PITTENGER. Right in that connection, are you in favor of letting all that hydroelectric energy go to waste like it is now?

Mr. TALLAMY. No, sir.

Mr. PITTENGER. Now, that is what I call killing the goose that lays the golden egg, permitting that power to continue to go to waste.

Mr. TALLAMY. But I do believe that we ought to be very careful when we develop that hydroelectric energy available in the International Rapids section. I do not think we should develop it right now. I do not think it is good at all to develop it now.

I might as well get into that right now, while we are on it.

Mr. Hamlin pointed out that there is no excuse in his opinion for the development of the St. Lawrence waterway project and power project at the present moment, unless it is for national defense. Certainly we all must admit that development of the St. Lawrence waterway project is going to divert men. It is going to divert materials in huge amounts and huge amounts of money from our present defense efforts.

Mr. PITTENGER. That is a question of opinion.

Mr. TALLAMY. I am going to defend that now a little bit.

I believe that his statement that 100,000 men will be required—

Mr. DONDERO. Whose statement?

Mr. TALLAMY. Mr. Hamlin's statement. He made that statement here either this morning or yesterday, that 100,000 men would be required on that job or furnishing the necessary equipment. I do not believe that can be successfully broken down. All that you have to do is to investigate the cost of comparable work done under the P. W. A., big jobs, to see what it costs per man-year, what the cost per man-year was on the site and refer to their own investigations as to the indirect employment—and that is on record in the House. This will point out what the total employment is that is necessary for a job like the St. Lawrence.

And I am sure that the 100,000-man estimate cannot be broken down successfully, and that is a huge diversion.

It is generally admitted that 80 percent are skilled or semiskilled men and the diversion of foremen, contracting superintendents, truck operators, and huge concrete-mixer operators and elevator operators, and steam-shovel operators, and all that sort of thing are just as much diversion from our peace defense industries as taking men out of a factory that are boring a rivet for an airplane, because they are the men who are making the airplane factories at the present time and making the other defense industries, and all have to be built, and building our shipyards, and so on.

It is a diversion from our defense industries, to divert these men from the jobs of building and expanding our emergency factories, and so on.

Mr. SCHULTE. Mr. Chairman, if we could get the 100,000 mechanics, would Mr. Hamlin still object?

Mr. TALLAMY. Surely he would.

Mr. PITTENGER. It was 10,000, I thought he said.

Mr. TALLAMY. Well, he said that we would need 100,000.

Mr. SCHULTE. They are just putting these things in our way to see whether we will agree with them. Suppose that we could get 100,000 mechanics?

Mr. TALLAMY. If you got them from Czechoslovakia?

Mr. SCHULTE. No; no. It would not be that simple. We might get them from Buffalo.

Well, since you have brought that up, has Mr. Hamlin considered, or have you considered, that each and every year, according to the statistics—of course, you may doubt them, as you doubt some of the Department of Commerce figures—but, we are given to understand, and rightfully so, I think, that about a million boys graduate from the high schools and universities each year. Some go out and go into the various fields of endeavor. Some come out as mechanics, a great many of them, from these technical high schools. Can we not get a lot of them? Every district in the United States, and in every manufacturing section, we have unemployed there still, and the W. P. A. rolls will attest to that, and they are not there because of the fact that they are not able and capable.

Mr. TALLAMY. You make that statement, and I know that men are coming out of the schools every year; but I also know that you cannot train a man to go up and work one of these huge 2- or 3-yard shovels, or draglines in a year, nor to service and operate that equipment. Neither can he design and do all of the other skilled work [that is necessary and comparable to developing this plant or these works.

Mr. SCHULTE. I am just asking this question. That is one of the many objections. Is that right?

Mr. TALLAMY. That is one.

Mr. SCHULTE. Just one of the many?

Mr. TALLAMY. That is right.

Mr. BENDER. Mr. Schulte, is it not a fact that our defense program is lagging chiefly because of the lack of skilled mechanics?

Mr. SCHULTE. No; I would not say so. I think that the neglect there can all be laid to the Army Engineers because of the fact that they have not had a program formulated years in advance.

Mr. KIRWAN. Will the gentleman yield there?

Mr. TALLAMY. Certainly.

Mr. KIRWAN. In 1936, I may say, they practically run a man out of this Government, Rex Tugwell, who advocated housing and built Greenbelt, one of the finest in the world. There was labor in abundance, and material was cheap at that time. He did a very fine job.

Now, today we are building thousands and thousands of units, whereas 4 years ago some people were opposing this and said that we did not need them.

Now, we have not got enough houses, but today—we are building houses at greater cost.

Never has one project or one development in America, from the day of Fulton's steamboat down, Edison's electric light, been brought forward that they did not come out and say that if could not be done or that it would wreck and ruin the country.

Will you name any one in our 150 years of Government, any improvement, anything, that was good for the people, good for business, that somebody did not come in and object to as being something that was going to ruin the country and wreck the country?

This is just the same thing. I would like to have the Congressman name me one improvement, one project, over the 150 years that someone did not object to? It is just as the President said in 1933, it is fear that we have got to overcome.

The CHAIRMAN. Even Henry Clay made an objection to some.

Mr. KIRWAN. Yes, there has been objection to every one.

Mr. BENDER. The gentleman refers to Greenbelt; is that correct?

Mr. KIRWAN. That is correct.

Mr. BENDER. Is it not a fact that those units at Greenbelt cost about \$12,000 a unit, whereas today we are building housing at a rate of \$4,500 per unit?

Mr. KIRWAN. Yes; but at Greenbelt you are referring to just 20 times what you are getting today. They are all apartment houses there. That is the unit that cost \$12,000, and the unit today is only four rooms.

Mr. CULKIN. And today they have no cellars.

Mr. KIRWAN. No.

Mr. BENDER. They do not need them.

Mr. CULKIN. I do not know about that.

Mr. DONDERO. I am afraid that we are getting far afield, Mr. Tallamy.

Mr. TALLAMY. I was wondering whether we were going to get as far as the Passamaquoddy.

Mr. CULKIN. I am going to disagree with the gentleman from Michigan (Mr. Dondero). I think that the suggestion of the gentleman from Ohio (Mr. Kirwan) is eminently fitting and proper.

Mr. DONDERO. I have just stated that I thought he was right.

Mr. KIRWAN. Thank you.

Mr. BENDER. Of course, I like to agree with my friend from Ohio, and I will say to my colleague, that surely there are many things that folks objected to that have proven beneficial, but on the other hand, there are many things that have been objected to that, as a result of the objection, the taxpayers have been saved considerable money. And I will say this to you, that the chief taxpayer in my community is the Electric Illuminating Co. They are the No. 1 taxpayer and apart from possibly the distilling industry and the tobacco industry, I think the electric industry ranks first in the payment of Federal taxes, and certainly ranks first in the payment of State and local taxes everywhere throughout the country and a project like this, of course, will take away the revenues that are provided now in many of these municipalities and States and the Federal Government. As to special interests, the fact is that the bulk of the power supplied by the Tennessee Valley Authority has been used by four large enterprises. The Aluminum Co. of America, the Electro Metallurgical Co., the Victor Chemical Co., and another chemical company whose name I do not have at the moment.

Mr. MACIEJEWSKI. Is it not a fact that they have moved there because the electric power was there?

Mr. BENDER. Of course, they moved there but, frankly, they do not employ nearly the number of men that many of these other industries employ, that are a part of our communities.

Mr. CULKIN. Will the gentleman yield?

Mr. BENDER. Yes.

Mr. CULKIN. May I say that a gentleman the other day, Mr. Floyd Carlisle, who I think is the head of the Niagara-Hudson Co.—I think he represents them—stated that they were ready to distribute this power. That does not indicate that they are opposed to it. And certainly, he would not make that offer if he thought that it was destructive of the industries of the country.

Mr. BENDER. That is a private company, you say that he represents a private company there?

Mr. CULKIN. He represents a large block of utilities in the north-east, but the point that I am making is that this committee in the past, in reference to Bonneville—the general spirit of the committee was not to do violence to any existing utility and not to permit them to be driven out of the field by improper competition. Is that not a fact, Mr. Angell.

Mr. ANGELL. Yes; that is correct at Bonneville and Grand Coulee. At Bonneville and Grand Coulee they do not sell the power produced at retail. They do supply the larger users, like the Aluminum Co., but aside from that it is sold locally through other agencies.

Mr. CULKIN. Right there, I would like to ask the gentleman a question.

You were speaking a few moments ago about the taxes that the utility companies pay. Can they not get a readjustment on that by going to the Public Utilities Commission and getting an increase in rates based upon that extra or added disbursement in taxes?

Mr. TALLAMY. Well, their job is to give us lower rates and still meet taxes.

Mr. CULKIN. Now, I hope that you will not be facetious. Is it not a fact that in making up the rate schedules, the public-service commission permits the utility to put its taxes into the picture?

Mr. TALLAMY. Oh, of course.

Mr. CULKIN. So that any increase in rates reflects the taxes which the public utility pays. In other words, they may go and ask for relief on it. Is that not the theory of the law and the practice in connection with the work of the commissions?

Mr. TALLAMY. Yes, but there is going to come a time when we just cannot do that.

Mr. CULKIN. I know, but—

Mr. TALLAMY. In connection with lowering rates.

Mr. CULKIN. I know. Now, you are an expert, but be realistic for a minute.

Mr. TALLAMY. All right.

Mr. CULKIN. Is not that the procedure, to permit the utilities to balance their disbursements?

Mr. TALLAMY. Of course.

Mr. CULKIN. And balance their physical assets and their investments, and then on that the public-service commission adjudicates the rates in the State?

Mr. TALLAMY. That is right, sir.

Mr. CULKIN. Yes.

Mr. TALLAMY. But, I want to point out that it is manifestly unfair to compare electric rates—

Mr. CULKIN (interposing). The utilities, you know, are no purer than anybody about paying taxes. We all have to pay them. We also suffer death, eventually. We have to meet both situations.

Mr. TALLAMY. There is one thing I want to point out though, Mr. Culkin, and that is I think it is most unfair for a Government agency such as the Department of Commerce to compare rates in the State of New York with the rates in other places and make assertions without taking into consideration the amounts of taxes.

Mr. CULKIN. Now, you are getting completely off of the track. I do not hold any brief for any report. I am going to ask—

Mr. TALLAMY. I know that you do not, sir; and I just wanted to put in the record that in my opinion I do not think it is fair.

Mr. CULKIN. You can shed crocodile tears over the fate of the utilities, but that does not add to the sum total of information needed here.

Mr. TALLAMY. I still say I do not think it is fair for the Department of Commerce in issuing this report in relation to the St. Lawrence seaway to infer that our rates are very high and that we need the St. Lawrence waterway to pull them away down, and that if we do have the seaway industry will flock into the State of New York, and not mention the fact that we pay taxes through the utilities in the State of New York. They do not compare the taxes that our utilities pay, with the taxes which may or may not be paid in the other areas with which they compare the rates of our area.

Mr. CULKIN. That is a very familiar argument, and I think it is a sound one.

Mr. TALLAMY. I think it is right.

Mr. CULKIN. One brief statement of that would be sufficient.

Mr. TALLAMY. I have made it.

Mr. CULKIN. I think that you have made it a good many times. I have heard it four times myself.

Mr. BENDER. I think it bears repeating.

Mr. BEITER. And I think it bears repeating.

Mr. BENDER. I am not shedding any crocodile tears over the utilities. My tears are real for any business enterprise that is going to be dislocated by Federal taxes.

Mr. PITTINGER. I would like to say that there has been absolutely no evidence before this committee up to date that anything like that was going to happen under the bill that we have under consideration.

Mr. DONDERO. I do not think anyone has been louder or more outspoken against the Government going against private enterprise than myself, and if the power feature stood alone without the navigation feature, and you could not show that this was economically justified, I would be opposed to it.

Mr. BEITER. Mr. Chairman, now that the proponents have all delivered their speeches in behalf of this project, let the witness continue.

Mr. SCHULTE. You have taken considerable time discussing it.

Mr. KIRWAN. You had an hour and forty-five minutes one day.

Mr. TALLAMY. I was starting to discuss, gentlemen, this project and its relation to national defense.

Mr. PITTINGER. I think that that is the whole point in this case.

Mr. TALLAMY. There is no question about it. Some day the St. Lawrence power may be and should be developed, some day, but I

am not saying that it should be now, and I know that it should not be now. That is my conviction.

Now, is this thing necessary for national defense? We have two things to consider, navigation and power. If the project is necessary for national defense and it is vital to our country, I would not be opposing it. I realize what is going on over in Europe just as much as anybody else who reads the papers.

Now, to take the points one at a time: We have the navigation feature. We must dispose of both of them, if it is necessary for national defense.

The navigation feature of the project has been held up as necessary for national defense, because they say we can build ships, ships, ships, and more ships, upon the Great Lakes, start their construction now, and sail them out in 1945 or the last part of 1944, and so forth; that we can lock the completed boats down about the same time.

If that is true, it is one thing, but in my opinion it is not, and I will show you why: We have, as pointed out, a lot of shipyards on the Great Lakes, and I will not spend too much time on it, but it ought to be, I think, in this record. We have a lot of shipyards on the Great Lakes capable of building these small ships, hundreds of millions of dollars of the naval-expansion program can be carried on there, and they can be shipped to the sea via three different routes.

Now, I am not an Army man nor a Navy man, but I have common sense enough to know that in wartimes it is prudent, and represents good strategy, to diversify, scatter around anything that is important.

Certainly if we are going to launch a naval-construction program on the Great Lakes, it is prudence and wisdom to have more than one outlet to the sea, and we can do all these things in our existing Great Lakes shipyards which I am stating, and ship them out through three different outlets. We can ship them out through the existing 14-foot St. Lawrence channel; through the existing 14-foot—12-foot Oswego and Mohawk and Hudson River Canal, or through the Illinois-Des Plaines and Mississippi waterways. There are three different outlets.

Right now, the United States is building bombers in California which can take off and fly across the ocean with a load of bombs and return without stopping, but do you suppose we are the only ones capable of doing that?

If we started a great naval construction program upon the Great Lakes, the larger vessels requiring the 27-foot draft—and we are spending six or seven hundred millions in constructing those vessels—are going to be greatly needed in 1945, if we get into this war. And, after they are completed, or about completed, one successful act of sabotage, or one successful bombing, destroying any one of the nine locks upon the St. Lawrence or eight in the Welland Canal, would put to naught all of the work that we have done in the Great Lakes area.

It is just exactly the same, in my opinion, as though we concentrated all of the shipyards which might be used in the Great Lakes area in the International Rapids section of the St. Lawrence or the Welland Canal section. That is exactly what it amounts to.

We have taken all of these naval yards and put them down in one spot, and that I do not think represents good naval strategy, and I am sure that I do not think that any naval man would refute that.

Mr. SCHULTE. May I ask the witness one question?

Mr. TALLAMY. Yes, sir.

Mr. SCHULTE. Is it your understanding that we are doing this just as a matter of facilitating the building of ships, or are you under the impression, from the way that this bill reads that all warships are going to be built on the Lakes and in the Lake ports?

Mr. TALLAMY. Oh, no.

Mr. SCHULTE. Then, we are not going to abandon shipbuilding at the various points on the coasts?

Mr. TALLAMY. The bill does not read that way at all. But, it is presented by the administration and by the supporters of the project as necessary so that we can construct these larger types of vessels on the Great Lakes, in the interior of the country, by improving the waterway, and deepening the channel, so that when the boats are done and this work is done, we can ship these great boats out through the St. Lawrence.

Now, that is the premise, the national defense premise on which this project is advocated, and I think that that is not a firm premise. It does not represent good naval strategy or good business.

Mr. SCHULTE. Then, the building of the Panama Canal was bad naval strategy?

Mr. TALLAMY. No; but any vessel that you are constructing on the Pacific Ocean can get over to the Atlantic Ocean if something happens to the Panama Canal.

Mr. CULKIN. We have not been building them on the Pacific.

Mr. TALLAMY. We are now.

Mr. CULKIN. Not until very recently. The Navy Department would not build them there.

Mr. PITTINGER. They are building them there now.

Mr. CULKIN. They have come to building them now.

How many merchant ships do you think we are building now?

Mr. TALLAMY. Where; on the Pacific?

Mr. CULKIN. All over; how many are under contract now?

Mr. TALLAMY. I do not know.

Mr. CULKIN. Well, then, how are you able to give an opinion on this question? Do you know how many naval vessels we are building?

Mr. TALLAMY. I know that we are doing billions of dollars worth of construction.

Mr. CULKIN. How many ships?

Mr. TALLAMY. I do not know.

Mr. BENDER. How many ships? Do you know how many are under contract?

Mr. TALLAMY. I cannot answer that question. I do not think that that makes a bit of difference.

Mr. CULKIN. You cannot answer hypothetical questions except by putting all of the facts in. You are an expert. You know that.

Mr. BENDER. Mr. Culkin—

Mr. CULKIN. Now, just a minute, if I may.

The number of ships that are building now are 3,508. Those are under contract. That is all types, including the Ugly Duckling, so-called, to go into the merchant service. Those are the 7,500-ton ships. But, the total is 3,508 which are under contract to be built up

to the end of 1943, and we are completely up to capacity now; completely up to capacity.

Mr. TALLAMY. I heard that testimony.

Mr. CULKIN. Yes; and all of the yards are jammed, and at Newport News, which is probably the biggest and the most efficient, they have got 7 years' work ahead.

Mr. TALLAMY. Yes.

Mr. CULKIN. Now why should we not take into consideration that if this war continues for 10 years, as the result of sinkings, that we will need replacements, particularly in low tonnage ships for freight purposes and why is not this lake area going to be valuable in that situation?

Mr. TALLAMY. Mr. Culkin, I heard that statement made in the record, that all our ocean shipbuilding yards are now at capacity.

Mr. CULKIN. That includes the Gulf, of course.

Mr. TALLAMY. I also heard other people, I believe in the lower part of our Atlantic coast, claim they had shipbuilding yards which did not have orders. But, regardless of that—

Mr. CULKIN. My authority for that is Admiral Land; is not he pretty good?

Mr. TALLAMY. He ought to know.

Mr. ANGELL. Admiral Land is the highest authority. He is the one that said few ships crossing the Atlantic from the United States with lease-lend goods were lost.

Mr. CULKIN. Yes.

Mr. BEITER. Will the gentleman from New York yield?

Mr. CULKIN. I will be more generous to the gentleman than he was to me.

Mr. BEITER. You recall the gentleman from Georgia, Mr. Peterson, a member of the committee, stated that he had been trying to get contracts for his own congressional district for the building of ships, that the yards were available and the men were available and they could not get any work. So your statement that the shipyards are at capacity is not correct.

Mr. CULKIN. You mean his statement. Now, what he said was in a measure what you said, but the distinguished Secretary of the Navy told us that his yards, the existing yards were not suitable or were not in shape to construct the craft now. He had already gotten an order, and I think there were two ways there, and there was a possibility of some more when things were put in shape.

Mr. BEITER. What about those in Congressman Fitzgerald's district? And there are others. What about all those in the Great Lakes?

Mr. CULKIN. I do not want self-serving declarations.

Mr. BEITER. I want the record straight. You said all the yards.

Mr. SCHULTE. Mr. Culkin has the floor, I believe.

Mr. CULKIN. I yield to him and then he outrages my courtesy.

Mr. ANGELL. Should we not have the regular order and have the witness testify?

Mr. SCHULTE. Mr. Culkin meant to yield as a courtesy to our colleague.

Mr. ANGELL. The witness has not said a thing from his statement for half an hour. Why not reserve the questions until after he has finished his statement?

Mr. CULKIN. It is a nice time you are raising that, when I am in the middle of this discussion.

Mr. ANGELL. I have the greatest respect for my colleague but I think we should go ahead with the witness. As soon as the witness attempts to make a point, he is stopped by questions. He was making a pretty good point and he was stopped. I do not think it is fair to the witness and it is not fair to the committee.

Mr. SCHULTE. Mr. Culkin was asking a question.

Mr. BEITER. I think we should consider the matter impartially.

Mr. BELL. I do not defend the present chairman, but I do move, sir, that we let the witness continue with his statement, and when he finishes then let the members develop the questions in turn.

Mr. CULKIN. May I develop just one more question?

Mr. BELL. Certainly, Judge. I am glad to defer to you. One more question, I believe you said?

Mr. SCHULTE. Just a minute. The gentleman from Missouri, is that right; do you wish to ask him a question?

Mr. BELL. No; my motion was to limit the questioning until after the gentleman on the stand is finished.

I would yield to the Judge, any time.

Mr. CULKIN. Thank you.

Now, I just wanted to ask you, if this war condition continues and the sinking continues, does the gentleman visualize the need for more and more ships, I mean ships of the appropriate tonnage, carrying commercial cargo, say 75 hundred tons?

Mr. TALLAMY. I think we ought to lay down in yards that we have now or in yards that we can build as rapidly as we can, every naval and merchantman that the Navy Department thinks is necessary to carry on this war properly; but in yards on the Atlantic, Gulf, or Pacific coasts.

Mr. CULKIN. Of course, I did not ask you that. You open the door to further discussion, and I am going to keep my truce with Judge Bell and not ask that last question. And I would be glad to conform, Mr. Chairman, to the rule for no interruptions.

Mr. SCHULTE. So long as I am chairman, we will not allow any interruptions. Mr. Witness, go ahead.

Mr. BENDER. I just wanted to register my approval of you as acting chairman. I think you are doing a very good job.

I wanted to ask, in line with the question of Judge Culkin, where he got the information we had 3,000 ships that were being built; 3,508?

Mr. CULKIN. I got it from a clipping that I cut from the Post this morning. I do not have the page. Then I got my further information from the Maritime Commission, over the telephone.

Mr. BENDER. I just wanted to know that.

Mr. CULKIN. Now, do not misunderstand me. I do not say all these ships are big ships; some of them are small.

Mr. BENDER. My impression was we had 442 big ships under construction.

Mr. CULKIN. No; the Navy is building 958, and the Maritime Commission is building 719 for war purposes and 58 for private carriers. And in addition to that, they are building for the Navy 1,098 smaller craft.

Mr. BENDER. I think, Mr. Chairman, the witness is endeavoring to tell us that here we are chasing rainbows with a project like this, when we are neglecting our defense needs.

Mr. SCHULTE. Now the witness will continue.

Mr. TALLAMY. In view of all these interruptions, I want to repeat, because I think it is important, that in my opinion it would be imprudent and unwise strategy to enter upon a great naval constructing program in the Great Lakes area, depending upon only one outlet to the sea. If anything should happen to these vulnerable locks or dams, and they are vulnerable—the Panama is vulnerable, and these are; the War Department admits it when they recommend the new lock in the Soo—it would have the effect of concentrating all of those defense efforts, a most needy defense effort, in one area in the International Rapids section. And I think that this country should not embark upon such a program.

Now, in relation to the power portion of the project, is this power necessary for national defense? My answer to that is, No.

As I pointed out in the former part of my talk today, steam-generated electric energy in the State of New York has been doing a good job and is capable of doing a good job. If we need more power, we need it as soon as we can get it, not in the fore part of 1945 and then only in part; we need it as soon as we can get it. A steam plant can be constructed far more rapidly to serve the ordinary diversified industries than can the St. Lawrence, and almost as efficiently.

The Power Authority in this coordinated plan of theirs—the \$600,000,000 plan, and do not lose sight of its cost—only shows a saving of \$22,000,000 over equivalent steam generation in the State of New York. To my way of thinking, that is a very small saving compared with the investment—an investment to be made at such a precarious time as we are living in now. Steam-generated electric energy can be brought into service to take care of our normal load.

Now, how about the high-factor-load industries which have been discussed? If we need more power for aluminum and I presume that we do, as far as the Aluminum Co. of America is concerned, in the Massena section; I think a far more common-sense method of getting that power quickly would be that of making an arrangement with the Dominion of Canada or the Province of Quebec for that power.

At Beauharnois, an existing power plant in the St. Lawrence, in the Province of Quebec, near the International Rapids section, I have correspondence in my files to show that has a possibility of developing 700,000 horsepower merely by installing the machinery and dredging the canal, which is a mud canal and can be done very quickly. Now, with that huge block of power so close to the Aluminum Co. of America, in the Massena section, which can be brought in so quickly by the installation of machinery, with no delays and all that sort of thing; and keeping in mind that only a short time ago the President met with Prime Minister Mackenzie King over the unbalanced trade between this country and Canada, and the mounting deficit between the two in trade and that we offered, as I recall it, I am not sure of the figure, but it is somewhere near \$300,000,000, to purchase some \$300,000,000 worth of material in Canada to accord a more favorable balance of trade; what more logical thing to purchase, because of the emergency, if we have a shortage of aluminum right in that sec-

tion, than Canadian power. If we have to finance, even the first cost, the generators at Beauharnois, and take the price of the generators out in power. That, to me, is a common-sense way of getting our high-load-factor energy in the Massena area.

Now, how about Niagara Falls? Do we need high-load-factor power there at the present time? I have a table that I would like to insert in the record showing the existing plants at Niagara Falls, on both the United States side and on the Canadian side.

Existing plants at Niagara Falls

	Head	Flow	Rated horse-power	Actual horse-power at full gate
United States side station:				
Schoellkopf.....	217	24,000	452,000	499,000
Adams.....	135	8,800	105,000	107,000
Total.....		32,800	557,000	606,000
Canadian side station:				
Rankine.....	127	10,420	121,000	103,000
Toronto.....	135	16,400	157,000	148,000
Queenston.....	305	16,000	565,000	490,000
Ontario.....	180	10,800	205,000	174,000
Total.....		53,620	1,048,000	915,000

Mr. TALLAMY. On the United States side we have Schoellkopf station, which is capable of using 24,000 second-feet and generating 499,000 horsepower.

At the present time we could divert through the Adams Station at Niagara Falls on the New York side another 8,800 second-feet, creating another 107,000 horsepower.

On the Canadian side there are four plants. I will not discuss them in detail. These four plants could take 53,620 second-feet, and develop 915,000 horsepower.

At the present time at Niagara Falls on our side we are only putting through 25,000 second-feet. We could put through 32,800 second-feet. On the Canadian side they are now putting through 44,000 second-feet, and they could put through 53,620 second-feet.

Mr. BENDER. Mr. Chairman, may I interrupt? I beg the witness' pardon. I wonder if we might adjourn and if the witness could come back tomorrow? We have been here pretty much all day and we are all very tired.

Mr. SCHULTE (acting chairman). I think that is a good suggestion. I think a lot of the members would like to ask questions.

Mr. DONDERO. How long would it take to complete the statement?

Mr. TALLAMY. I do not know; it will not take so very long.

Mr. MACIEJEWSKI. Why not let him complete the statement?

Mr. SCHULTE (acting chairman). He will have to come back tomorrow.

Now, if it is agreed, then, we will have Mr. Tallamy back here tomorrow morning at 10:30 o'clock. We will stand adjourned until tomorrow.

(Whereupon, at 4:45 p. m. the committee adjourned until tomorrow, Friday, June 27, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

FRIDAY, JUNE 27, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in the committee room, new House Office Building, Hon. Joseph J. Mansfield (chairman) presiding.

Mr. SMITH (acting chairman). The committee will please be in order.

FURTHER STATEMENT OF BERTRAM D. TALLAMY, CHIEF ENGINEER, NIAGARA FRONTIER PLANNING BOARD

Mr. SMITH. Mr. Tallamy, will you proceed with your testimony?

Mr. TALLAMY. Mr. Chairman, and members of the committee, I think yesterday afternoon when the meeting was adjourned I was discussing a table which I had just submitted for the record which shows the existing plants at Niagara Falls. I pointed out that there are plants on both sides of the border capable of, on the American side, diverting 32,800 second-feet and developing 606,000 horsepower; and on the Canadian side they were capable of diverting 53,620 second-feet and developing 915,000 horsepower.

Now, I would like to submit a table which is entitled "Unused Wheel Capacities at Niagara Falls."

Mr. DONDERO. Is that table in your statement?

Mr. TALLAMY. Yes.

Mr. DONDERO. What page is it?

Mr. TALLAMY. Page 31.

(The table is in full as follows:)

Unused wheel capacities at Niagara Falls

Station	Possible flow	Present flow	Added flow possible	Unused horsepower
Schoellkopf.....	24,000	¹ 24,000	.....	.....
Adams.....	8,800	¹ 1,000	7,800	95,000
Total.....	32,800	¹ 25,000	7,800	95,000
CANADIAN SIDE				
Rankin.....	10,420	10,200	220	2,000
Toronto.....	16,400	¹ 7,000	9,400	85,000
Queenston.....	16,000	¹ 16,000	.....	.....
Ontario.....	10,800	¹ 10,800	.....	.....
Total.....	53,620	44,000	9,620	87,000

¹ Includes temporary increase of 5,000 of United States and 8,000 Canada authorized by 1909 treaty revision.

Mr. RANKIN. What was the horsepower on the American side?

Mr. TALLAMY. Capable of producing on the American side 606,000 horsepower.

Mr. RANKIN. That is, in addition to what is generated now?

Mr. TALLAMY. No, sir. That is the total capacity of the existing plants on the American side.

Mr. SMITH. And those tables are also in your statement, Mr. Tallamy, are they not?

Mr. TALLAMY. Yes, sir.

Mr. SMITH. What page is that?

Mr. TALLAMY. That is on page 30.

The table I am referring to now lists the stations on both the American and the Canadian sides and it shows the possible flow through the plants, the present flow through the plants, the added flow possible through the existing plants, and the present unused horsepower.

This shows that on the American side we have now unused capacity to the extent of 7,800 second feet, which is capable of producing 95,000 horsepower. On the Canadian side, the tables shows that presently there is available capacity equivalent to 9,620 second-feet, which if turned in the Canadian plants would be equal to 87,000 horsepower.

Mr. RANKIN. How many kilowatt-hours annually would that 95,000 horsepower be?

Mr. TALLAMY. How many kilowatt-hours?

Mr. RANKIN. Yes.

Mr. TALLAMY. Oh, it would be roughly equivalent to—I can give it to you exactly; it would be about 620,000.

Mr. RANKIN. Less than a million?

Mr. TALLAMY. I mean 600,000,000.

Mr. RANKIN. Oh, yes.

Mr. TALLAMY. Now, it is quite unlikely this added diversion would not be noticed to any great extent insofar as the beauty of Niagara Falls is concerned. Certainly it would not be so as to cause any complaints on either the American or the Canadian side, if this large power is necessary for national defense.

Now, after the preservation works are installed in accordance with the exchange of notes between this country and Canada in relation to the increased diversion recently granted both countries, over and above the amounts set forth in the treaty of 1909 we, according to the special international Niagara Board, could divert approximately 10,000 extra second-feet on both sides of the border.

Mr. RANKIN. You say it could be done without marring the beauty of the Falls?

Mr. TALLAMY. I say that the beauty of the Falls will not be marred to any appreciable extent, right now, and after the preservation works are installed it will not be marred at all; in fact, will probably enhance the beauty of the Falls; not the diversion but the preservation works.

Mr. RANKIN. Then if we should include the Niagara River in this authority for that section of the country which should also include the St. Lawrence, we could not be charged with marring the beauty of Niagara Falls?

Mr. TALLAMY. No, sir.

Mr. SMITH. Do you think, Mr. Tallamy, the fact it has not been included has been due to the opinion that it might mar the beauty of

the Falls; is that your assumption, that is one reason why it has not been included?

Mr. TALLAMY. I am sorry, my attention was diverted and I did not hear the first part of your question.

Mr. SMITH. Following the question of the gentleman from Mississippi, is it your opinion or assumption that this feature has not been stressed, due to the fear that it might mar the beauty of the Falls?

Mr. TALLAMY. No; the Niagara Falls feature is included in this agreement right now; the one we are considering.

Mr. RANKIN. It is also included in the bill that is pending before the committee.

Mr. SMITH. I did not understand clearly what you were referring to. I thought you were referring to a development which was not included in this project; but that, I understand from your statement, is not so. The Falls that are to be developed later are all included?

Mr. TALLAMY. That is true, sir.

We have increased the diversion on both sides of the border recently, to make available and useful this unused capacity at Niagara Falls, but not fully. We have permitted an increased diversion on the American side of 5,000 second-feet, and on the Canadian side of 3,000 second-feet; an increase of that granted or allowed under the treaty of 1909, 36,000 c. f. s. on the Canadian side and the 20,000 on our side. Now, in addition to that, we have granted Canada the privilege of withdrawing an added 5,000 second-feet on the Canadian side, which amount is equivalent to the amount they proposed to divert into Lake Superior from the Ogoki and Kenagami projects. Now, in permitting, authorizing these increased diversions, and changing the amount set forth in the treaty of 1909, it was necessary to change the treaty through exchange of notes between this country and Canada. And in that exchange of notes, which were recently ratified, we called for carrying on this preservation works, but allowing only the diversion for a limited period of time, and this period was 2 years.

Mr. RANKIN. Now, would it interfere with your statement for me to ask you some questions at this point?

Mr. DONDERO. Mr. Rankin, I suggest this: Mr. Tallamy is within five or six pages of the completion of his whole statement; we should let him proceed and finish with the statement before we get into the questions.

Mr. RANKIN. All right.

Mr. SMITH. Then we will proceed in the regular way.

Mr. DONDERO. Yes; I think it would save some time.

Mr. RANKIN. All right.

Mr. TALLAMY. I was going to enlarge a bit to show why this would not affect the beauty of Niagara Falls. The full utilization of these plants would require a diversion of 30,420 second-feet over and above the amount set forth in the treaty of 1909. But from this amount, this 30,420, must be subtracted two other amounts; the amounts that Canada is now diverting or will shortly divert to the Great Lakes system, namely 5,000 second-feet, and the reduction in the amount which has been or was previously diverted through the Chicago Drainage Canal and has now been curtailed by an amount equal to 8,500 second-feet. Now, these two items equal 13,500 second-feet which, if subtracted from the 30,420 c. f. s. necessary to fully use the

plants, we find that we only are exceeding the treaty of 1909 provisions in reality by 16,920 second-feet. This is less than the 20,000 second-feet the special international Niagara Board said could be diverted if the preservation works were installed; and since we are going ahead with that, I claim that we should use the full unused wheel capacities now at Niagara Falls, if we need more power for this emergency.

Now, this amount of power would be equivalent to 1,120,000,000 kilowatt-hours annually. Of course, it is roughly equally divided between the two countries. But that total amount is equivalent to the amount set up in the Power Authority reports and the Department of Commerce reports in relation to this project for high load factor industries in 1950. So that on the American side we may gain right now just by turning on the spigot, at least 50 percent of the high load factor power necessary, and on the Canadian side another 50 percent would be available for high-load-factor industries, right at Niagara Falls, in the center of the chemical and aluminum production industry in New York. You see, since the wheels are there and the plants are there and the bus bars and everything are there, it is just a matter of the treaty arrangement, no expense involved.

Mr. SMITH. There would be no expense involved there at all?

Mr. TALLAMY. No, sir.

Yesterday, I mentioned that in Northern New York, if there was a shortage of high-load-factor power, that in my opinion the practical way of arriving at a solution to that problem would be through an arrangement with Canada for the importation of power from Beauharnois, which would be very quickly obtained through the installation of some generator equipment in the Beauharnois plant and dredging work in the power canals.

Mr. RANKIN. Where is that?

Mr. TALLAMY. The Beauharnois plant is on the St. Lawrence River, about 60 miles from the International Rapids section, the section we are discussing; and in the event we needed further power another 750,000 horsepower could be developed at that station, over and above the 700,000 I have already mentioned.

In addition to that I would like to submit a table which shows the potential horsepower facilities in Quebec and Ontario, in the general proximity of the International Rapids section:

	<i>Horsepower</i>
Beauharnois.....	150,000
Chute-a Caron, on Saguenay.....	700,000
St. Maurice River.....	1,000,000
Quinze.....	150,000
Ottawa River, Carillion.....	400,000
Upper Ottawa.....	600,000

Mr. RANKIN. Why is it that you do not use kilowatts there? Isn't it more easily transmitted in kilowatt-hours?

Mr. TALLAMY. To those who are more familiar with electrical terms, it is more simple to use kilowatt-hours, but I have found the general layman is more familiar with horsepower. All we have to do is to multiply it by three-quarters and that gives us the answer in kilowatts.

Mr. ANGELL. And the 4,300,000 horsepower, would be about 3,000,000 kilowatts; is that true?

Mr. TALLAMY. Four million three hundred thousand is about 3,180,000 kilowatts.

Mr. RANKIN. Other engineers who have testified, as a rule, have used kilowatts; I wondered why you used horsepower.

Mr. TALLAMY. That was the only reason, sir, because I found that outside of those who are discussing electric energy all the time, and who have studied it and are working with it, the general public reacts to horsepower better.

Mr. RANKIN. A horsepower is about 670 kilowatts?

Mr. TALLAMY. It is 0.746.

Now, insofar as the State of New York is concerned, and what we are doing at the moment to increase our generating facilities; at Oswego, 107,000 horsepower will be brought in this summer; a further 107,000 horsepower steam plant. Provisions are made for three other steam-plant units in the same station, which would make an additional 321,000 horsepower there; and in Buffalo they are now working on a further steam-plant addition of 107,000 horsepower, and that will be brought in the latter part of 1942; or a total now, either under construction or planned in the construction of 428,000 horsepower. This plus that available at Niagara Falls, through existing stations on our side, of 95,000, makes a total of 523,000 horsepower, either under construction, ready through turning on more water, or planned in construction, which is now under way.

In discussing power for national defense, and I am quite sure this is the prime reason this project is under discussion now, I should like to point out; that in my opinion, and I am sure it can be substantiated, steam plants can be constructed far more quickly than can the St. Lawrence power development. Steam plants can be constructed ordinarily in from 14 to 18 months; possibly they might take 2 years, but even 2 years is less than half the time required to bring in the St. Lawrence. Now, if we need more energy for national defense, we need it just as quickly as we can get it, and we dare not wait. We must start right now and develop more electrical energy. That is, if we need it. I am assuming that the Army and so on are right, when they say that we need more energy. If that is so, then we need it as fast as we can get it, and we will have to start construction right now. The only thing we can start construction on, and complete in the shortest length of time, are steam plants. They will come in 2 years ahead of the St. Lawrence if we start that, but we cannot wait for the St. Lawrence. We have to start these others now.

So far as the high-load-factor power is concerned, I gave you a solution on that which is practical and which will bring the power in very quickly in the Messena area, and bring it in immediately in the Niagara Falls area, if you negotiate the necessary agreement.

Now, if that is so, and it is, gentlemen, the quickest way to get power is through steam production; that means that we are going to vastly increase the steam-plant capacity in the State of New York; we are going to be way above our average demand curve. We will have to be above it to take care of this national emergency. After the emergency is over, then what is going to happen? Our curve is going to drop way down, and probably drop below the State average curve.

Mr. RANKIN. Where would you get your coal?

Mr. TALLAMY. We would get it from the mines.

Mr. RANKIN. Whereabouts?

Mr. TALLAMY. We will get it from Pennsylvania, Kentucky, Ohio.

Mr. RANKIN. You would get none from New York. There is no coal in New York?

Mr. TALLAMY. None.

Mr. RANKIN. You would have to haul your coal there.

Mr. TALLAMY. Yes; we would.

To follow along that trend, our curve would fall way down below the average curve, and when 1950 arrives, or when the war is over, say 3 years from now, or it may be even 4 years from now—say it is over, then what is going to happen? These plants that are requiring this special type of power which we have had to bring in quickly, will close up. We are going to undoubtedly face one of the greatest depression periods of all our history. Now, if we have that condition, and at the same time have carried on the construction of the St. Lawrence, and the year following or the same year that this condition that I say is going to occur does occur, we have a million horse power from the St. Lawrence, hydro horsepower, on top of all this steam capacity. There are only two things that can happen: it will be necessary to either supplant the steam plant capacity with St. Lawrence capacity, you have brought in, which is going to ruin the investment in all these steam plants which are now necessary, or, second you are not going to bring in the St. Lawrence power, and it will be necessary to carry that high investment with no return.

If we need power quickly we need to start right now to get that power, and the quickest way we can get it is through steam plants, and I say we should do that, and we should enter upon that program immediately. I think we should take care of our high load factor power through the practical way of turning on more water at Niagara Falls, and making a practical arrangement with Canada for Beauharnois power, and that is my reasoning, and I think it is right, with reference to power and national defense.

There is one other factor, and one, in my opinion, very advantageous factor in relation to my plan for solving our national-defense power shortage, and that is that if we do establish steam plants throughout the State where there is a demand for power, we have scattered the sources of power. From a strategic point of view that is sensible. If we concentrate a huge block of power in the International Rapids section, then we have forced a reliance sometime in the future, not in this war, but sometime in the future, speaking only of national defense, of some 25 percent of the industrial output of the State of New York on that concentrated power.

Now, from a normal peacetime economic point of view you can prove St. Lawrence power slightly less expensive than steam power, but from a military point of view and a strategic point of view, and we are discussing this thing now from that point of view, it is less to the advantage of the military forces to have a huge block of power concentrated in one area in the Union.

Now there is another advantage, and I think it is an important advantage right now, and I am not stating this from my own figures—I use the figures of the Power Authority which has presented this coordinated plan of Niagara and St. Lawrence power. That is, that equivalent steam power in the State of New York to furnish the entire demand of the State of New York, as estimated by them, and as also transmitted by the Department of Commerce, would cost \$100,000,000 less for first outlay than the coordinated plan. I think that is something else that should be considered at the moment. A \$100,000,000 less first capital cost than the St. Lawrence plan.

Mr. RANKIN. How do you arrive at that figure?

Mr. TALLAMY. I have it here.

Mr. RANKIN. You mean producing the same amount of power?

Mr. TALLAMY. Producing the same amount of power.

Mr. RANKIN. Of course, that doesn't take into consideration the fact that if you build a dam the water is free, and you would have to buy coal to carry on the operation of the steam plant.

Mr. TALLAMY. But you would have the first costs which are still there and have to be carried.

Mr. RANKIN. And you would not be exhausting the natural resources by using water power.

Mr. TALLAMY. The figures I have on natural resources, insofar as coal is concerned, show that we have a long, long way to go before we make a serious dent in that. That brings up the social problem of the advantages of steam generated power over hydro.

Mr. SMITH. It has been estimated that we have a coal supply that might last for 300 years, has it not?

Mr. TALLAMY. Oh, far exceeding that; it is in the several thousand years.

To answer your question how I arrived at that figure, you will find listed in the Power Authority's report, on pages 198 and 199—I don't know whether you have it in front of you, but it is the Power Authority report for 1938—an item called "Other costs," and that is shown for upstate New York as amounting to \$75,085,000, and the Metropolitan area of New York \$44,875,000.

Now, you will find on page 179, "Steam generation costs," and that is upstate equivalent to \$184,700,000; Metropolitan area, \$198,000,000, giving a total of \$502,660,000, as compared with the figures I gave you yesterday of \$602,000,000, so that the equivalent steam generation is \$100,000,000 less expensive for first cost.

Mr. RANKIN. What would the coal cost per year to produce that power?

Mr. TALLAMY. Very highly efficient steam generating plants, using about .85 pound of coal per kilowatt-hour, which is what we are doing at Oswego and Buffalo now, the amount of power generated in the State of New York, equivalent to the 9,000,000,000 kilowatt-hours, the increased demand between now and 1950, after deducting 1,000,000,000 kilowatt-hours for high load factor power, amounts to 3,825,000 tons of coal, and the value of coal from the mine to the plant is approximately \$4.

Mr. RANKIN. So you have \$12,000,000.

Mr. TALLAMY. I make it \$15,000,000.

Mr. RANKIN. \$15,000,000. Then in about 6 or 7 years, the cost of the coal would eat up the difference between the cost of building a steam plant and the cost of building a hydro plant.

Mr. TALLAMY. No, sir.

Mr. RANKIN. According to your figures. Well, go ahead, I will not interrupt. I will want to ask some questions later.

Mr. TALLAMY. I have in conclusion five very brief statements to make in reference to the power portion of that project.

Mr. RANKIN. Are they in your written statement here?

Mr. TALLAMY. Four of them are here; I added one this morning.

Mr. RANKIN. What page are the four on?

Mr. TALLAMY. Page 35. The first one is that power can be produced in less than half the time. From the national-defense standpoint that is most important, gentlemen.

The second is it can be produced at much less first cost. I have just explained how it can be produced at much less first cost.

Third, the course of energy would be scattered, and as a result the source of power for the dependent industries would be less vulnerable. Gentlemen, from a long-range national defense standpoint that, I think, is important.

Fourth, it would not require the construction of large transmission lines, stations, which are all time-consuming, labor-consuming, material-consuming, and, certainly, money-consuming.

Fifth, it would not jeopardize the financial security of new steam plants which are now necessary if there is a shortage in power and we must meet that shortage.

Gentlemen, in concluding, I would like to say it is my sincere and considered opinion that we should not now undertake the construction of the St. Lawrence waterway and power project.

Mr. RANKIN. Do you think it should ever be constructed?

Mr. TALLAMY. I can't look far enough into the future. The St. Lawrence waterway project, in my opinion, is a long, long way off. It is certainly beyond my capabilities of looking beyond the end of this war, and I don't think we can decide now when we should construct even the power portion of the project. We must know what is to happen after the war is over, and what the economic conditions at home and in the world are to be.

Mr. RANKIN. So far as you can see in the future you are definitely opposed to constructing or developing the hydroelectric power on the St. Lawrence River?

Mr. TALLAMY. That is right; yes.

Mr. SMITH. You have concluded your statement, Mr. Tallamy?

Mr. TALLAMY. Yes, sir.

Mr. SMITH. On behalf of the committee I want to thank you for the valuable information you have given the committee. Your statement has been an excellent one.

Mr. TALLAMY. Thank you, sir.

Mr. SMITH. Mr. Carter is recognized.

Mr. CARTER. I have no questions right now. I may have some at the conclusion of the other gentlemen.

Mr. SMITH. Mr. Rankin.

Mr. RANKIN. I am sorry I did not get to hear all of your statement, but there are some questions I want to ask you about this power project. You give somewhere in your statement the cost of steam generation. On page 28, the cost of kilowatts. You give the cost of steam generation at Buffalo at 3.4 mills per kilowatt-hour. That is for 1,167,000,000 kilowatts per year. Is that right?

Mr. TALLAMY. Well, I think that is in the statement. I didn't put it in my testimony, because time was so short, and I was consuming so much time. I spoke extemporaneously yesterday, but the figure is correct, as soon as I can find it.

Mr. RANKIN. It is on page 28.

Mr. TALLAMY. Now, you said in Buffalo it cost 3.4 mills; is that what you asked me?

Mr. RANKIN. Yes; that is correct, sir?

Mr. TALLAMY. Yes; that is correct.

Mr. RANKIN. That covers all the costs, and the cost of amortization?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. That is where you are hauling coal from other States?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. And you pay, you say, around \$4 per ton to get this coal; is that correct?

Mr. TALLAMY. Not there. I think you will find the coal there is \$3.50 per ton.

Mr. RANKIN. At any rate, and I think this is a fairly good thumb rule, judging from your statement there; you can generate the power at about 1 mill per kilowatt-hour for every dollar of ton you pay in coal.

Mr. TALLAMY. You can do what, sir? I must be a little dense.

Mr. RANKIN. You can generate power, according to your figures here, at about 1 mill per kilowatt-hour for every dollar of ton you pay for your coal.

Mr. TALLAMY. Oh; I see what you mean. Yes. Well, it is under that, you see, in Buffalo.

Mr. RANKIN. Well, that is a fairly good thumb rule, isn't it?

Mr. TALLAMY. Yes; that would be reasonable.

Mr. RANKIN. Of course it fluctuates according to the amount of power produced.

Mr. TALLAMY. That is right.

Mr. RANKIN. This power can be produced at Buffalo at 3.4 mills per kilowatt-hour, and at Rochester for 4 mills.

Mr. TALLAMY. Yes.

Mr. RANKIN. How far is Rochester from Buffalo?

Mr. TALLAMY. About 75 miles.

Mr. RANKIN. How far is it from this dam on the St. Lawrence?

Mr. TALLAMY. Do you want it exactly, sir?

Mr. RANKIN. About.

Mr. TALLAMY. I can get it very quickly here; about 200 miles.

Mr. RANKIN. You can generate this power, then, practically anywhere in the State of New York, all the way from 3.4 mills per kilowatt-hour to 4.5 mills per kilowatt-hour; is that correct, and cover all costs?

I am assuming your table here virtually covers the State of New York.

Mr. TALLAMY. It covers everything but New York City.

Mr. RANKIN. Everything but New York City.

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, in transmitting electric energy, it costs about 1 mill per kilowatt-hour per 100 miles, does it not; the transmission cost?

Mr. TALLAMY. A little more.

Mr. RANKIN. A little more. According to your figures, how much?

Mr. TALLAMY. Well, I find my figures show the cost of transmission, with 80 percent load factor, from the International Rapids section, to Rochester, would be 1.2.

Mr. RANKIN. One and two-tenths mills?

Mr. TALLAMY. Yes.

Mr. RANKIN. How far is that?

Mr. TALLAMY. Oh, I see; it is less.

Mr. RANKIN. All right; thank you. It is just about a half mill, isn't it?

Mr. TALLAMY. That is right.

Mr. RANKIN. You are coming in line with the Army and Navy now, because I have their statement on the Muscle Shoals before me here, in 1930. They show it would cost about a half mill per 100 miles per kilowatt-hour for transmission. Now, the reasonable transmission distance for electricity is about a maximum of 350 or 400 miles, is it not, economic transmission distance?

Mr. TALLAMY. If you have a good place to build your transmission lines, and they are not too expensive, I would say 300 miles or lower.

Mr. RANKIN. Three hundred miles. Now, the transmission lines from this International Rapids section, which is where this dam is to be built, would cover practically all of the State of New York, would they not?

Mr. TALLAMY. Yes; but I don't think it is practicable to send St. Lawrence power to New York City, not because of the mileage factor, but for two other reasons; first, when you approach New York City, you run into places where the land is excessively valuable, and that is one thing which raises the cost of transmission down there. Furthermore, as you get in further yet, you have to put the lines below ground, which is even more expensive, and then you have a very special condition in New York City, where, if large blocks of power went off through some unforeseen mechanical trouble, it would be very serious in such a highly concentrated Metropolitan area. But if you were to say a 300-mile radius, and deduct New York City, I would agree with you.

Mr. RANKIN. I think they made the same argument against transmitting Boulder Dam power to Los Angeles. I think you will find from the record the opponents made the same argument.

Mr. TALLAMY. I am not saying it is not practical from an engineering standpoint.

Mr. RANKIN. As a matter of fact, you don't destroy land by building a power line across it; you do not injure real estate at all by building a power line across it. That wouldn't interfere with the value of this land. And besides, it wouldn't have any more effect through the transmission of hydro power over there than it would steam power, would it? I can't see any reason for your argument against building a transmission line into the city.

Mr. TALLAMY. It is an economic argument, sir.

Mr. RANKIN. The cost of the line, is that what you are talking about?

Mr. TALLAMY. Yes; the cost of the line.

Mr. RANKIN. All right; the only difference is if you are talking about the cost of right-of-way—that is one of the costs.

Mr. TALLAMY. Yes.

Mr. RANKIN. Right-of-way would not cost any more for hydro power than it would for steam power, would it?

Mr. TALLAMY. But you don't have these transmission lines coming in from all directions and looping this particular area. You have your source of power down at the docks.

Mr. RANKIN. You don't have them coming in from all directions. You have one heavy line coming in from one direction to bring a volume of power into the city.

I think we have now got this worked out. We agree it costs about one-half mill per kilowatt-hour to transmit this power. That covers all the transmission cost, doesn't it?

Mr. TALLAMY. Yes, sir; except your losses.

Mr. RANKIN. All right; I will come to that in a minute. The line loss of electricity is about 3 percent per hundred miles, is it not? I am speaking about 100-mile transmission. We will take that first.

Mr. TALLAMY. I figure the over-all loss of everything—transformers, stepping up and stepping down at stations, and transmission lines—would cost about 10 percent—average about 10 percent.

Mr. RANKIN. Well, I think if you will investigate it you will find that for the first 100 miles it is anywhere from 3 to 5 percent. Of course, the higher the volume, the higher the voltage, the smaller the percentage of loss; that is correct is it?

Mr. TALLAMY. That is right, sir.

Mr. RANKIN. So, in transmitting power, if you are going to transmit power in volume, ordinarily your line is measured in this way; using this as a thumb rule; 1,000 volts for every mile. In other words, if you are only going to transmit 40 miles, you use a 40,000-volt line. That is right, isn't it? For 100 miles, you use 100,000-volt line; for 250 miles you would use a 250,000 volt line; that is about correct, is it not?

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, of course, the higher the voltage, the smaller the percentage of loss?

Mr. TALLAMY. Correct.

Mr. RANKIN. So, is it not a fact that power transmitted, we will say, 250 miles can be transmitted with a loss of less than 10 percent?

Mr. TALLAMY. Yes; but you have other factors that enter into it, you understand.

Mr. RANKIN. I understand, at Los Angeles, and I am using that as an illustration, because I am not an engineer—they told me at Boulder Dam that the power transmitted to Los Angeles, 268 miles distant, was transmitted on a 285,000 volt line, and they lost only 6 percent in transmission. Well, now, the same thing would apply in any other section of the country, would it not?

Mr. TALLAMY. That is for just transmission, you are correct.

Mr. RANKIN. I am talking about transmission.

Mr. TALLAMY. Yes.

Mr. RANKIN. We have not gotten to distribution yet.

Mr. TALLAMY. Yes.

Mr. RANKIN. We will let the local people distribute.

Then, as I understand you, you can generate this power by steam, according to your statement—

Mr. CARTER (interposing). By steam?

Mr. RANKIN. Yes, by steam, using coal hauled in from Pittsburgh, and send it all over the State of New York, anywhere in the State of New York, and lay it down for around from 3.4 mills to, we will say, 5 mills per kilowatt-hour, that is a fact, is it not?

Mr. TALLAMY. Steam power?

Mr. RANKIN. Yes.

Mr. TALLAMY. Yes.

Mr. RANKIN. Then, you could generate this St. Lawrence power and transmit it within that 300-mile radius and lay it down for less than 5 mills, could you not, say for 4 to 4½ mills?

Mr. TALLAMY. Yes; we can.

Mr. RANKIN. I believe it was stated, I think the New York Power Authority stated they could lay it down within a 300-mile line for less than 4 mills; would that be about right?

Mr. TALLAMY. Yes; I think you are right.

Mr. RANKIN. All right. Within this 300-mile line, or within a 300-mile radius from this dam, would cover practically all of the New England States, practically all of the State of New York, and three-fourths of the State of Pennsylvania, would it not, describing a circle?

Mr. TALLAMY. Describing a circle?

Mr. RANKIN. Yes.

Mr. TALLAMY. How much of Pennsylvania?

Mr. RANKIN. Three-fourths of the State of Pennsylvania.

Mr. TALLAMY. No; I do not think so.

Mr. RANKIN. Two-thirds?

Mr. TALLAMY. I would say one-third.

Mr. RANKIN. No, no; I think you would find it would cover more than that. Taking the top line there, 300 miles on the map, from where this dam is located, I think you will find it would take in considerably more than half of the State of Pennsylvania.

Now, within that radius, last year, the overcharges, according to the Ontario rates, and I am talking about the rates that people pay for their power when it is distributed by the Ontario power company, the differences between what they paid and what they would have paid if they had gotten their power at the Ontario rates, is about \$400,000,000, is it not? Did you ever look that up?

Mr. TALLAMY. I know about the Ontario situation, but I do not know what the total figures are.

Mr. RANKIN. I live in Tupelo, Miss. We buy our power from the Tennessee Valley Authority. We transmit it, and the way it is transmitted, it is 100 miles. I know in the month of March we paid 5.3-5.43 mills per kilowatt-hour, for our electricity. Our distribution system is municipally owned. We distributed that power last year, paid interest on all our investments, paid into our sinking fund, and then paid an additional 6 percent on the entire investment, and we had a net paid in lieu of taxes of more than the power companies have ever paid in any town of that size in the State in recent years, and made about, I believe, \$40,000 profit, so much that we had to reduce the rates, because there were only three things we could do, either reduce the rates, extend the service, or pay it on our debt. Our debt against the distribution system is down to \$75,000, and the bondholders would not take the money, because they wanted the interest.

I bring that picture to you to show that you can distribute this power anywhere in the State of New York at the standard T. V. A. rates, and without loss on legitimate investments, and in that way you would save the people of the State of New York, according to the Ontario rates, the overcharge last year of \$201,000,000.

I know they will claim that Ontario pays no taxes, and that is true, but you move out to Tacoma, Wash., where they do pay taxes, and the overcharge is \$199,000,000, and according to the T. V. A. rates the overcharge is \$183,000,000 in the State of New York, \$97,000,000 in the New England States, and, I believe, \$86,000,000 in the State of Pennsylvania.

Now, if you can generate that power at these rates with coal, and I am not denying your statement—you are an engineer and I am

not—if you can generate that power at the figures you gave, with coal, in the State of New York, you can do the same thing in surrounding States, can you not?

Mr. TALLAMY. Not necessarily, sir.

Mr. RANKIN. You can in Pennsylvania, to say the least.

Mr. TALLAMY. I doubt it.

Mr. RANKIN. That is where you get the coal from?

Mr. TALLAMY. I know, but you have not got the water there.

Mr. RANKIN. What is that?

Mr. TALLAMY. You do not have the water there.

Mr. RANKIN. The water?

Mr. TALLAMY. Yes. You are speaking about coal, and I am, too; and that is one of the very important things in a steam plant, to have lots of water available, coal and water.

Mr. RANKIN. Do you not know that Pennsylvania has the Susquehanna River, the Monongahela River, the Allegheny River, and all of those streams?

Mr. TALLAMY. Yes; I know that.

Mr. RANKIN. They have plenty of water.

Mr. TALLAMY. We have a steam plant on the Mohawk River, too, but it is not an efficient plant.

Mr. RANKIN. Take the State of New York, and I know you have plenty of water there.

Mr. TALLAMY. Yes; we have water in the State of New York.

Mr. RANKIN. Then you can generate this power anywhere in the State of New York and transmit it all over the State, or anywhere in the State, and lay it down cheaper than we are buying at wholesale from the Tennessee Valley Authority at Tupelo?

Mr. TALLAMY. How much are you buying it for?

Mr. RANKIN. Five and a half mills.

Mr. DONDERO. 5.43 mills is what you paid in March?

Mr. RANKIN. Yes, 5.43 is what we paid in March.

If you did that, you would lift a burden off the power consumers, in the State of New York alone, of \$183,000,000 a year, and, at the same time, pay interest on legitimate investments.

You have always gone back to talk original investment, but the question is, what this power can be generated for and laid down at the city gates. According to your own statement, and I am taking it at its face value, because you certainly seem to be well informed, according to your own statement, you can lay that power down at the city gates, anywhere in the State of New York, cheaper than we are buying it at in Tupelo, or anywhere else in that area, and, if that is the case, then it can be economically distributed, without loss on legitimate investments, to the people of New York at a saving of at least \$183,000,000 a year.

Now, let us get back to this St. Lawrence, and, by the way, I think you could use Niagara there as a yardstick, and you could do the same thing. We forced Tennessee Valley power to Tarrant City and Bessemer, Ala., almost outside of Birmingham, and immediately the rates in Birmingham crashed a million dollars a year. So, if you get this power, it will not only have its effect upon the people it reaches, but the moral effect on the yardstick; it will cause a lot of squeezing out of water, speaking of water, and it will be a godsend to the people of New York and New England and Pennsylvania.

Now, let me get back to another thing: You say, if we build all of these plants, we will have a superabundance of power which we will not have any use for when the emergency is over. I happen to remember that the same argument was made when we were creating the Tennessee Valley Authority. During that year and the year before, 1932, we used 62,000,000,000 kilowatt-hours of electric energy in the United States. Are you familiar with the amount we used last year?

Mr. TALLAMY. I am not.

Mr. RANKIN. It was 118,000,000,000 kilowatt-hours, almost twice as much as we used in 1932, when the opponents of all of this public power development came before the committee and told us we had a surplus of power in that area and all over the United States, and, if we built these plants, we would not have any market for the power. Now, if this power is developed, and the normal increase continues, we will have a market for all of it from now on, will we not?

Mr. TALLAMY. I do not agree with you, sir.

Mr. RANKIN. You think we will have more power than we can use?

Mr. TALLAMY. You are going to have more power in the T. V. A. area than you need after the emergency is over.

Mr. RANKIN. Do you know how much power the average householder in the State of New York uses per month, how many kilowatt-hours?

Mr. TALLAMY. I suppose from 40 to 60, between 40 and 60.

Mr. RANKIN. How many?; from 40 to 60?

Mr. TALLAMY. Yes.

Mr. RANKIN. You mean between 40 kilowatt-hours per month and 60 kilowatt-hours per month?

Mr. TALLAMY. Yes, I would say, taking in the entire State of New York.

Mr. RANKIN. All right, then, we will say the average is, to give you the benefit of the doubt, we will say an average of 60 kilowatt-hours per month; is that right? We were in the same condition 10 years ago, we only used 35 kilowatt-hours per month, but reducing the rates increases the consumption, doesn't it? Instead of using 45 kilowatt-hours per month, I note here we use 176 kilowatt-hours per month, that is, the domestic consumers, that is, for the month of March, which is about an average month, because that is a comparatively warm climate, and in some of the winter months I believe we went considerably above 200 kilowatt-hours per month.

So, when those people get this power, and the people of New York get it at rates they can afford to pay, why, the consumption in all classes of service will increase, will it not, and absorb this extra power that will be generated, even after this emergency is past.

Mr. TALLAMY. Not at the rates proposed.

Mr. RANKIN. At the rates who proposes?

Mr. TALLAMY. The Department of Commerce and the Power Authority of the State of New York; they are the ones who have charge of this power.

Mr. RANKIN. You mean the retail rates?

Mr. TALLAMY. The rates that they propose—the savings that you can make over steam-generated plants in the State of New York, and based upon that savings, the rates based upon that savings, in my opinion, will not greatly increase the consumption of electric energy in the State of New York.

Mr. RANKIN. And the consumption of commercial consumers—

Mr. TALLAMY. May I interrupt a moment? They predicate, sir, their demand for 1950, and when I say "they," I am speaking of the Department of Commerce in its report on increased monthly bills far in excess of what the monthly bills will be, in my opinion, in 1950, an increase of 50 percent in industries, and an increase of 30 percent per month in commercial enterprises.

Mr. RANKIN. You mean in the use of electricity, in the amount of electricity used?

Mr. TALLAMY. They do not start it out that way. They start by assuming that a man is going to pay more for his electricity per month, and then they reduce the rates, and then divide the reduction in rates into how much more he is going to pay, to find out what the consumption is going to be.

Mr. RANKIN. In 1933 the commercial consumers in Tupelo consumed 145 kilowatt hours a month, and I see here, in the month of March this year, they used 417 kilowatt-hours per month.

There is no question but that they will double and treble the use of electricity, and that is what I am getting at, if you get these rates down to what they should be, the people in all classes of service will double and treble the consumption of electricity, and, therefore, when this emergency, as they call it, is over, there will be no electricity going to waste, you will shut down no plants, but that great congested area there will absorb all of the electricity that you can produce.

Now, let us get back to this matter of steam versus hydro. You say it would cost \$100,000,000 more to build a dam and the facilities for generating hydro power on the St. Lawrence than it would for building steam facilities to generate the same amount of power; that is right, is it not?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. But you say that coal to generate that power would cost about \$15,000,000 a year; I believe that was your figure, was it not?

Mr. TALLAMY. That is the value of the coal; yes, sir.

Mr. RANKIN. About \$15,000,000?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. Then, over 6 or 7 years, the cost of your coal would eat up that difference in the cost of the two structures; would it not?

Mr. TALLAMY. No; because you have other carrying charges that go along with that. You have \$100,000,000 added investment for coal, to carry along—

Mr. RANKIN. What is that?

Mr. TALLAMY. You have \$100,000,000 added investment for coal to carry it, along with costs to amortize it.

Mr. RANKIN. Well, after it is built.

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. Well, that \$15,000,000 a year would easily carry that and amortize it, and more, too; would it not?

Mr. TALLAMY. The \$15,000,000 a year?

The CHAIRMAN. You mean the cost of a hydro plant is \$100,000,000 more than the cost of a steam plant?

Mr. RANKIN. To build the original construction.

The CHAIRMAN. Yes.

Mr. RANKIN. You would also have carrying charges on your steam plant, and upkeep, and all of those things.

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, you are in an area up there where you admit you have no coal. New York and the New England States are absolutely devoid of coal, oil, and natural gas, are they not?

Mr. TALLAMY. No; we have natural gas up there.

Mr. RANKIN. Produced in New York?

Mr. TALLAMY. Yes.

Mr. RANKIN. But you have no coal and no oil?

Mr. TALLAMY. We have oil close by, and the best there is in the country, Pennsylvania oil.

Mr. RANKIN. We have oil close by where I live, but I prefer the power from the Tennessee River.

Now, you spoke a while ago about the danger of this plant, of this dam, being destroyed from the air. You spoke of it as being vulnerable. Now, as a matter of fact, this dam would be several miles inland from the seashore?

Mr. TALLAMY. A little over 200 miles, about 220 miles.

Mr. RANKIN. It would be a little over 200 miles?

Mr. TALLAMY. Yes.

The CHAIRMAN. The main question is, how far would it be from a foreign territory from which a plane could take off?

Mr. RANKIN. Yes; how far would it be from where an airplane could take off on foreign soil or a foreign ship; it would be at least 500 miles?

Mr. TALLAMY. Oh, yes, sir; farther than that.

Mr. RANKIN. Farther than that?

Mr. TALLAMY. Yes.

Mr. RANKIN. Therefore, from that standpoint, it is virtually safe; is it not?

Mr. TALLAMY. No, sir.

Mr. RANKIN. Now, this war has been going on for about 2 years. Do you know of a single hydroelectric plant or a single hydroelectric dam that has been put out of commission by bombing from the air?

Mr. TALLAMY. I imagine if there were any I would not know about it, with the German censorship being what it is.

Mr. RANKIN. If there had been, I think one side or the other would have told us about it. The truth of the matter is, the hardest thing to put out of business by bombing from the air would be a hydroelectric plant.

Mr. TALLAMY. No; not ours.

Mr. RANKIN. Why?

Mr. TALLAMY. We are creating a huge hydroelectric development, where at the same time we have installed long levees on both sides of the river to retain the pond, you know, that is created there. Besides that, we have dam regulating works, and besides that we have these huge locks.

Mr. RANKIN. Now, wait a minute. You are talking about transportation now.

Mr. TALLAMY. No; I am not.

Mr. RANKIN. Putting the locks out of business would not affect the dam.

Mr. TALLAMY. Don't you think so?

Mr. RANKIN. No.

Mr. TALLAMY. It would let the water out of the pond.

Mr. RANKIN. No; it would let water out of the lower end of the lock, but you take that part that is under the dam and it would be just as hard to destroy as the generators under the dam. They would have to go down through probably 20, 30, or maybe 100 feet of solid concrete to reach them.

Mr. TALLAMY. To reach the turbine?

Mr. RANKIN. Yes; to reach the turbine.

Mr. TALLAMY. Yes.

Mr. RANKIN. Suppose you just close your locks and say we are not going to operate these locks at all during this emergency, so far as putting those generators out of commission is concerned; would it not be all but impossible to blast them out of commission from the air?

Mr. TALLAMY. There are so many other vulnerable spots that they could ignore the location of the generators; if you destroy the levee, you lose the water.

Mr. RANKIN. I understand, but it is an awful hard job. If you have gone and examined levees, the dams where these big hydro projects are built, you would realize that it is virtually impossible to destroy one of those dams in that way, unless you have absolute supremacy of the air, and then I am not sure.

Mr. TALLAMY. Mr. Rankin, let me tell you a personal experience of my own in that connection. In 1930—1929 and 1930—I constructed quite a large dam, or I was the engineer in charge of construction of quite a large dam in New York. That was about a half mile upstream from a dam that had been there about 100 years, and we made our probable curves to determine what the maximum flow of that creek or that river might be in, say, 500 years. We took a 500-year flood. The engineering department of the city said we were crazy to design our spillway of a length to take care of a 500-year flood. This other dam had been there 100 years, and it had always been all right, and nothing had ever happened to it, that they had had high waters that had washed out bridges and so forth, but the dam had always been there. But, we insisted and said, "If you are going to cut down on the spillway requirements of this dam, we are going to send an open letter to the city officials and to the newspapers saying that we take no responsibility whatsoever." They backed down and let us put in the larger spillway. Two years after that we had the 500-year flood. The old dam was washed out, and we had the job of building the new one.

Now, the point is this: Water started going over that old dam in a little narrow section, only about that deep [indicating]. The dam had sunken a little bit in the middle, and the water went through that with such force that in half an hour it washed out a gully twice as big as this entire room.

Mr. RANKIN. You are speaking now of an earth dam?

Mr. TALLAMY. Yes; and that is what these levees are.

Mr. RANKIN. Oh, well, these levees now that are built with dirt are wide and solid.

Mr. TALLAMY. That is what that was. You could drive a car across it, wide enough for a road.

Mr. RANKIN. You are speaking of a 500-year flood here.

Mr. TALLAMY. The second point was that nothing had ever happened in 100 years, and, by golly, it happened 2 years afterward. You cannot take chances on these things.

If this seaway is going to be used as the people in the Middle West want it to be used, as a place where they can send out huge vessels that they are going to construct in the Great Lakes area, and then we develop a power plant; what a marvelous objective that would be for an enemy. Why, they would have suicide squads coming over here with the deliberate intention of committing suicide to go down and bomb those things.

Mr. RANKIN. Probably the most terrific battle of the war is going on now right over the Dneprostoi Dam in Russia. If they fail to put that dam out of business soon, you would have to revise your estimate of this?

Mr. TALLAMY. My estimate of its vulnerability?

Mr. RANKIN. Yes.

Mr. TALLAMY. No.

Mr. RANKIN. Of course, Europe has practically all of her water power developed. Those countries have been developing their water power while we have been asleep, and all of those rivers have dams wherever they are feasible and advisable in all of those countries, France, England, Italy, Germany, and Russia, and the Scandinavian countries, and yet we have not heard of a single one of those dams being knocked out of commission during this war, have we?

Mr. TALLAMY. I do not think that we would hear of it, sir.

Mr. RANKIN. You do not think we would have heard of it?

Mr. TALLAMY. I do not think we would hear of it.

Mr. RANKIN. We have heard of everything else over there.

Mr. TALLAMY. I wonder.

Mr. RANKIN. Do you not know, as an engineer, and as a practical man—do you not think that if the R. A. F. were to strike one of those big dams in Germany and blow it out, that we would hear of it? It would be in the papers the next day; and do you not know that if Germany were to destroy the Dneprostoi Dam, why, they would be screaming it over the radio, and everybody who has a short wave length radio would be hearing about it.

So, to say that all of those dams in all of those countries that have been at war now for nearly 2 years, to say that they have probably blown them out and we have not heard about it, I think is begging the question.

Mr. TALLAMY. May I ask a question?

Mr. RANKIN. Yes.

Mr. TALLAMY. If the Germans do destroy that dam, will you oppose the seaway?

Mr. RANKIN. No; and I will tell you why, because I know they cannot get to this dam up here. They are not fooling with Russia when they come toward the United States. They have 3,000 miles of water to cross, and then they have to come inland for 500 miles, to meet a country that is on its toes, that is able to beat them, anywhere, any time.

The CHAIRMAN. The question might be asked, if they do not destroy it, will you support this dam?

Mr. TALLAMY. No.

Mr. RANKIN. The reason I did not ask that is because I did not want to embarrass the gentleman.

Let me get back to the cost of construction.

As I understand, the water-power development alone, leaving out of consideration the transportation, the water-power development alone would cost around \$200,000,000; that is correct; is it not?

Mr. TALLAMY. Just the International Rapids section.

Mr. RANKIN. I mean our part of it, \$200,000,000. That is what somebody testified.

Mr. TALLAMY. Yes; just that section.

Mr. RANKIN. Now, it would furnish us about 6,600,000,000 kilowatt-hours of electricity; that is right, is it not?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. Now, what would the value of that be at the rate you set out, 4 mills per kilowatt-hour? That would be about \$26,000,000; would it not?

Mr. TALLAMY. In the first place, that 6,000,000,000 kilowatt-hours that you are speaking about, 6,250,000,000, I would say it is about that, will not all of it be sold, you see, to residential and farm use?

Mr. RANKIN. No; but it will be sold to somebody.

Mr. TALLAMY. The Power Authority claims at least 1,000,000,000 of it will be sold to high load factor industries, locally, which, of course, will obtain a very, very low rate.

Mr. RANKIN. I understand, but it will average at least the cost that you laid down here, of 4 mills per kilowatt-hour?

Mr. TALLAMY. I do not think so.

Mr. RANKIN. You do not think so?

Mr. TALLAMY. No.

Mr. RANKIN. Now, this is firm power, is it not?

Mr. TALLAMY. No; it is not.

Mr. RANKIN. Well, it was stated the other day that this would produce 2,300,000 horsepower of firm power, I believe. I think that is the statement which is a little less than 2,000,000 kilowatts; about 1,700,000 kilowatts, is it not?

Mr. TALLAMY. Yes.

Mr. RANKIN. Well, now, what portion of this 6,400,000,000 kilowatt-hours would be firm power?

Mr. TALLAMY. In the first place, I do not believe—I think that the 6,600,000,000 is a little high; but I would say that, in answer to that question, my figures would be 6,250,000,000 kilowatt-hours.

Mr. RANKIN. 6,250,000,000 kilowatt-hours would be firm power?

Mr. TALLAMY. No, sir; that is the average output. The firm output would be 4,750,000,000 kilowatt-hours.

Mr. RANKIN. 4,750,000,000?

Mr. TALLAMY. 4,750,000,000.

Mr. RANKIN. All right. Now, I understand the difference between firm power and secondary power, and you understand it.

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. I am afraid there are some of them who do not. Now, let us get this clear. Firm power means power that can be produced all of the time, does it not?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. In other words, all steam power is firm power, is it not?

Mr. TALLAMY. Well, if you have a standby plant.

Mr. RANKIN. That is right, because they can produce that amount?

Mr. TALLAMY. Yes.

Mr. RANKIN. But, secondary power is power produced, maybe, by floodwaters which come intermittently; that is correct?

Mr. TALLAMY. That is correct.

Mr. RANKIN. So when you speak of firm power you contrast that with secondary power.

Mr. TALLAMY. That is right.

Mr. RANKIN. So this firm power that can be produced all of the time would be 4,750,000,000 kilowatt-hours a year; and then there would be about 2,000,000,000 additional. Would that 2,000,000,000 be all secondary power?

Mr. TALLAMY. 1,150,000,000 would be secondary.

Mr. RANKIN. 1,150,000,000 would be secondary power?

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, how long and what time of the year would that last?

Mr. TALLAMY. Oh, that would last a fair percentage of the year, but it is high load factor stuff.

Mr. RANKIN. High load factor?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. You say a high percentage of the year; well would you say 8 months?

Mr. TALLAMY. Well, I would say that it would last about 9 months. Of course there are times, sir, that it would not be available for protracted periods, long periods. Your yearly fluctuation is so important. It might last 9 months and it might last 8 months, or something like that; but there are times over a period of years when the firm power would not be exceeded very greatly maybe for 10 or 15 months, unless you went into the regulating works which are not provided for; that is, regulating Lake Huron and all of that.

Mr. RANKIN. Mr. Chairman, are we going to recess until 2 o'clock?

The CHAIRMAN. It is up to the committee.

Mr. RANKIN. I think that the House is in session.

The CHAIRMAN. Yes.

Mr. RANKIN. I move that we take a recess until 2 o'clock.

Mr. PITTENGER. I have a lot of questions that I want to ask the witness. I think that Mr. Rankin is right and that we ought to recess and come back at 2 o'clock.

Mr. RANKIN. I would like to recess and come back at 2 o'clock. I may want to check up on my theory.

The CHAIRMAN. Well, we will take a recess until 2 o'clock, and I will ask the audience to please retire, so that the committee may have a short executive session.

(Thereupon, at 12:05 p. m., the committee proceeded to the consideration of other business, after which it took a recess until 2 p. m. of the same day.)

AFTER RECESS

The committee resumed at the expiration of the recess, at 2 p. m.

The CHAIRMAN. Gentlemen, I understand it is agreeable to the parties concerned for Mr. Tallamy to stand aside for awhile, and we will hear Mr. Frye and Mr. Davis.

STATEMENT OF P. A. FRYE, DIRECTOR OF PUBLIC SERVICE, STATE OF LOUISIANA

The CHAIRMAN. Mr. Frye, are you ready?

Mr. FRYE. Yes, sir. Mr. Chairman and gentlemen of the committee, my name is P. A. Frye. I am director of public service of the State of Louisiana. I am appearing here in that capacity, and also as representing Governor Jones of our State, who had intended to personally appear before you in opposition to the bill you are now considering.

Governor Jones has found it impossible to come here as planned and has wired Judge Mansfield requesting that I be recognized for the purpose of submitting his testimony which has heretofore been reduced to writing. In the interest of conserving time, and in some instances to avoid too much duplication of things which have already been said, I will not read in detail the Governor's statement.

I would like to cover in a very general way some of the highlights of his views in opposition to this project, and to thereafter file for the record his complete testimony in more detailed support of his position.

The CHAIRMAN. This is the copy here, as I understand?

Mr. FRYE. That is a copy; yes, and I have plenty of copies to supply all concerned.

Mr. PITTENGER. Let it be put in the record.

The CHAIRMAN. You want it to go in the record following your statement?

Mr. FRYE. I should appreciate it; yes, sir.

The CHAIRMAN. Well, without objection it is so ordered.

Mr. FRYE. Governor Jones in his statement expresses the opinion that Louisiana would be one of the chief sufferers from the execution of this project, but that in his opinion the evil consequences of it will be felt through the entire country in varying degrees.

He states that in his judgment this project is inherently unsound and unwise; that it would impose a heavy and probably a continuous tax burden on all of the people of the United States, while the benefits, if any, would be felt only within a very limited area in the United States and Canada. He states to be his belief that the project would most adversely affect the development of the American merchant marine; and that it would hamper and retard the agricultural, mineral, shipping, industrial and transportation interests of the United States, and of Louisiana in particular.

As a defense measure, he calls attention to the fact that it would appear to defeat its own purpose, in that it could not be designed, built and put into operation for several years to come, whereas our emergency is now. And it would also divert from the program of national defense essential defense materials, military and civilian engineers, technical men and skilled labor who are more necessary to other defense efforts.

As a project of navigation, he expresses the opinion that the enormous cost to the United States is unjustified, more especially in view of the fact that competent maritime authorities tell us that the proposed channel limitations will permit of its navigation by less than one-third

of the registered ocean tonnage of the world; and according to the same authorities, less than 5 percent of American-flag passenger-cargo vessels could use it, and less than 15 percent of modern American-flag cargo vessels with a speed of 12 knots or more could navigate it.

So for all practical purposes—

The CHAIRMAN. Mr. Frye, I beg your pardon; I did not get your statement as to the percentage of boats?

Mr. DONDERO. Five percent.

Mr. FRYE. Less than 5 percent of American-flag passenger-cargo vessels.

The CHAIRMAN. Yes. Well, do you anticipate there will be any passenger boats on the Lakes, if this project is adopted?

Mr. FRYE. No, sir; in view of what I have heard here this week, I do not.

The CHAIRMAN. I do not think that there is a passenger boat that would go there, unless it would be an excursion vessel.

Mr. FRYE. No. Of course, these boats handle both passengers and cargo, and it was more or less to complete the statement which has been made.

The CHAIRMAN. But now you can go from here to Cleveland, say in 4 hours on an airplane, you can go overnight on a sleeper, and it would take you 10 days to get there by boat?

Mr. FRYE. Yes, sir; I think so.

The CHAIRMAN. Yes.

Mr. FRYE. Of course, that is not designed, we will admit, as a project for navigation of that sort.

The CHAIRMAN. Yes.

Mr. FRYE. So for all practical purposes, as a facility of navigation, it would serve to a large extent only shallow-draft foreign-flag vessels of the tramp type.

He states that in his opinion the economic prostration that is going to follow this war will result in a type and degree of competition for international trade and the carriage of that trade of a severity we have never before known or conceived of—and in that economic trade war the foreign-flag tramp ship is going to have a tremendous influence, and that the proposed improvements to the St. Lawrence would open up a vast portion of the interior United States, by way of the Great Lakes ports, to these foreign-flag carriers, and that tonnage would in a large measure be diverted from the existing American ports and American carriers.

He calls attention to the fact that it is no argument in favor of this project that the St. Lawrence is open for navigation for but about half of the year, due to weather conditions.

He calls attention to the fact that the Gulf port facilities represent investments, public and private, aggregating hundreds of millions of dollars. At New Orleans alone, the public port facilities, the bonds of which the State of Louisiana has unconditionally guaranteed, together with the properties of the Public Belt Railroad, a separate but publicly owned facility designed primarily to service the docks, represent an investment of approximately \$60,000,000, not to mention private investments of many millions more, and that these investments would be seriously jeopardized by this project.

As a facility for shipbuilding, he calls attention to the fact that our need for ships is now—not 3 to 5 years from now. As to the claim

that the shipyards on the Gulf and on the North and South Atlantic are booked to capacity now, and are wholly unable to take on additional contracts to meet the present emergency, he urges the building of more plants in the South where conditions should be ideal for ship-building. He calls attention to the fact that during the average Louisiana winter on the Louisiana coastal area there are not a dozen days when outdoor construction is halted because of weather conditions, and that steel mills and steel-fabricating plants are located at Birmingham, Ala., and at Houston, Tex., and that but a minimum of transportation effort and time is required to place materials at Gulf shipyards at low transportation costs.

He calls attention to the fact that wage scales in work of this type in the South are usually differentially under the prevailing scale in the North, and that labor disturbances and strikes are less prevalent in the South.

As a facility for the production of aluminum, he calls attention to the fact that aluminum is made from bauxite ore, and that about 4 pounds of bauxite ore are required to produce 1 pound of aluminum. Ninety-five percent of the domestic production of bauxite ore is in the State of Arkansas, and the balance of our supply comes from the eastern coast of South America, usually through the ports of Mobile, Ala., and New Orleans, La. The transition from ore to pig aluminum involves two processes: (1) The primary reduction of bauxite, which results in a product known as alumina, or aluminum oxide; and (2) the treatment of alumina by heat and electrolytic process resulting in pig aluminum. The Aluminum Co. of America has plants producing alumina from bauxite at Mobile, Ala., and East St. Louis, Ill.

The alumina produced at Mobile is, in the usual course of events, transported to Alcoa, Tenn., in the T. V. A. territory. The ore imported through New Orleans is moved in that form to East St. Louis, where it is processed, as is the ore produced in Arkansas.

The Aluminum Steamship Line now has in service a fleet of approximately 45 vessels, ranging from 2,500 to 14,000 tons cargo capacity, engaged in the transportation of bauxite from the port of Surinam, Dutch Guiana, to the ports of Mobile and New Orleans, and possibly to the plant of Aluminum, Ltd., at Arvida, Canada, on the St. Lawrence River, a short distance north of the international boundary.

It is approximately 2,600 nautical miles from Surinam to New Orleans and Mobile. It is approximately 4,000 nautical miles from Surinam to Arvida, Canada, and it would be slightly in excess of the Arvida mileage to Massena, N. Y., where the Aluminum Co. has an existing plant.

The sailing time from Surinam to New Orleans is 12½ or 13 days, or 26 days for a round trip. Without giving consideration to the less favorable navigation conditions of the North Atlantic, the difficulties and delays encountered in passing through the locks and the narrow and tortuous channel of the St. Lawrence, but based only on the simple mathematical formula of relating 2,600 miles to 4,000 miles, 20 days would be consumed on a voyage from Surinam to Arvida, Canada, or to Massena, N. Y., or 40 days for a round trip. This difference in transit time is equal to a reduction in carrying capacity of approximately 35 percent.

It is also true that special types of equipment are used in the transportation of both bauxite and alumina, and the service availability of this special equipment is reduced in direct ratio to the mileage operated, both loaded and empty.

As to the power and fuel supply an enormous amount of both are required for the production of aluminum. We are advised that coke is the preferred fuel. The Texas Gulf Coast—

Mr. DONDERO. Will the gentleman suspend a moment? We understand there is a vote to be taken in the House. How long would it take the gentleman to conclude?

Mr. FRYE. It would not take over 15 or 20 minutes, I would say, depending on the cross-examination.

Mr. DONDERO. We could recess for 10 or 15 minutes. I understand Mr. DAVIS of Boston is to follow you.

Mr. BEITER. Is it necessary to recess at all? Could not some of the members remain here and carry on? I will be here.

Mr. DONDERO. I understand you represent the Governor and the Governor is not here.

Mr. FRYE. Yes; of course, you have a complete copy of his statement. I am not attempting to reproduce it fully.

The CHAIRMAN. You can proceed; we will keep some of them here if possible—no; we will have to suspend.

Mr. ANGELL. You can go ahead now, I am here, and I have already voted.

The CHAIRMAN. Then just proceed, and I will turn it over to you. Are you going to remain, Mr. Beiter?

Mr. BEITER. I will remain for the second bell.

You may proceed.

Mr. FRYE. We are advised that coke is the preferred fuel in the production of aluminum. The Texas Gulf coast and that territory along the Mississippi River between New Orleans and Baton Rouge, closely adjacent to each other, are the largest petroleum refining centers in the United States. These refineries produce almost limitless quantities of petroleum coke, and it can be moved by both rail and barge to the points in the Southeast producing aluminum.

As to the power situation, it is our opinion that at present this might best be taken care of through the rationing of electric energy, in such manner as the circumstances may dictate; prompt interconnections between existing systems and the building of steam plants where necessary.

As to the shortages which the Federal Power Commission says will probably develop in certain areas in 1942, 2,200,000 horsepower of electric energy on the St. Lawrence, available somewhere between 3 and 5 years after construction is started on the project, would prove of no value in 1942.

The Mississippi River with its tributaries forms one of the major inland waterway systems of the United States. The system reaches from New Orleans to Pittsburgh on the Ohio, to Minneapolis on the Mississippi, and to Kansas City on the Missouri, and to Chicago, and over it moves every conceivable type of commerce in huge volume, grain and grain products, sugar, coffee, sulfur, iron and steel articles, gasoline and other petroleum products, coal, sand and gravel, and products of the forest.

On the north-bound tows from New Orleans they handle these commodities and others, and their services are vital to New Orleans.

They serve as well, as effective natural regulators of transportation rates not only between points located on the rivers, but their influence is felt far inland through the maintenance of joint through rates and routes with the rail lines.

During periods of insufficient rainfall in the upper valley, it has at times been necessary to maintain service on the Mississippi, as well as for other purposes, to divert water from Lake Michigan to the river through connecting waterways. Under a decree of the Supreme Court of the United States, this diversion is presently limited to 1,500 cubic feet per second, but it is to be assumed that power vests in the Court to increase this flow should the public welfare require it in emergency.

Lake Michigan alone of the Great Lakes lies exclusively within the territory of the United States, but under the proposal, this body of water will become internationalized and the Government of Canada accorded a voice in what is presently a domestic facility, and the acquiescence of that Government made a condition precedent to enlarging withdrawals in excess of 1,500 cubic feet per second. We are not of the opinion that this is in the best public interest of the United States.

The Louisiana interest will later in the course of this hearing present witnesses to submit more detailed facts and figures in support of the general statements contained in Governor Jones' statement and as here made by me.

As to the traffic and transportation phases of this matter, I would like to say that my entire business life has been devoted to a study and observation of such matters. I have for the past 9 years been connected with the public service commission of Louisiana, which, among other things, regulates for-hire transportation agencies. For a period of approximately 15 years prior to that time I was connected with the traffic departments of various southern railroads in capacities ranging from clerk to assistant general freight agent.

Based on such experience, I think I possess some general knowledge of traffic and transportation conditions in the country as a whole and of the south and Mississippi Valley in particular.

In my opinion, the culmination of this project would prove a serious blow to the port of New Orleans and to shipping in the Mississippi Valley and on the Mississippi River. I know that a large part of the tonnage handled through the port of New Orleans originates in or is destined to the upper Mississippi Valley and the Midwest; the section designed to be served by this seaway. I think this might also be said of other Gulf and south Atlantic ports, or, for that matter, American ports.

I am further of the opinion that much of this traffic would be lost to foreign-flag ships of the tramp variety, and irretrievably lost to American-flag carriers.

That concludes my statement.

Mr. BEITER. Have you any questions, Mr. Angell?

Mr. ANGELL. No; I have no questions, Mr. Chairman.

Mr. BEITER. Do you experience any power shortage in your territory?

Mr. FRYE. We have not, in our immediate state. Of course there has been some shortage in the T. V. A. territory, as you probably read about.

Mr. BEITER. That is due to the drought.

Mr. FRYE. That is due to the drought.

Mr. BEITER. So that the superplanning of the Tennessee Valley as a power development has been a failure; well, it has failed miserably. Had they provided steam plants as auxiliaries, they would not have been called upon now to forego a great many of the functions they have enjoyed for some time in conserving power?

Mr. FRYE. I think that is true; yes, sir. As to our immediate state, I might say that we have been, since the shortage has developed in the T. V. A. section, sending power in substantial quantities in that section to help relieve the shortage.

Mr. BEITER. Do you have any shipbuilding facilities in your area?

Mr. FRYE. Well, yes; there is a shipyard now under construction at New Orleans, a yard of substantial size.

Mr. BEITER. Is that the only shipyard you have in your section?

Mr. FRYE. That is the only shipyard within the boundaries of Louisiana. Of course, there are other substantial yards at Mobile, Ala., and Pascagoula, Miss., which is in the nearby section.

Mr. BEITER. Are they working to full capacity at the present time, to your knowledge?

Mr. FRYE. Well, there are statements that they are, and they are booked to capacity for some time to come. We have no reason to doubt that.

But our answer to that is that further shipyards could be built in that section. We understand the building of a shipyard to be a comparatively simple matter and we think, with the climatic conditions that we enjoy down there, that that is a more logical place to build ships than some other sections.

Mr. BEITER. Do you have skilled men or men who are trained in the construction of shipbuilding available in that area?

Mr. FRYE. Well, so far as I know, the yards that are down there which are, as I say, substantial, have experienced no trouble. Of course, I would not say that we have available that labor to the same extent, perhaps, as some of the other territories. But if the yards were built there, we feel that there would be no trouble about labor coming.

Mr. BEITER. That is all; thank you.

All right; the next witness.

(The statement of Governor Jones of Louisiana is in full as follows:)

TESTIMONY OF GOVERNOR SAM H. JONES, OF LOUISIANA, BEFORE THE HOUSE COMMITTEE ON RIVERS AND HARBORS OF THE UNITED STATES CONGRESS, IN OPPOSITION TO THE ST. LAWRENCE SEAWAY PROJECT

Mr. Chairman and gentlemen of the committee, my name is Sam H. Jones. I am Governor of Louisiana, and I am appearing here in that capacity to oppose the bill that you are now considering.

For reasons that I will try to explain briefly, Louisiana would be one of the chief sufferers from the execution of this project, but in my opinion the evil consequences of it would be felt throughout the entire country in varying degrees.

In my judgment this project is inherently unsound and unwise. It would impose a heavy and probably a continuous tax burden on all of the people of the United States, while the benefits, if any would be felt only within a very limited area in the United States and Canada.

The project would, I believe, most adversely affect the development of the American merchant marine, and it would hamper and retard the agricultural, mineral, shipping, industrial, and transportation interests of the United States, and of Louisiana in particular.

I don't profess to be competent to discuss the subject from a technical standpoint, and what I have to say will be more or less general in character.

This proposal is being submitted to the Congress as a national-defense-emergency measure, but as a defense measure it would appear to defeat its own purpose. I think it is conceded by everybody that this seaway project could not be designed, built, and put into operation for several years to come, and our emergency, gentlemen, is now. It is here upon us, and in the face of this national emergency, in the face of our crying need of war matériel, and of the factories to produce that matériel, the Congress is being asked to divert from that program essential defense matériels, military and civilian engineers, technical men and skilled labor who are so urgently needed, to a project whose value, if it has any, could not be felt for 4 or 5 years.

To the extent that this project is designed to afford a deep water route between tidewater and the Great Lakes, it seems to me that the enormous cost to the United States is unjustified. Competent maritime authorities tell us that the proposed channel limitations would permit of navigation by less than one-third of the registered ocean tonnage of the world; and according to the same authorities less than 5 percent of American-flag passenger-cargo vessels could use it, and less than 15 percent of modern American-flag cargo vessels with a speed of 12 knots or more could navigate it.

So for all practical purposes, as a facility of navigation it would, serve to a large extent only shallow-draft foreign-flag vessels of the "tramp" type.

Vessels of that type do not, except under abnormal conditions such as exist today, operate on fixed sailing schedules and between given ports. They call at whatever port or ports cargo may offer, and they will handle that cargo at any rate or charge so long as it will return a bare margin over voyage operating costs.

The Merchant Marine Act of the United States fixes certain minimum standards of wages, subsistence, living conditions, and working hours for the crews of vessels operating under the act, and these crews must be citizens of the United States. On the other hand, foreign-flag "tramp" vessels are usually manned by low-wage foreign crews, whose wage, working, and living conditions are far below the permissible minimum standards on American-flag vessels.

In its valiant efforts to extend the sphere of the American flag on the seas of the world the United States in recent years has invested many hundreds of millions of dollars in construction, operating, and mail subsidies to the owners and operators of vessels meeting the minimum requirements of the act.

In November 1937, the United States Maritime Commission, after a survey of international shipping, published in connection with its annual report to the Congress a document entitled "An Economic Survey of the American Merchant Marine." Of course in 1937 world trade and world shipping were far more normal than they are now, but it must be remembered that this project, regardless of the fact that it is now labeled a defense measure, would not be scrapped at the end of the war. And there is no doubt in my mind that irrespective of the outcome of the present hostilities, the economic prostration that is going to follow this war will result in a type and degree of competition for international trade and the carriage of that trade of a severity we have never before known or conceived of—and in that economic trade war the foreign-flag tramp ship is going to have a tremendous influence.

In my opinion the judgment of the Maritime Commission is entitled to be accorded great weight in determining the future maritime policy of the United States, and particularly as to whether the unrestrained competition of foreign-flag "tramp" shipping is going to be further facilitated and encouraged, to the irreparable damage of vessels of our own registry.

Japan and Soviet Russia are world notorious for substandard living, working, and social conditions. Speaking of Japan, in respect of its maritime policy, the Commission says in that survey:

"* * * Expansion has been more rapid, however, and due to low wages and efficient operations Japanese shipping has been a commercial success. * * * Second, there has occurred a nearly fivefold increase in Japanese tramp tonnage, which has raised Japan from tenth to second place among the tramp-owning nations of the world."

As to Russia and Russian shipping the Commission found that although the Russian merchant marine was being rapidly increased, they had found it necessary to charter additional foreign tramp steamers.

And as to our Canadian friends, whose stake in this project is unquestionably far greater than ours, the Commission concludes that—

"While anxious to promote shipping, particularly to Empire countries, Canada has shown but little desire, until recently, to require building in Canadian yards, or to compel employment of Canadian crews. As a consequence, the privately

owned Canadian Pacific Line, which received the major portion of the subsidies, has its vessels built in the United Kingdom, most of them registered there, manned by British officers and low-wage Chinese crews * * * Repairs are usually made in Hong Kong * * * Canadian customs laws are designed to discourage shipments through United States ports."

But—

"Subsidized American vessels are compelled to have their repairs made in the United States or to pay a 50 percent duty on those made abroad."

The proposed improvements to the St. Lawrence would open up a vast portion of the interior United States, by way of the Great Lakes ports, to these foreign-flag carriers and that tonnage would in a large measure be diverted from the existing American ports and American carriers. In connection with the Maritime Commission's conclusion that "Canadian customs laws are designed to discourage shipments through United States ports," it is of interest to note that:

"United States Maritime Commission, Department of Research, shows that for the calendar year 1938, the total water-borne commerce of the United States via the St. Lawrence River amounted to 1,926,210 tons. Of this total, 122,876 tons were handled in American ships; 1,660,768 tons in British ships and 142,566 tons in other foreign ships. In other words, only 6 percent of the United States trade on the St. Lawrence River was handled in American vessels." (The St. Lawrence Seaway Project, Niagara Frontier Planning Board, Buffalo, N. Y. 1940.)

There is but little sentiment attached to international exchange. That medium of currency which will undertake to deliver the maximum in commodities or in service will set the standard to which all who seek to engage in international trade must conform or forego the trade. That has been an immutable law of economics since the barter system was abandoned at the very dawn of civilization. Accordingly, I, for one, protest the subsidization by the dollars of American taxpayers of Russian, Japanese, and the Baltic nations' tramp shipping; and, for that matter and by the same token I protest the subsidization by American dollars of Canadian "vessels built in the United Kingdom, most of them registered there," and "manned by Chinese crews."

I think that when "only 6 percent of the United States trade on the St. Lawrence River was handled in American vessels," to spend out money for the creation of a facility which will further reduce that pitiful percentage is poor economics.

Nor is it any argument in its favor that the St. Lawrence is open for navigation for but 5 or 6 months of the year, for I believe that during the open season a veritable flood of cheap European coal, grains, wood pulp and other low-grade bulk commodities will be dumped on the American market via the Great Lakes ports by foreign-flag carriers, to the great harm of established American ports, American agriculture, mining, and industry generally. Indeed, the fact that the waterway will be available for but half the year is a sound argument against it. I am one of those who believe that our merchant marine should be extended and supported to the limit. Certainly we should not lightly undertake any program which will adversely affect it. I believe that we are all familiar with the Maritime Commission's achievements. I know that at our own port of New Orleans it has revolutionized shipping insofar as foreign commerce is concerned. Not many years ago an American-flag vessel in the harbor at New Orleans was not a common sight; foreign-flag tramps were heavily predominant. Today New Orleans is the home port of splendid fleets of modern cargo and passenger-cargo vessels, constructed and operated under the Merchant Marine Act, and, under normal conditions, reaching practically every port of the world. It is true that many of these vessels have been requisitioned by the Maritime Commission for emergency service, and our coastwise and intercoastal fleets have been likewise sadly depleted. Yet, as I have said, after the present emergency shall have passed, the St. Lawrence, improved with American dollars and American engineers and workmen at a time when we can ill afford to dissipate either on works of more than doubtful value, will remain to plague us. With all due deference to the President, I think it is not only the right of Congress but its duty to look to the future as well as to the present in economically evaluating this project.

The Maritime Commission in its report found that, as to imports, wood pulp, sugar, coal and coke, and nitrate, because of their relatively low value and transportation characteristics, were, at that time, still "handled predominantly by tramp steamers."

These commodities, except coal and coke, have for decades furnished a very substantial portion of the tonnage moving through Gulf ports. The higher rated and higher value commodities, such as manufactured and processed articles,

moved through the ports of the North Atlantic because of the superior service—superior in the sense that sailings were more frequent and faster vessels were employed. Under the Maritime Commission's policy of encouraging more modern vessels there has been a gradual improvement in the volume of traffic through the Gulf ports—certainly at New Orleans—and they have been able to secure a larger proportion of the high-class traffic.

In spite of the disabilities which have attended them for years, the Gulf port facilities represent investments, public and private, aggregating hundreds of millions of dollars. At New Orleans the public port facilities (the bond of which the State of Louisiana has unconditionally guaranteed) together with the properties of the Public Belt Railroad, a separate but publicly-owned facility designed primarily to service the docks, represent an investment of approximately \$60,000,000, not to mention private investments of many millions more.

There are imported through New Orleans a myriad of raw or semiraw product not produced in the United States, or produced in insufficient volume to supply the Nation's needs. To mention but a few, coffee, tin, crude rubber, manganese, bauxite ore, raw sugars, copra, coconut, palm, and other oils. Hides come from South America. The country's supply of twine, rope, and other cordage is almost wholly dependent on sisal and other fibers from Central America and Mexico. Tropical fruits and vegetables and molasses come from Puerto Rico and others of the West Indies insular group. These and many other commodities flow through New Orleans and other Gulf and South Atlantic ports in heavy volume. It is a sustained traffic and it is upon a continuance of that flow that the welfare of those ports and the States in which they are situated depends.

Unfortunately but a small part of these importations remain in the South. The population density of the South is relatively light; and, because of economic conditions its purchasing power and per capita income are much lower than that part of the United States east of the Mississippi and north of the Ohio Rivers, where more than 51 percent of the population is concentrated and three-quarters of the industrial operations of the country are carried on.

To that territory this vast tonnage of imports moves by rail, by coastwise steamer, by barge and by trucks. It is there that these commodities are manufactured and processed into numberless articles, and it is there that the great bulk of these articles are consumed, because its per capita income and its population density give it a great purchasing power.

It is a substantial part of that traffic which we of the South feel certain will be diverted to foreign-flag tramp carriers, at rates so low that American-flag carriers could not even begin to meet them, for movement via the St. Lawrence River direct to the great consuming areas of the North and East.

If it be true, as the Maritime Commission finds, that—

“Of all the branches of the shipping industry the tramp is the biggest gamble. There is no demand for the American Government to subsidize tramp shipping, and there is really no good reason why it should attempt to do so.”
then certainly there is no justification for the American Government subsidizing Russian, Japanese, and tramp ships of other nations existing under substandard economic conditions, and which, in my judgment, upon the conclusion of the war will sink to even lower standards.

These may be conjectures, but I submit that they are conjectures based upon sound reasoning and conformable to economic laws.

It is said that the project will make available shipbuilding facilities on the Great Lakes for the construction of sorely needed oceangoing carriers. If I understand the situation correctly, this is not an anticipated shortage which will become acute and actual at some indeterminate date in the future—from 3 to 5 years—but it is a shortage that exists today, and an alarming one. It is said that the shipyards on the Gulf and on the North and South Atlantic are booked to capacity now, and are wholly unable to take on additional contracts to meet this present and urgent emergency.

Then I say build more plants in the South where conditions should be ideal for shipbuilding. I know that during the average Louisiana winter on the Louisiana coastal area there are not a dozen days when outdoor construction is halted because of weather conditions. I know that steel mills and steel fabricating plants are located at Birmingham and at Houston and that but a minimum of transportation effort and time is required to place materials at Gulf shipyards at low transportation costs.

Eliminating from consideration the bottleneck of the St. Lawrence when it is frozen over for approximately half the year in getting Great Lakes-built ships to tidewater, I know that bitter subzero weather prevails for many days out of the

long winter months on the Lakes from Duluth to Buffalo when outdoor construction is impossible, both from the standpoint of men and materials, and welding and riveting operations. I do not understand that it is practicable to build ships in steam-heated structures. The result of all this, as I see it, is that, so far as hull construction is concerned at least, both ship yards and the facilities for getting vessels from the yards to sea can be utilized but for half the year. The lost man-hours because of these conditions, I think would be appalling when consideration is given to the fact that it is in the urgent and immediate national defense that the shipbuilding program is being undertaken. If the construction of a yard is a comparatively simple undertaking, as I understand it to be, then, I submit, these vital man-hours would far better serve their purpose if utilized in an area where stoppages to work because of climatic conditions are relatively unknown.

And while it is not by any means controlling or even important in an emergency, it is my information that, for various reasons, wage scales in work of this type are usually differentially under the prevailing scale in the North. Another thing that is, I think, important is that labor disturbances and strikes are less prevalent in the South. I do not attempt to assign the reason, but I only state the fact. In Louisiana, for example, we have had but one strike in any plant remotely connected with national defense measures, and that involved but a handful of men.

The thought has been expressed that the project "will cut by more than a thousand miles the stretch of dangerous open water which must be traversed by supplies to Great Britain and strategic North Atlantic bases"; but I think it is well to remember that it will also "cut by more than a thousand miles" the distance which one of Mr. Hitler's long range bombers will have to travel to play havoc with the shipyards, the power plants, the locks and the countless other essential plants located in the St. Lawrence and Great Lakes areas. And even in the rapidly developing ability of planes to accomplish long sustained flights, a difference of "more than a thousand miles," may spell the difference between a safe yard and a mass of wreckage.

Much has been said and written in recent weeks about the shortage of power and aluminum and about this project being designed to augment the aluminum supply. Aluminum is made from bauxite ore. The Metals Handbook, American Institute of Mining and Metallurgical Engineers, 1939, page 1218, after reciting the world sources of supply of bauxite, continues:

"Bauxite is thus not a rare ore, and its principal value, when delivered in the refined form for the electrolytic production of aluminum, lies in the transportation charges and chemical refining costs incident to its purification. The bauxites used for the production of aluminum contain about 55-65 percent alumina; it takes about 4 pounds of bauxite, therefore, to produce 1 pound of aluminum."

The only production of bauxite in the United States of consequence is in Arkansas. According to the United States Bureau of Mines Mineral Yearbook, 1940, there were produced in 1939 in Arkansas 361,301 tons; and there were imported in the same year 375,301 tons. This importation was almost exclusively from Dutch Guiana and other countries on the east coast of South America.

It is my understanding that the transition from ore to pig aluminum involves two processes: (1) the primary reduction of bauxite which results in a product known as alumina, or aluminum oxide; the treatment of alumina by heat and electrolytic process resulting in pig aluminum. And as the Metals Handbook says, 4 tons of bauxite ore are required to produce 1 ton of pig aluminum.

The Aluminum Co. of America has plants producing alumina from bauxite at Mobile, Ala., and East St. Louis, Ill.

The alumina produced at Mobile is, in the usual course of events, transported to Alcoa, Tenn., in the Tennessee Valley Authority territory. The ore imported through New Orleans is moved in that form to East St. Louis, where it is processed, as is the ore produced in Arkansas.

The Aluminum Steamship Line now has in service a fleet of approximately 45 vessels, ranging from 2,500 to 14,000 tons cargo capacity, engaged in the transportation of bauxite from the port of Surinam, Dutch Guiana, to the ports of Mobile and New Orleans, and possibly to the plant of Aluminium, Ltd., at Arvida, on the St. Lawrence River, a short distance north of the international boundary.

It is approximately 2,600 nautical miles from Surinam to New Orleans and Mobile. It is approximately 4,000 nautical miles from Surinam to Arvida, Canada, and it would be slightly in excess of the Arvida mileage to Messina, New York, where the Aluminum Co. has an existing plant.

The sailing time from Surinam to New Orleans is 12½ or 13 days, or 26 days for a round trip. Without giving consideration to the less favorable navigation conditions of the North Atlantic, the difficulties and delays encountered in passing

through the locks and the narrow and tortuous channel of the St. Lawrence, but based only on the simple mathematical formula of relating 2,600 miles to 4,000 miles, 20 days would be consumed on a voyage from Surinam to Arvida or to Messina; or 40 days for a round trip. This difference in transit time is equal to a reduction in carrying capacity of approximately 35 percent.

Now, it is axiomatic that the transportation of ores or other low grade commodities for processing or manufacturing in unnecessarily long hauls is wasteful transportation and economically indefensible. This is true under normal conditions and the Interstate Commerce Commission has frequently condemned the practice. It would seem to me that it would be less defensible in the state of the world today. And, I think, it reaches the stage of absurdity where the ratio of raw materials to finished product is 4 to 1, in a situation where facilities for the conversion processes are now available or can readily be made available at or adjacent to the ports through which the importation occurs. It is a matter, I submit, which should be considered and treated solely from the standpoint of the end sought, and not tied in with nor made dependent upon a long-range and indefinite combination of navigational and power considerations.

It is entirely within the range of probabilities that American shipping may even in the Western Hemisphere be made the object of attack by enemy powers and that we shall have to depend more and more upon the domestic supply of bauxite in Arkansas. What I have said as to wasteful transportation on imported bauxite will apply likewise to the movement from Arkansas, relatively close, either by rail or water, to both the East St. Louis aluminae and the Alcoa aluminum plants. The Alcoa aluminum plant is in the heart of the Tennessee Valley Authority operations, and it is in the midst of the Appalachian coal fields, drawing its supplies of aluminae from Mobile and East St. Louis, the distances to Alcoa being comparatively short.

It is my information that special types of equipment are used in the transportation of both bauxite and alumina, and the service availability of this special equipment is reduced in direct ratio to the mileage operated, both loaded and empty.

Now, as to power and fuel required for the production of aluminum, I am advised that both are utilized in large volume, and that coke is the preferred fuel. The Texas Gulf coast and that territory along the Mississippi River between New Orleans and Baton Rouge, closely adjacent to each other, are the largest petroleum refining centers in the United States. These refineries produce almost limitless quantities of petroleum coke, and it can be moved by both rail and barge to the Tennessee Valley Authority area. But assuming a short disruption to rail or barge service, or both, due to equipment shortages or other causes, the southwest Louisiana, Oklahoma, and Texas section has within its borders the greatest undepleted natural gas reserves in the country—something in excess of 21 trillion cubic feet. (Distribution of Natural Resources in the United States, Interstate Commerce Commission Docket 28300, June 1941.)

In his message to Congress on June 5 the President said:

"Our present aluminum production alone calls for more than 10,000,000,000 kilowatt-hours a year."

Of course, no one would argue that all of the aluminum production of this country could or should be concentrated in the South, or in any other one area, but if we are facing an emergency in this matter, then let me quote you from an address delivered by Mr. David E. Lilienthal, Director of the Tennessee Valley Authority, before the Rotary Club of Knoxville, Tenn., on Tuesday, May 27, 1941:

"The time for nibbling cautiously at power supply is long since past. Here is what the Tennessee Valley Authority is ready to do for defense. We are prepared to create a pool of over 15,000,000,000 kilowatts of electricity each year—the largest single pool of available energy ever created in the history of mankind * * *.

"And so Tennessee Valley Authority is making a specific recommendation: That this seasoned construction force, the most experienced dam-building organization in the world, be set to work on a job that is as big as the need we face. We are proposing and are ready to build a series of 10 new dams, 4 on the Hiwassee River, a gigantic dam on the Little Tennessee, to be the highest dam in eastern North America, other dams on other rivers, additional steam plant capacity, completing Kentucky dam a year ahead of schedule—a program that will add another one and a third million kilowatts to the half million kilowatts of power now rapidly nearing completion, a grand total of nearly 3,000,000 kilowatts. * * *. First of all, we are speeding our construction schedules and beginning

this fall large blocks of new power will begin to be available—a 50-percent increase in Tennessee Valley Authority's total supply in 6 months time * * *."

Speaking of the voluntary curtailment which the public in the Tennessee Valley Authority territory has been asked to temporarily submit to, and in respect of the Tennessee Valley Authority plant and its ability to meet the demands on it even during the unprecedented drought in the southeast, Mr. Lilienthal says:

"The sacrifices you are asked to make are in the cause of national defense. They are not due to this unprecedented drought. In spite of the drought, the Tennessee Valley Authority is able to fulfill to the last kilowatt-hour every one of its contracts for continuous power * * *. The Tennessee Valley Authority has enough power and will continue to have enough power to fulfill every one of its contracts for power to cities and industries and cooperatives * * *. Tennessee Valley Authority could meet every one of those contracts if this drought should continue and make this year as bad a year for water as any in recorded history. For Tennessee Valley Authority's sales of year-round power are all based on the amount of power in the river in the worst kind of a water shortage ever known. Everything above that is sold only as secondary or dump power."

The Federal Power Commission in its 1940 annual report says:

"Generating capacity under construction: An example of such planning is the action initiated by the Commission for additional capacity in the Tennessee Valley Authority area. Plants are now under construction as a result of that action that followed the Commission's report on the facts—plants which, when completed, will supply vital industries with power that would not otherwise have been available. * * *. A considerable amount of new capacity will go into operation in 1941 that was originally planned for installation months later."

This planning is responsible, in part at least, for the increase in generating capacity under construction throughout the country from 1,600,000 kilowatts in 1938 to 5,500,000 kilowatts in 1940.

It would appear to a layman that the logical treatment for the existing temporary shortage would be through the rationing of electric energy, in such manner as the circumstances may dictate, prompt interconnections between systems supplied by the immense steam power plants of the Southeast to feed the Tennessee Valley Authority area while the bulk of its output is being taken for aluminum and other defense industries. I am told that Louisiana power generated with natural gas is today being moved to that area in substantial quantities.

Now, as to the shortages which the Power Commission says will probably develop in certain areas in 1942: certainly in the present state of the development of long distance power transmission, striking though the advances have been, an additional 2,200,000 horsepower of electric energy on the St. Lawrence, available somewhere between 3 and 5 years after construction is started on the project, would prove of but little value in 1942. And if it be a fact that electricity cannot be economically transmitted to distances much in excess of 300 miles, as I am informed by competent authorities is the case, then what is to become of the unused and unusable surplus of that enormous volume of 2,200,000 additional horsepower within a radius of even 500 miles from the point at which it is generated? I submit that the problem should be studied from the point of view of constructing modern steam plants in the proper areas, commensurate with the probable requirements, rather than to develop 2,200,000 additional horsepower in a concentrated area which probably could not commence to consume it in normal times.

On the question of the minimum time in which electricity to be generated by this project would be made available, the authorities differ. A writer in the Public Utilities Fortnightly, of March 26, 1941, asserts that—

"It would take 5 years to complete the power development. Until then, the St. Lawrence's contribution would be nil. Moreover, as the [New York] Times pointed out, if there is a shortage of power in that area, the Schoellkopf and Adams plants at Niagara are capable of generating an additional 180,000 of horsepower of energy whenever fed a sufficient flow of water. Canadian power facilities are ready, likewise, when given the water, to turn out another 200,000 horsepower. * * *. The Canadian developments, plus the additional energy at Niagara will make available from 1,500,000 to 2,000,000 horsepower of energy before the St. Lawrence can ever generate enough voltage to warm a hand flashlight."

The bottleneck as to aluminum, as I see it, is in labor disturbances, strikes, etc., at industries fabricating and otherwise processing aluminum metal rather than in the production of pig aluminum itself. Additional power production on the St. Lawrence 3 or 4 or 5 years hence will not serve to correct this condition which exists right now.

Now, a few words as to the direct and unfavorable impact of this project upon Louisiana and I will have finished.

The Mississippi River with its tributaries forms one of the major inland waterway systems of the United States. The system reaches from New Orleans to Pittsburgh on the Ohio, to Minneapolis on the Mississippi, and to Kansas City on the Missouri, and to Chicago and over it moves every conceivable type of commerce—in huge volume—grain and grain products, sugar, coffee, sulfur, iron and steel articles, gasoline and other petroleum products, coal, sand and gravel, and products of the forest.

On the north-bound tows from New Orleans they handle the commodities that I have previously mentioned as being imported through New Orleans; and their services are vital to New Orleans. They serve as well as effective natural regulators of transportation rates not only between points located on the rivers, but their influence is felt far inland through the maintenance of joint through rates and routes with the rail lines.

During periods of insufficient rainfall in the upper valley it has at times been necessary, to maintain service on the Mississippi, as well as for other purposes, to divert water from Lake Michigan to the river through connecting waterways. Under a decree of the Supreme Court of the United States this diversion is presently limited to 1,500 cubic feet per second; but it is to be assumed that power vests in the Court to increase this flow should the public welfare require it in emergency.

Lake Michigan alone of the Great Lakes lies exclusively within the territory of the United States, but under the proposal, as I understand it—and certainly under prior proposals which were rejected by the Congress—this body of water will become internationalized and the Government of Canada accorded a voice in what is presently wholly a domestic facility; and the acquiescence of that Government made a condition precedent to enlarging withdrawal in excess of 1,500 cubic-feet-second. I am further told by competent authorities that the health and sanitary welfare of the Mississippi Valley is involved in this matter.

As I see it, cotton culture has seen its day as the major crop of the South, due to the substitution of other fabrics and materials; and increasing production in other areas of the world—South America, India, and Egypt—where the economic condition of the people is even more depressed than in the South.

As a substitute crop the South has turned to many things, and one of these major substitutions is the production of pulpwood, wood pulp, and paper made from those products. The increase in the production of pulpwood in Louisiana has been tremendous within the past few years; and many millions of dollars invested in new paper plants.

In a letter from an executive of one of the largest—if not the largest—kraft paper producers of the United States, he states that in 1930 there were produced in the United States 949,500 tons of sulfate pulp; during the year 1939 there were produced 2,992,000 tons of the same product, and he says that 90 percent of this production was in the South and Southwest. This authority says that it takes approximately 1.8 cords of pulpwood to produce 1 ton of pulp. He gives it as his opinion that in the production of pulpwood the cash return to labor is about \$2.50 per cord.

Thus:

949,500 tons of pulp equal 1,709,100 cords, at \$2.50 per cord.....	\$4,272,750
2,992,000 tons of pulp equal 5,385,600 cords, at \$2.50 per cord.....	13,464,000

These figures do not, of course, cover anything but the return to the labor in the woods—the small farmer.

In 1930 the importation of foreign pulp was 1,827,100 tons; and in 1939 2,017,300 tons. The great bulk of this foreign importation was from Sweden, Finland, Norway, and the other countries of the Baltic area; and some from Canada, though this authority says that the imports from Canada, because of type, are not as highly competitive with our domestic production as are the imports from Europe.

And wood pulp is one of the major commodities, so the Maritime Commission finds, that is peculiarly susceptible to handling by "tramp" steamers. And it is this fast-growing essential industry in the South which, I fear, will collapse when the time comes that a cargo can be loaded on a Japanese or Russian "tramp" at some port in northern Europe and move direct to a port on the Great Lakes via the St. Lawrence, because, says this authority, "during the period 1930 to 1939, the domestic producers quite frequently found it impossible to successfully meet the import price made by Sweden, Finland, Norway, etc." What is true of bauxite is also true of wood pulp—a large part of its value at destination is represented by transportation costs.

If this commodity could be transported 4,000 miles during the relatively normal conditions existing from 1930 to 1939 and still undersell our domestic production, I feel that I am not without cause in viewing with great apprehension the impact upon the production of the South in the post-war days to come.

Industry requires cheap and dependable electric power in large quantities. The South had at the date of the report of the National Emergency Council, approximately 27 percent of the installed hydroelectric generating capacity of the Nation and 13 percent of the undeveloped capacity. It has limitless supplies of coal, natural gas, and petroleum fuels capable of producing electricity cheaply. It has almost limitless reserves of natural resources and raw materials susceptible of conversion into manufactured goods, with a consequent increase in the present unbelievably low per capita income, to the betterment of its social, economic, and educational life. The proposed project on the St. Lawrence is located in what is now one of the most highly industrialized areas of the United States; the development of an additional 2,200,000 horsepower of energy, which for technical reasons must be consumed within a relatively short distance from the point of generation, will, I think, inevitably increase the industrial density of that area, because when this emergency has passed, much of that power will be "dump" power—dumped on the restricted market area for whatever price it will bring. It will, in my judgment, delay the time when the South may enjoy the fruits of its location, its climate, and its natural resources.

It is not pleasant for me to have to take issue and disagree with the President on the St. Lawrence project or any other major work in these critical times, for I know that he is motivated only by good faith, as am I.

But a stupendous amount of money is involved; millions of man-hours are involved and much precious time is involved, and once we are committed, we are committed for better or for worse.

There are other parties here from our part of the country who will present more detailed facts and figures in support of what I have said.

I thank you.

STATEMENT OF FRANK S. DAVIS, MANAGER, MARITIME ASSOCIATION OF THE BOSTON CHAMBER OF COMMERCE, BOSTON, MASS.

Mr. BEITER (acting chairman). State your name, please.

Mr. DAVIS. I want to thank you and Mr. Tallamy for giving me this opportunity.

My name is Frank S. Davis; I am manager of the Maritime Association of the Boston Chamber of Commerce, and I appear here for that organization.

Since arriving here yesterday, I have received a large number of telegrams and other communications from representative New England organizations, asking me to also represent them. I will not name them. They agree in any statement I shall make. A little later on, with your permission, I will read one of the telegrams, and then pass them to the recorder to incorporate in the minutes of the meeting.

The Maritime Association of the Boston Chamber of Commerce is a voluntary, nonprofit organization, incorporated under the laws of the State of Massachusetts. Among its objects is the protection and the fostering of maritime interests of New England and the development of the commerce and improvement of the facilities of the port of Boston. Broadly speaking, the position of our organization and these other organizations that have telegraphed me is that the Government should apply all of its resources, financial, manpower, and otherwise, to the completion of domestic projects that are essential to the national-defense program, rather than to embark on this highly controversial international project which we believe cannot possibly be completed in time to be of any benefit to the national-defense program.

That position is stated very concisely and more completely and comprehensively in this telegram, which is the one that I will read from the executive vice president of the New England Council. That organization is truly representative of all New England. The telegram is dated June 24, and it is addressed:

FRANK S. DAVIS,
*Chairman, National St. Lawrence Project,
 Conference, care House Committee on Rivers and Harbors,
 Washington, D. C.*

Our President has just sent to Chairman Mansfield the following statement of the Council's position in reference to the St. Lawrence project: "The executive committee of the New England Council Representative of the Agricultural Commercial and Industrial Associations of New England desires to be recorded in opposition to the St. Lawrence waterway on the grounds that the project is economically unsound and if executed would operate to the disadvantage of the region. This position we have held in the past and now continue to hold. Far more important than this however is the question of its relation to national defense. Our efforts during the next 12 months will determine the outcome of the national emergency. The proposal to divert men, money, and materials to this long range project during this critical period can be urged only by those who have no adequate conception of the crisis we are facing. This statement of our position was read to and approved by the directors of the New England Council assembled in our sixty-third quarterly meeting in Swampscott, Mass., Saturday June 21. Ralph E. Flanders, president, New England Council."

DUDLEY HARMON, *Executive Vice President.*

(The further telegrams and letters are in full as follows:)

NEW BEDFORD, MASS., June 24, 1941.

FRANK S. DAVIS,
*Care Hon. Jos. J. Mansfield, Chairman,
 House Committee on Rivers and Harbors.*

You are authorized to record the New England Traffic League, an organization of 150 traffic or transportation representatives of principal chambers of commerce industries and trade organizations located in 6 New England States, as strongly opposed to passage of legislation providing for construction of St. Lawrence Power and Waterway project and as concurring fully in your statement this morning before House Committee on Rivers and Harbors in respect thereto.

THE NEW ENGLAND TRAFFIC LEAGUE,
 A. H. FERGSON, *Secretary.*

BOSTON, MASS., June 24, 1941.

FRANK S. DAVIS,
*Care Hon. Joseph J. Mansfield,
 Chairman, House Committee on Rivers and Harbors,
 House Office Building.*

The Boston Chamber of Commerce is opposed to so-called Mansfield bill, officially known as H. R. 4927, and desire to be recorded as concurring in such statement as you may make in opposition thereto.

M. D. LIMING.

LAWRENCE, MASS., June 23, 1941.

FRANK S. DAVIS,
Care Hon. Joseph J. Mansfield, Room 1304, House Office Building.

Lawrence Chamber of Commerce vigorously opposes St. Lawrence project. Please place our opposition through you at hearing. Consummation of project involves time imperatively needed for defense. Present crisis calls for planes, tanks, guns, shipbuilding; not electricity development especially proposed in this project where freezing conditions prevail for months. Needless project greatly adds Federal expense. Evasion by agreement rather than treaty not democratic way.

LAWRENCE CHAMBER OF COMMERCE,
 JOHN J. O'ROURKE, *Secretary.*

NEW BEDFORD, MASS., June 24, 1941.

FRANK S. DAVIS, *care Hon. Joseph J. Mansfield,*
Chairman, House Committee on Rivers and Harbors,
House Office Building

New Bedford Board of Commerce representing business and industrial interests of New Bedford, Mass., authorizes you to record its opposition to any legislation providing for construction of the St. Lawrence power and waterway project and as concurring in your statement submitted to House Committee on Rivers and Harbors this morning.

NEW BEDFORD BOARD OF COMMERCE,
A. R. THACKERAY, *Executive Secretary.*

BOSTON, MASS., June 24, 1941.

FRANK S. DAVIS,
Chairman Executive Committee, National St. Lawrence Project Conference,
care Hon. Joseph J. Mansfield, Chairman House Committee on
Rivers and Harbors, room 1304 House Office Building.

Please use best efforts for defeat St. Lawrence waterway project.

BOSTON PROPELLER CLUB,
R. H. PRIOR, *President.*

HAYNNIS, MASS., June 23, 1941.

FRANK S. DAVIS,
Care of the Honorable Joseph J. Mansfield,
House Office Building, Washington, D. C.

Concurring in your statement record Cape Cod Chamber of Commerce in opposition to proposed St. Lawrence waterway project.

CAPE COD CHAMBER OF COMMERCE,
LEWIS C. WEEKS, *Executive Secretary.*

BOSTON, MASS., June 24, 1941.

FRANK S. DAVIS,
care Hon. Joseph J. Mansfield,
Chairman, Committee on Rivers and Harbors,
Room 1304 House Office Building.

Understand you making personal appearance before the House Committee on Rivers and Harbors in opposition to the proposed so-called St. Lawrence seaway legislation. The New England Shippers Advisory Board concurs in your position. Will you record our membership of 1,500 as opposed to the proposal?

W. H. DAY, *General Chairman.*

MANCHESTER, N. H.

FRANK DAVIS,
Care Hon. Joseph J. Mansfield, Chairman, House Committee on Rivers and
Harbors, Room 1304, House Office Building, Washington, D. C.

I am directed to inform you that the Manchester Chamber of Commerce is definitely opposed to the St. Lawrence River project contained in legislation now pending in Congress, and to request you to appear as our representative in opposition to same.

JAMES KEMPER, *Executive Secretary.*

BOSTON, MASS., June 23, 1941.

FRANK S. DAVIS,
Care Hon. Joseph J. Mansfield, Chairman, House Committee on Rivers and
Harbors, 1304 House Office Building.

Replying to telegram on St. Lawrence project exchange not in position to send representative but you are at liberty to list our exchange with the opposition as we believe the Boston Chamber of Commerce will adequately represent Boston interests in the matter.

DEAN K. WEBSTER, Jr.,
President, Boston Grain & Flour Exchange.

FOREIGN COMMERCE CLUB OF BOSTON,
Boston, June 19, 1941.

Hon. JOSEPH J. MANSFIELD,
Chairman, House Rivers and Harbors Committee, Capitol Building,
Washington, D. C.

DEAR SIR: As president of the Foreign Commerce Club of Boston, Inc., whose members are vitally interested in the movement of business through the port of Boston, in accordance with the vote of our board of directors, we wish to be recorded in opposition to the passage of H. R. 4927, a bill "to provide for the improvement of the Great Lakes and St. Lawrence Basin," familiarly known as the St. Lawrence waterway project.

Our directors are opposed to the project by reason of the dilatory effect it would have on business at this port, not only during the time the St. Lawrence waterway was open for navigation, but during the whole year as well.

The resulting division of freight would lower the volume of business at this port, and thereby cause depreciation of our terminal, steamship, and railroad, as well as other facilities, through lack of adequate revenue for repairs, taxes, etc., to such a degree that all incentive for improvement of any or all facilities, in our opinion, would be ended for all time.

We trust your committee will take due cognizance of this effect on the port of Boston, and will, as a consequence, reject the bill in question.

Very truly yours,

FOREIGN COMMERCE CLUB OF BOSTON, INC.
HORTON I. MARLOR, *President*.

THE PROVIDENCE CHAMBER OF COMMERCE, INC.,
Providence, R. I., June 19, 1941.

Mr. FRANK S. DAVIS,
Chairman, National St. Lawrence Project Conference,
Washington, D. C.

DEAR MR. DAVIS: I am attaching herewith duplicate copies of the resolution adopted by our board of directors on February 6, 1941, which reaffirms the actions taken by the Providence Chamber of Commerce board of directors, December 1920 and January 1934.

Copies of this resolution were immediately sent to our Rhode Island delegation at Washington, and Senator Gerry replied that he was in opposition to this project.

Upon receipt of your telegram of June 18 a conference was held and it was decided, with the approval of our president, Mr. Russell W. Field, that you be authorized to appear at the hearings, beginning on June 24, for the Providence Chamber of Commerce in opposition to the St. Lawrence River project.

Yours very truly,

E. C. SOUTHWICK,
Manager, Transportation Department.

RESOLUTION BY THE PROVIDENCE CHAMBER OF COMMERCE ON ST. LAWRENCE
WATERWAY TREATY

Whereas the Providence Chamber of Commerce is an organization the objects and purposes of which are to advance commerce, industry, and civic welfare; to aid in the conservation and progress of all the legitimate business, civic interests, and agricultural advancement of Providence and vicinity; and to aid in the promotion and maintenance of adequate transportation service; and

Whereas, President Roosevelt seeks Senate approval of a treaty for the St. Lawrence seaway and power project; and

Whereas it is the disposition of the Providence Chamber of Commerce to patriotically give its attention to the welfare of the United States as a whole, with the advancement of our own region always consistently in mind; and

Whereas after careful consideration, we have found that the possible benefits, which would result from the canalizing of the St. Lawrence River between Montreal and Lake Ontario, would be small so far as the interests of the people of the United States are concerned in comparison with the enormous cost of carrying out such a project; and

Whereas the benefits to the United States at large could not possibly overcome the irrevocable harm and losses which would be suffered by all the States of New

England through the loss of business to its seaports, and as a consequence the business of all New England carriers, rail and truck; and

Whereas the St. Lawrence River cannot be used more than about 7 months in a year; and

Whereas the effect of this project on the economic welfare of this country is considered detrimental for the following reasons:

1. As a part-year facility, it is economically unsound.
2. It would create burdensome taxes without compensatory benefits.
3. The amount of traffic, claimed by proponents that would be diverted to the proposed waterway, would result in a detrimental effect on railroads, steamship lines, inland waterways, motortrucks and the ports of the United States of America.
4. Stability of freight rates, rail, water, and motortrucks could not be maintained; and

Whereas this project is being advocated under the pretext that the development is needed for war purposes, and yet cannot possibly be completed before 1945; and

Whereas the project would take men, materials, equipment, and money from defense projects, such as war planes, shipbuilding, munitions, etc., which are immediately needed; and

Whereas the creation of the Great Lakes-St. Lawrence Basin Commission for navigation and power, international in character, opens possibilities for international controversies over the Great Lakes and the tributary waters thereto: Therefore be it

Resolved, That the Providence Chamber of Commerce, upon recommendation from its transportation department, hereby reaffirms its actions of December 1920, and January 1934 which opposed the adoption of a treaty with Canada enabling the use of Government funds to construct the so-called St. Lawrence seaway from the Great Lakes to the ocean and/or the development of Government water-power projects on the St. Lawrence River; and be it further

Resolved, That copies of this resolution be sent to the President and the Rhode Island Senators and Representatives and other interested parties.

February 6, 1941.

[SEAL]

PAUL SHADD, *General Manager*.

Mr. DAVIS. Now, I am not going into the physical features, because the committee members are thoroughly informed about that. It will only take up time needlessly, and I know that your time must be conserved. But the fact is this was first brought to the attention of the New England interests as an advantage from the transportation angle, and that was very carefully considered and weighed, and discarded because it was felt the contentions of the proponents with respect to savings were entirely fantastic and could not possibly be realized.

Then it came as a power project, and the principal advocater of this project in 1934—and I am sure Mr. Rankin is acquainted with the gentleman—was Henry I. Harriman, who was afterward president of the United States Chamber of Commerce. At that time it was stated that due to improved methods of generating electricity by steam, New England industries could get their power cheaper than they could hope to get it from the St. Lawrence hydroelectric. So that was discarded.

Then next, and it is still pending, and this is a very serious thing to New England, came the proposal of the Champlain-Hudson cut-off. Well, I cannot illustrate it on the map, because I have been trying since I have been sitting here since Tuesday to find New England on the map. If the cut-off was put on there, it would certainly be put way out in the Atlantic Ocean, because it would make New England an island. Now, it is in this position, it is contingent on this St. Lawrence project going through. The joint international commission

made only an intermediate report, and will not hand down its decision until such time as this St. Lawrence project is through. And the inference is that if the St. Lawrence project goes through, then the international joint commission will approve this Champlain-Hudson cut-off.

Now, from the defense angle, I have listened with a great deal of interest to the discussion this week, and I have learned a lot. I was quite impressed with the suggestion made by one of your honorable body in the comment that, well, do you think a businessman would know as much about these things as a head of a Government bureau? Do you think he is as well qualified to pass upon that?

Well, I would like to read this editorial, for it states that situation very clearly from one of our leading metropolitan newspapers.

Mr. RANKIN. If you don't mind, you can insert those editorials in the record. I expect we have seen them all.

Mr. DAVIS. I do not think you have seen this one. It is only June 20 from the Boston Post.

Mr. RANKIN. We see those editorials every day, and would rather you would not take up the time of the committee reading editorials, if you have your own statement to make.

Mr. DAVIS. Well, if I may include it in the record.

Mr. RANKIN. Yes; put it in the record.

Mr. DAVIS. It, however, has this to say: First, the comment of the statement of Secretary Stimson that this could be completed in 4 years' time, and it is a very adequate answer to that contention so, if it goes into the record, you will have an opportunity to read it, and to save the time.

Mr. RANKIN. Yes.

(The editorial is in full as follows:)

[From the Boston Post, Friday, June 20, 1941]

THE SEAWAY

The words of Secretary of War Stimson in urging the passage of the St. Lawrence Seaway Act appear to be inspired by an effort to tie the project up with fear of a long war.

We do not agree with this view.

He made the statement when asked how he could reconcile the seaway with defense, when it would take at least 4 years to construct.

He said that we face the prospect of a very long war. It is obvious that if the war lasts until 4 years from now, the seaway will probably just be starting to produce electric power.

It is only if the war lasts 7 to 10 years that this power can be effectively used in defense. Four years from now we should be producing war materials in such quantity with our present facilities that no nation on earth could hope to match us.

Then, following the war, and this is tremendously important, will come the inevitable slump when power production will have to return to depression levels.

Then the shining generators and huge channels of the seaway will go idle. We will have the most expensive ditches and powerhouses of all time on our hands.

The seaway cannot be tied up fairly with defense.

But it will be tied up with the next depression with a vengeance, for it will serve to render obsolete the ports of the east coast, from Portland, Maine, to Philadelphia.

Cargoes, 6 months out of the year, will be carried directly out of the Great Lakes ports to the harbors of the world and this diversion of heavy freight will leave long-established ports on the sea itself idle and useless.

The rest of the year, when the Lakes and the St. Lawrence River are frozen over, shippers will have to return to the present mode of transportation by rail and the eastern ports.

It is impossible economically for ports to be operated in this fashion. If they are neglected half of the time, labor and capital will not find it worth while to maintain expensive facilities for part-time use.

Look at the railroads of today, after years of neglect. They are unable, through lack of rolling stock and other factors, to shoulder the burdens dropped by the withdrawal of tankers from the coast trade.

No private enterprise can be expected to foresee such conditions and keep paraphernalia in good condition to leap into action when the occasion demands.

Every reputable business organization in the Northeast section of the United States is vigorously protesting the vast waste of the seaways project, the diversion of needed metals and other supplies for its construction, to say nothing of the use of manpower, which is getting to be a scarcer and more expensive commodity every day.

It should be abandoned or at least postponed until the war effort is over. It is a public work which, if needed at all, is needed when hands are idle.

Mr. DAVIS. But I want to say this, that one of the finest Government bureaus or bodies is the Army engineers. We all know what a tremendously fine work that body has done, and I have complimented their work on every possible occasion. But they are human; they do make mistakes. You will remember a few years ago they were in the "dog house." They were going to be transferred to the Interior Department, the W. P. A., or some other bureau. Well, we favored trying to keep them where they are, and tried to help.

But the President of the United States thinks they make mistakes too. I refer now to the seaplane channel in Boston Harbor. That was approved by this committee and approved by the Congress, and passed to the President as an essential defense project. When it got to the President he said, despite the fact that it had been approved by this committee and the Congress, "I cannot approve of this because there is no evidence that seaplanes would use this seaplane channel. I regard it as a highly improper expenditure. If every harbor on the coast tried to get an appropriation for a seaplane channel on the theory that trans-Atlantic planes might by stress of weather be driven into their particular harbor"—at any rate, he advised against such expenditure.

Mind you, the President of the United States thought the Army engineers were mistaken there, so I think they possibly are mistaken with respect to this project.

Perhaps I should have stated at the outset that I was assistant manager of inland transportation in the Navy Department in the war, and during the Coolidge administration received this communication, dated June 17, 1926:

Would you accept the position as president of the Emergency Fleet Corporation, to take office at an early date, at a salary of \$18,000 a year, the term of your office to be indefinite? In case you could not accept the offer for an indefinite period, will you accept it for a trial term of 6 months, at the end of which time if you like the position I would like you to continue in office. If you do not like it, your resignation can be offered without embarrassment to yourself or to the United States Shipping Board.

The reason I am making this statement is that I would not have been any better qualified had I accepted that position than I am now to make some statements that I am making, that I do not think this can be completed in any 4 years.

New England sentiment is unanimously opposed to the project; even more so than in 1934 when 10 of our 12 Senators voted against the ratification of the treaty.

The Department of Commerce recently released part IV of the St. Lawrence survey titled, "The Effect of the St. Lawrence Seaway

Upon Existing Harbors." Well, that is very highly theoretical; and a portion of that report refers to the effect on the commerce of the port of Boston. We are constantly receiving from students of technology in Harvard a thesis of that character, just about as visionary as that.

Anyhow, it goes to the discussion of the port of Boston and its effect, the effect of this project on the port of Boston, and that is what I would like to refer to. It is admitted in the report that the loss of commerce to the port of Boston would be approximately 250,000 tons, full tons of cargo, water-borne cargo that passes through the port of Boston, and this cargo would produce, directly or indirectly, from \$25 to \$30 a ton, and on 250,000 tons that will be something like \$6,000,000, and most of it or a substantial part of it is labor.

If the shipbuilding program were carried out on the Great Lakes, at the moment the greatest industry in New England is shipbuilding, the shipbuilding industry in Boston Harbor and contiguous areas. My estimate is there are somewhere between 20,000 and 25,000 employees at the present time engaged in building ships. Two are to be launched tomorrow, and it is almost a weekly occurrence to have a ship take to the water.

One suggestion occurred to my mind, and I think Mr. Rankin would want to know about it, and that is if that power plant was established—

Mr. RANKIN. A little louder, please.

Mr. DAVIS. If that power plant was established in the International section, power will be supplied, as is suggested, to all New England; which I very much doubt, because it seems to me it is almost all exclusively for New York. But assuming it were for New England and New England industries are supplied, and the communities in all of New England, as is suggested; well, it would be ruinous to the port of Boston, which this committee has been asked to improve. Congress has spent something like \$50,000,000 improving the channel and terminal facilities of the port of Boston. Eighty percent of the commerce of the port consists of oil and coal.

Mr. RANKIN. You mean that giving the people of New England electricity at reasonable rates and taking this overcharge of \$97,000,000 a year off of them, would ruin New England?

Mr. DAVIS. Yes; I do. I think it would ruin and disrupt the whole area.

Mr. RANKIN. The trouble of it is that you gentlemen come down here and you always talk about industry and you never do talk about the people of New England being borne down by these enormous overcharges.

Mr. DAVIS. What about their savings? They have a good deal of savings and their insurance.

Mr. RANKIN. But millions of dollars of savings accounts are being taken from the men and women and children of New England; they are the ones that are being robbed by the overcharge on electricity.

Mr. DAVIS. They are the ones who have the accounts.

Mr. RANKIN. What State are you from?

Mr. DAVIS. I am from Massachusetts; born in Melrose, Mass.

Mr. RANKIN. I will give you the dope right here: The people of Massachusetts were overcharged \$51,000,000 for their electricity. That \$51,000,000 was drained from the savings of those people, beginning with the small householder; and their average consumption is at the very minimum.

Mr. DAVIS. And yet you will find, I guess, most of them using electricity up that way.

Mr. RANKIN. How is that?

Mr. DAVIS. Yet you will find most of them using electricity up that way.

Mr. RANKIN. They are using a very minimum of it. The average householder in New England uses less than half, I doubt if they use more than one-third of what they do where I live.

Mr. DAVIS. Well, Mr. Rankin, I know how well versed you are, and I cannot pretend to meet your arguments on this. But I do come from New England and I was born and raised there, and my business experience has been all over the country, and I will say this, that I do not need to tell you that New England rates high with respect to savings funds and its savings accounts. They are naturally thrifty. And I say it would do more harm than good, even though all you say should occur, their savings accounts were jeopardized and if the business of the port of Boston prevented the local householders from earning money to buy any electricity.

Mr. RANKIN. Your commercial consumers, the merchants, the hotel operators, the filling stations and professional men, the commercial consumers last year were overcharged 22 million in Massachusetts. That is the people.

Mr. DAVIS. It has wide ramifications.

Mr. RANKIN. Those people are all paying that overcharge.

Mr. DAVIS. If there is added to their taxes the cost of this international project, they may take a long time to catch up.

Mr. RANKIN. They would never know they were paying for this international development.

Mr. DAVIS. I am afraid that idea is altogether too prevalent, down here in Washington.

Mr. RANKIN. No; I will tell you they like to keep the information from the people. The people of New England would not be unanimously against this if they knew that this would lift the burden of such overcharge from their shoulders. The fact is they are not unanimously against this now.

Mr. DAVIS. I have been thrilled by your remarks many times on this subject.

But you will have to resort to more than eloquence to show them up in New England; you are right.

Now, on the matter of transportation, for many years Boston has had the benefit, New England has had the benefit, of a pretty efficient all-water service between Boston and the Great Lakes and New England ports.

Here is a photograph showing a motorship—

Mr. RANKIN. May I interrupt just a moment. I remember when you people were down here urging the Government to spend money on the Cape Cod Canal.

Mr. DAVIS. Yes; and that is a monument to this committee.

The CHAIRMAN. Don't say too much about it, I introduced that bill.

Mr. RANKIN. I think I voted for it, Judge, but this is not the first time that anybody called for a development up there.

Mr. DAVIS. Mr. Rankin is quite right, and if you pursue the same policy now and complete domestic projects that are essential to the national-defense program, we will go along with you on the improve-

ment of that river down there you want to improve. That's what we think should be done.

Mr. RANKIN. If we seal this river up, refuse to develop the water power on the St. Lawrence River, it will be just like sealing up a gold mine, or a coal mine, or a diamond mine; there is wealth there that is absolutely going to waste, that could be used for the benefit of these people, just as we are using the waters of the Tennessee River for the benefit of the people of the South.

Mr. BEITER. You started to say something about this motorship. I notice the sole owners are the Motor Ship Corporation, of Buffalo, N. Y. I am very much interested in that. Can you develop that a little further?

Mr. DAVIS. That has been over to Boston. They are quite remarkable boats; they carry 2,000 tons. They can navigate the canal, on down the Hudson River, and through Long Island Sound, and they go as far south, along the coast, as Norfolk, and as far north as Boston. Despite that fact they have only come to Boston two or three times. They brought a cargo of condensed milk there, which I saw discharged. The point I make is they have a good route now which they do not use, because, as some gentleman on this side of the room remarked, speed is the requirement now; on these high-class New England manufactured products, the thing to do is to get them to destination and get the raw products to them, quick delivery.

The CHAIRMAN. Mr. Davis, I am sorry I did not get to hear all of your statement. What type of cargo is it that you believe the port of Boston would lose if this St. Lawrence project went through?

Mr. DAVIS. Well, I think there are some 327 woolen mills scattered all over that country. Wool is one of the principal items of our water-borne commerce, and I think some of that would be diverted and go up around through the lakes, possibly.

The CHAIRMAN. Are there mills up there for the manufacture of wool?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. Where do they get their wool from now?

Mr. DAVIS. They are scattered all over the country—the Pacific coast.

Mr. PITTINGER. We will give you a little from the Midwest, as soon as the waterway is completed, and then buy some of your finished products.

Mr. RANKIN. Do you mean this boat with the 21-foot draft went through the canal?

Mr. DAVIS. That is the type of boat they bring down through the New York State Barge Canal.

Mr. RANKIN. The Barge Canal, but not down through the St. Lawrence.

Mr. DAVIS. No.

Mr. RANKIN. This says, "21 feet deep." I suppose that means 21-foot draft.

Mr. DAVIS. No; I think that means 21 feet from the top of the deck down through the keel. It is a fine boat, built especially for that traffic.

The CHAIRMAN. What traffic did you say?

Mr. DAVIS. That boat operates the all-water route between the Great Lakes and down through the New York State Barge Canal,

the Hudson River, and then coastwise as far south as Norfolk, and as far north as Boston, through the New England Sound.

The CHAIRMAN. What kind of fuel does it use?

Mr. DAVIS. I couldn't tell you. Maybe it is on there. Oil, I think, Diesel engines.

Mr. RANKIN. Your objection to this development is on account of the transportation, and not on account of the power development.

Mr. DAVIS. Oh, yes; it is on account of both.

Mr. RANKIN. Both?

Mr. DAVIS. Yes; the principal objection to power is we don't think we will get any. It is all New York. If you read report No. 6 of this survey, you will find it expresses strange solicitude for the welfare of New York. I am sure you feel that too, that New York needs your assistance.

Mr. RANKIN. What assistance?

Mr. DAVIS. Every assistance the rest of the United States can give it.

Mr. RANKIN. I think they need less rackets and more light up there, all of you. I am not particularly partial to any one State.

Mr. BELL. Do you have any figures on the comparative cost of producing electricity? That is, as between steam and hydroelectric power?

Mr. DAVIS. I do not pretend to know much about electricity. I heard Mr. Harriman, and some of the others of them who were interested in the power end of it, say that, I think, seven-eighths of a pound of coal would produce as much electricity as you formerly got from 6 or 7 pounds of coal. That is pretty crude, I know, but to my mind it gives a picture that I can understand.

The CHAIRMAN. Mr. Davis, do you recall the tonnage at Boston?

Mr. DAVIS. Total tonnage?

The CHAIRMAN. Yes; before the war conditions.

Mr. DAVIS. The total tonnage last year was 18 million tons.

The CHAIRMAN. It has been about the same for several years?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. What proportion of that was coal, if you have those figures in your mind?

Mr. DAVIS. Yes; I would say, roughly, 60 percent of it was coal.

Mr. RANKIN. Sixty percent?

Mr. DAVIS. Yes.

The CHAIRMAN. That coal comes mostly from Norfolk by barge?

Mr. DAVIS. Largely; yes, sir.

The CHAIRMAN. How much oil and gasoline?

Mr. DAVIS. Well, coal and petroleum products. I would say the total was somewhere around 70 percent.

The CHAIRMAN. That is largely coastwise; is it not?

Mr. DAVIS. Coastwise; and I want the gentleman who commented about foreign coal to hear this particularly, the last available War Department Report shows, I think, that we received at Boston, something like 200,000 tons of foreign coal; and if you go back 5 or 6 years, you will find it averages 350,000 to 400,000 tons of coal. That was not coal from Wales, Mr. Chairman; a good deal of that was from Russia, 5,500 miles distant by water from Boston, and yet the cost of transporting that was less than the railroads could haul anthracite coal, and superior anthracite coal, from the mines of Pennsylvania.

The CHAIRMAN. However, the St. Lawrence had no bearing on that.

Mr. DAVIS. I am sure it has.

The CHAIRMAN. It is not in operation yet.

Mr. DAVIS. Not on the port of Boston directly, because maybe that coal would come into Boston, although I dare say a lot of it was shipped to northern New England.

The CHAIRMAN. My experience with the people of New England has been such that I wouldn't think they would allow any imports to come in for any purpose.

Mr. DAVIS. If we followed that policy, we would be sunk. Foreign imports are our principal dependence.

The CHAIRMAN. You ought to talk to Mr. Treadway of the Ways and Means Committee.

Mr. RANKIN. What does it cost to haul that coal down there; what is it worth per ton?

Mr. DAVIS. \$12, retail.

Mr. RANKIN. I am talking about coal used to generate power in Boston.

Mr. DAVIS. I wouldn't know. I wouldn't venture a guess. The transportation cost from Hampton Roads varies from 60 cents per ton to \$1.25. I want to tell the gentleman who was so interested in foreign coal that these Russian ships were manned by women, in many cases, as members of the crew. Even staid old Boston was shocked at that.

The CHAIRMAN. Mr. Davis, the thing I am trying to get at is to see what type of your commerce would be affected if this waterway was constructed; what proportion and what type of commerce that you ordinarily handle at Boston would be taken away from you.

Mr. DAVIS. Well, that is a pretty difficult question to answer, but there are some things that you actually lose, and there are many subtle ways that they affect the port of Boston. Two hundred and fifty thousand tons, which they admit in that report would be lost to the port of Boston, and they go into a lot of commodities there that would adequately answer your question, Mr. Chairman, is equivalent to our entire tonnage of foreign exports at the port, and every ton that comes through the port pays directly or indirectly \$25 or \$30 per ton, and if 250,000 tons of cargo were lost, as the Department of Commerce concedes would be lost—I don't have to say it, they say it in that report—it would mean \$6,500,000 lost to the port, chiefly labor, or largely labor. That is the loss to the port.

If they go to work building ships up there, as Admiral Land says, they will dilute the labor from those plants now employing 25,000 men in Boston and disrupt those organizations. That has a very serious effect on the port of Boston.

The CHAIRMAN. Do you think anything of that kind is contemplated? I am assured by all the authorities engaged in that kind of work, that shipbuilding on the Atlantic coast will not be diminished at any point. I don't know whether that is correct or not, but that is what they tell me.

Mr. DAVIS. Of course, I think perhaps they are sincere and mean what they say, but the President of the United States holds different views.

The CHAIRMAN. He has not advocated anything of that kind.

Mr. DAVIS. Of course, he has.

The CHAIRMAN. Taking it away from Boston?

Mr. DAVIS. He is advocating constructing these big ships in the Great Lakes, and establishing shipyards there.

The CHAIRMAN. True, because of the great increase in shipbuilding. It is to take care of the increase in number of ships that have to be constructed, both naval and merchant.

Mr. DAVIS. But, Mr. Chairman, I very respectfully suggest we do not agree with that idea at all. We think the shipyards on the Atlantic and the Pacific coast and the Gulf coast are subject to unlimited expansion. I could name half a dozen yards now that could start up work, if the Government would accept the proposals before it. There is a yard right in Boston Harbor that is idle, with the ways ready. They could go in there and expand that and build ships on it. A ship is going to be launched tomorrow from the yards of the Donald McKay Shipyards, the famous builders of clipper ships, the first time in the history of New England since the clipper ships that a ship is going to be launched there. And so it goes all the way up the line. Groton, Conn.—I don't need to say those things; Admiral Land has said them to you. He does not propose to go up into the Great Lakes and build ships, and he has expressed the apprehension—and where could we get a higher authority than him—that it will so dilute the shipyards along the coast as to affect their efficiency. He said that publicly.

Mr. CULKIN. Where did he say that?

Mr. DAVIS. Well, it was published all over.

Mr. CULKIN. I heard the statement you refer to and I don't think you can make that implication.

Mr. DAVIS. Maybe. That is the way I got it. How did you hear it, Mr. Culkin.

Mr. SMITH. Are any of your yards building wooden ships, or they all of steel?

Mr. DAVIS. All steel ships?

Mr. CULKIN. Wo do you represent here, Mr. Davis?

Mr. DAVIS. I appear for the Maritime Association of the Boston Chamber of Commerce and these other organizations that have telegraphed me from all over New England to represent them too.

Mr. CULKIN. You were a proponent of the Wheeler-Lee bill?

Mr. DAVIS. Well, to this extent; it was the position of our organization that they would not object to the regulation of port-to-port rates, provided there was equivalent regulation of all other competitive forms of transportation.

Mr. CULKIN. Don't evade the question, please. Were you opposed to the Wheeler-Lee bill, or in favor of it?

Mr. DAVIS. I will answer that by saying, conditionally.

Mr. CULKIN. Did you favor it all the way along?

Mr. DAVIS. Our position was stated just the way I have stated it. We held to that all the way through.

Mr. CULKIN. That is, you were for it. You were a proponent of the bill?

Mr. DAVIS. Provided there was equivalent regulation of competing forms of transportation, trucks, and pipe lines.

Mr. CULKIN. That meant you were continually in support of it.

Mr. DAVIS. Conditionally, as I have stated.

Mr. CULKIN. Didn't you have any definite state of mind on any phase of it?

Mr. DAVIS. That was pretty definite, I think.

Mr. CULKIN. I don't understand yet, I am sorry. I don't know yet whether you were for the bill or against it. My recollection is you were for the bill.

Mr. DAVIS. We approved the port-to-port regulation, which was the bill, regulation of water carriers, except bulk, contract carriers, provided there was an equivalent regulation of all competing forms of transportation. That is the basis on which we favored it.

Mr. CULKIN. You thought that was accomplished in the bill?

Mr. DAVIS. Some of the things we asked for were accomplished. You eliminated bulk carriers, contract carriers.

Mr. CULKIN. Who eliminated them?

Mr. DAVIS. What did you say?

Mr. CULKIN. Did you say I eliminated them? Thank you. I did my best.

Mr. DAVIS. Well, I am glad you brought the Wheeler-Lee bill up, because I wanted to mention that.

Mr. CULKIN. I have you as the witness. You can examine me later.

Mr. DAVIS. I thought it was the understanding that I was to continue until I had finished, and then cross-examination would come later.

Mr. CULKIN. Let me ask you this: Did you read the statement of Judge Mansfield on the coastwise trade.

Mr. DAVIS. Yes, sir.

Mr. CULKIN. Did you agree with that statement?

Mr. DAVIS. I thought it was a very able statement.

The CHAIRMAN. You ought not ask him that in my presence.

Mr. CULKIN. I will ask the chairman to retire. You think it was very able?

Mr. DAVIS. Yes, sir.

Mr. CULKIN. And you concurred in his reasoning in that statement?

Mr. DAVIS. Well, I don't like to say—it would take a great deal to make me disagree with Judge Mansfield. I feel pretty reluctant about coming here—

Mr. CULKIN. That is another of your characteristic evasions. Did you agree with the statement of Judge Mansfield?

Mr. DAVIS. I don't recall it distinctly. I would have to review it again; then I could say yes or no. I know this, the judge was very emphatically opposed to the legislation in the Wheeler-Lee bill.

Mr. CULKIN. The judge claims in that statement, in effect, that the Wheeler-Lee bill had destroyed coastwise traffic, isn't that true?

Mr. DAVIS. No.

Mr. CULKIN. How many ships are left coastwise now?

Mr. DAVIS. They are painfully diminished, but not due to that.

Mr. CULKIN. Do you have railroad representation in your committee?

Mr. DAVIS. No. I believe there is one official of the Pennsylvania Railroad, a local official, and that is all.

Mr. CULKIN. And you do not regard the Wheeler-Lee bill as detrimental to coastwise or intercoastal trade?

Mr. DAVIS. No; I do not, provided all kinds of competitive transportation are similarly regulated. I think it is inevitable.

Mr. CULKIN. I think that is all.

Mr. DAVIS. I am glad you brought the Wheeler-Lee bill up.

Mr. CULKIN. I tried to; I didn't get much out of it.

Mr. DAVIS. I am sorry, because there has not been discussed here the effects of the Wheeler-Lee bill, and here is where it is, in the claims of the proponents with respect to the reduced transportation if this great project goes through I haven't even heard it mentioned that that transportation in American vessels, that is, by common carriers by water between United States ports, would be subject to regulation, and the operators of these ships could not put in what rates they wanted. They would be subject to complaint and suspension exactly as a railroad rate, because of this bill, and when they say 6, 8, or 10 cents a hundred pounds would be saved in using the St. Lawrence waterway, it just is not right, because those rates are subject to complaint and suspension the same as railroad rates. The railroads themselves, conceivably, might attack them.

Mr. CULKIN. Are you a sailor or a landsman?

Mr. DAVIS. I am a landsman.

Mr. CULKIN. Both?

Mr. DAVIS. No; I am no sailor. I have been brought up in that atmosphere of clam diggers.

Mr. CULKIN. I just wanted to ask you that question about Judge Mansfield's speech. I will mail you a copy.

Mr. DAVIS. I have it. I will read it again. I want to say right here, before I conclude my statement, you have brought Judge Mansfield into this picture. I want you gentlemen to hear this. Up in New England we think Judge Mansfield is a proper public official for the public service he is rendering; fearless, fair always, and extremely helpful to the waterways of this country. We feel that way about him up there, and so it is with a good deal of hesitation, reluctance, I might say, that I come on any occasion to register opposition to any legislation that is sponsored by Judge Mansfield.

That is a little oration, sir, that I want you all to hear, on how we feel about Judge Mansfield up in New England. Some day I want him to come up and look at that Cape Cod Canal, and the rest of you, and when you do get up here, we will give you a New England chowder, made by New England fishermen. It is a monument to this committee, the Cape Cod Canal; and, Judge Rankin, do not bring that up ever, except with a feeling of pride.

Mr. RANKIN. That is on a parity with this St. Lawrence.

Mr. DAVIS. No, no.

The CHAIRMAN. Mr. Davis, I thank you very much, indeed, for the comment.

Mr. DAVIS. It is very sincere; I meant it.

Now, gentlemen, just a moment or two, and I will be completed here. The author of this part IV, St. Lawrence Survey, which deals with the effect of the St. Lawrence waterway on existing harbors says that the loss of that 250,000 tons will be more than made up by butter and eggs that will come down through this St. Lawrence waterway and down to Boston and be shipped back into the interior. Well, that is entirely misleading, because butter, cheese, and eggs require ships to be fitted out with refrigerator accommodations. If there is any commodity in the world that I know of that requires speedy transit, those are the ones, so I don't pay so much attention to that kind of prediction. I don't think it is entitled to much weight.

You are coming up to Canada, gentlemen, I understand. I am sure you will have a very pleasant trip up there. I was up there less than

2 months ago, and my object in going up there was to try to get the sentiment of the Canadian people on this St. Lawrence waterway, and I found they think pretty much as New England thinks. I didn't find a single person who favored at this time the construction of the St. Lawrence waterway, or the international power project. Not one. I went all the way down the line and asked them. I said, "Why don't you give expression to it?" They said, "The President wants it."

That is the way we feel in New England; it is a pet project of the President, and we do not think it is time to indulge in it yet.

Mr. BELL. Mr. Davis, you recognize that under the present national emergency we are, or will be, in need of much greater electric power than we have at the present time.

Mr. DAVIS. Yes, sir.

Mr. BELL. Don't you think this project will be the means of furnishing a great deal of electric energy?

Mr. DAVIS. You are speaking of the country as a whole, I suppose, not of New England.

Mr. BELL. I am speaking of the country as a whole. The North American continent, as a matter of fact.

Mr. DAVIS. Yes; but our thought is nobody is going to get this electric power except the State of New York.

Mr. BELL. Well, in a case of great emergency, such as confronts us at the present time, any available electric power in North America is going to be utilized wherever it is, for defense purposes.

Mr. DAVIS. Of course.

Mr. BELL. Then why do you say this is not an essential defense project?

Mr. DAVIS. Because it cannot be completed inside of 4 years, and we think a much longer time. Not any of that power would be available inside of 4 years. We hope and trust the war will be ended by that time, and we think, too, that steam plants can be constructed to meet that emergency and meet the war defense requirements much more quickly and would be much more elastic, and when the depression follows after the war—and that must be considered—it could be handled perhaps much better than to have this great international plant not used to its capacity.

Mr. BELL. You feel, then, that sufficient quantities of electric power could be produced in less time by steam plants?

Mr. DAVIS. Yes, sir.

Mr. BELL. What would be the cost?

Mr. DAVIS. So far as New England is concerned—

Mr. BELL. I am talking about the whole country. We have to view this thing in terms of the United States rather than in terms of New England or in terms of New York.

Mr. DAVIS. I heard the late President Coolidge once say that it meant a lot to the prosperity of the rest of the country when the wheels of New England industry were turning, and he was very careful not to show too much sectionalism. All I know about is New England.

Mr. BELL. You are not looking beyond New England in your purview of this question before the committee at this time.

Mr. DAVIS. Except we do not think it is an essential part of the defense program. Among the other people I interviewed up in Canada was an executive of the Shawinigen Power Co., one of the great Canadian power companies. This chart I have here shows that on

the River St. Maurice, I think less than 100 miles distant from Montreal, they have five undeveloped plants that are capable of producing 1,028,000 horsepower.

Mr. BELL. These are hydroelectric plants, are they?

Mr. DAVIS. Yes, sir.

Mr. BELL. And their combined capacity would be 1,028,000?

Mr. DAVIS. These are undeveloped plants.

Mr. BELL. What do you mean by undeveloped plants; are they partially developed?

Mr. DAVIS. No. I just intended to offer this as information for the committee.

Mr. BELL. That is what I am trying to get.

Mr. DAVIS. There are five developed plants there, and——

Mr. BELL. What do you mean by undeveloped plants?

Mr. DAVIS. Not even constructed.

Mr. BELL. Do you mean the site?

Mr. DAVIS. The site. That is as I understand it.

Mr. BELL. Where there would be water power?

Mr. DAVIS. Yes.

Mr. BELL. What river did you refer to?

Mr. DAVIS. The St. Maurice River.

Mr. BELL. And where is that river?

Mr. DAVIS. It is within 100 miles of Montreal. The mouth of it is in the St. Lawrence River, and I am told it is about 100 miles east of Montreal.

Mr. BELL. That is on the Canadian side, however.

Mr. DAVIS. Yes; entirely Canadian. The company is a Canadian company.

Mr. BELL. Have you any figures as to what it cost to develop power on that river?

Mr. DAVIS. No; I thought I would like to introduce this just as a contribution to this committee.

Mr. BELL. That is what I am trying to get at, to know what the possibilities of these projects are.

Mr. DAVIS. This is a copy of the annual report of that company for 1940, and I think contains all that information.

Mr. BELL. May I see that report a minute?

Mr. RANKIN. Mr. Chairman, I don't think we are particularly interested in the probable future development of hydroelectric power in northern Canada. It seems to me this is going pretty far afield, if we are going to continue these hearings and get rid of them.

The CHAIRMAN. Well, we have covered everything else, we might just as well cover Canada too.

Mr. BELL. We may be very vitally interested in what the Canadians do, in case this war comes closer to our shores. Of course, we all hope that doesn't happen, but it may.

Mr. RANKIN. If you are going to talk about developments on rivers that have not been surveyed, I think that is pretty far from the subject at hand.

Mr. BEITER. We are going 55 percent on the St. Lawrence, why not 55 percent on this?

Mr. ROGERS. Mr. Tallamy, on page 34 of his statement, referred to that same proposition, in that potential 4,300,000 horsepower.

Mr. BELL. Does he have any estimate there as to the probable cost of developing that power?

Mr. ROGERS. No.

Mr. BELL. Mr. Davis, do you know of any survey that has been made of that possible water power on that river?

Mr. DAVIS. No; I couldn't say.

Mr. BELL. To determine the cost of production of it; how long it would take to produce that electric power?

Mr. DAVIS. I can't say whether there is or not, but I judge they have made such a study, or they would not have stated the point on that chart.

Mr. BELL. This seems to be just a prospectus of the company that is operating or wants to operate up there.

Mr. DAVIS. Isn't it the annual report?

Mr. BELL. Yes, sir.

Mr. DONDERO. I just want to preface my remarks by saying I hold some very fond recollections of Boston. My father arrived there in 1854, and my people lived there after the Civil War, so that I approach this discussion with you in a rather amicable attitude toward the East.

Mr. BELL. Will the gentleman yield? Will the fact that you had this experience in Boston unduly influence you in your consideration on this committee?

Mr. DONDERO. The able member from Missouri, being an ex-judge, is better able to decide than I am. I was greatly interested in the answer you gave to Mr. Mansfield as to what particular part of your commerce would be affected if the St. Lawrence seaway was constructed, and if I heard you correctly, the bulk of your commerce consists of coal, petroleum products, and articles of that nature that come to you by ocean traffic—is that right?

Mr. DAVIS. Yes, sir.

Mr. DONDERO. By water transportation.

Mr. DAVIS. That is the bulk of the water transportation.

Mr. DONDERO. I think this committee would like to know in brief what part of your commerce would be taken away from you if this seaway were constructed.

Mr. DAVIS. Well, we think that rubber going to Akron, Ohio, wood pulp, which are very substantial commodities, would go right up into the Great Lakes, now coming to Boston, and thence by rail.

Mr. DONDERO. Of course, we have wood pulp coming in now from Norway and Sweden. At least, we do in normal times, through the St. Lawrence. Does that in any way affect your industries there?

Mr. DAVIS. Oh, yes; it meant a diversion of it to the St. Lawrence.

Mr. DONDERO. Did you have this before, this amount of commerce that goes down the St. Lawrence?

Mr. DAVIS. Yes; a very substantial movement of it.

Mr. DONDERO. How do you think this wood pulp would come to us, if the St. Lawrence wasn't there with its 14-foot channel?

Mr. DAVIS. Well, it was brought up in there to some considerable extent, in recent years, by small, foreign-flag, tramp vessels, such as we have heard described here by previous witnesses.

Mr. DONDERO. Rubber comes to you from South America by ship.

Mr. DAVIS. No; very little of it from South America. The Straits Settlements, the Far East.

Mr. DONDERO. Through the Panama Canal.

Mr. DAVIS. Yes.

Mr. DONDERO. You think it would go past your door, several hundred miles up the coast, and then down the St. Lawrence River, in order to get to Cleveland or Akron, Ohio?

Mr. DAVIS. If the same type of vessels handled it, and that is what we fear, small tramp, foreign-flag vessels, to the injury of our merchant marine and our ports.

Mr. DONDERO. It can go there now?

Mr. DAVIS. In those small vessels; yes.

Mr. DONDERO. You don't know, none of us know how long this war is going to last that is raging in Europe. Have you any judgment on that?

Mr. DAVIS. I have left an editorial that I think expresses my views, and I think fairly expresses the views of all New England.

Mr. DONDERO. Do you want to express an opinion?

Mr. DAVIS. Yes; I think it is crazy to think it is going to last any 10—or 7 years. If it does, we will all be—well, I don't know where. This country would be on the spot.

Mr. DONDERO. Those officials here in Washington who are charged with the responsibility of our armed forces, have already indicated to this committee that we should prepare for a long emergency, which would rather indicate that it would not be of short duration. I hope you are right, and I am sure all of us hope you are right. Suppose, however, that it does last a long period of time, do you think the shipbuilding facilities on the Great Lakes would be of some advantage to this country?

Mr. DAVIS. No; I don't think they ever would.

Mr. DONDERO. Nor the national defense?

Mr. DAVIS. I don't think it is the sensible thing to do. Do you realize the distance by air from Cleveland to Germany, is no greater than the distance by air from Germany to New York? It is no greater distance.

Mr. DONDERO. But it is a long way inland, while your port is right on the coast line, as well as New York.

Mr. DAVIS. To be sure, but it doesn't mean a thing nowadays, with modern aviation. They go that far inland.

Mr. DONDERO. Mr. Davis, let us assume Hitler wins the war. It has already been indicated to us, and I think by the President of the United States, that the combined shipbuilding facilities of the countries under Hitler's domination would be seven times as great as the present shipbuilding facilities of this country. Don't you think, then, that the shipbuilding facilities on the Great Lakes would be of some importance as a measure of national defense?

Mr. DAVIS. I think that situation with respect to shipbuilding on the Great Lakes was explained very convincingly here the other day, by a well-qualified witness, a captain who actually is in touch with the situation on the Great Lakes. He said they would be able to construct these small vessels, that the expansion in the shipbuilding on the Great Lakes should be in that direction, and that there are plenty of them needed. They should keep on building at those yards that are equipped to build them, the type of vessels that the President wants, and that can be built to advantage in the Great Lakes.

Mr. DONDERO. Mr. Davis, do you know we have appropriated \$350,000,000 to build 200 ships for the merchant marine?

Mr. DAVIS. Yes.

Mr. DONDERO. Not one of them to be built in the Great Lakes because of their draft being more than 14 feet. If we had the St.

Lawrence with 27 feet, wouldn't part of them be built in the Great Lakes?

Mr. DAVIS. I presume so, but I don't see why, as I tried to state, that the present shipbuilding facilities on the seaboard are not anywhere near extended as much as they might be, and I can give you specific instances where shipyards are idle at the moment.

Mr. DONDERO. I heard that statement, and I was somewhat surprised, because the information we have is that the shipbuilding yards on our seacoast are now running at capacity.

Mr. DAVIS. All right, this is located at Chelsea, Mass., Boston Harbor. It isn't much of a ship yard now, but it is capable of immediate expansion.

The CHAIRMAN. I think the Secretary of the Navy said, Mr. Dondero, they are running to capacity, or soon will be.

Mr. DAVIS. In South Portland, 12 ways are being laid down, and 12 more could be if necessary, by Todd; in Bath, capable of unlimited expansions, by the best shipbuilders in the Nation.

Mr. DONDERO. You are afraid if this project is constructed you will lose some of your shipbuilding?

Mr. DAVIS. Certainly I am.

Mr. DONDERO. What do you think of our shipbuilding facilities out in the Middle West, on the Lake ports?

Mr. DAVIS. I think you will have all you need, if you will follow the plan of building the ships you are equipped to build. I have seen them launched down there sideways, backwards, and every other way. You can build that class of ship, but it wouldn't do to launch a big ship that way.

Mr. DONDERO. You don't want us to build any of the larger ships?

Mr. DAVIS. No; I don't think you are equipped to do it. I think if you did get equipped, you would just rob the existing yards of skilled labor, and thereby affect the general efficiency of the whole defense program.

Mr. DONDERO. I inquired of the gentleman from the Lake Carriers' Association, Col. Sabin, and I think he is here this afternoon, and he tells me one of the ships built in the Great Lakes is 637 feet long, and it has brought down a cargo of iron ore from Duluth, Minn., of some 16 or 17 thousand tons.

Mr. DAVIS. Far be it from me to decry what can be done up on the Great Lakes. I know they do things up there. But that ship, my dear Mr. Dondero, could no more sail the ocean than a cow could jump over the moon. You were told that by a man who operated ships, that that class of ship could not operate on the ocean.

Mr. DONDERO. That may be true.

Mr. DAVIS. It is a blunt—

Mr. DONDERO. Does that foreclose the question, that we could build the type of ships that could sail the ocean just as well as we can Lake ships? We can't build any other type of ships there until we can get them to sea.

Mr. DAVIS. By drawing upon the skilled labor of existing yards, and by disrupting their organization, and thereby affecting the efficiency of the war defense program. That is my point, Mr. Dondero.

Mr. ELLIS. I would like to ask this question of this witness. You are opposed to this proposition because you think that it might inure to the best interests of another section of the country as opposed to your section of New England?

Mr. DAVIS. No; that is entirely erroneous. I never said anything of the kind.

Mr. ELLIS. Then I misunderstood you. I thought you said you were opposed to it, because you thought it would take the shipbuilding away from your section to the Middle West.

Mr. DAVIS. Then I added to that, by doing so it would affect the whole defense program.

Mr. ELLIS. You are aware of the fact that over these many years we have poured untold millions of dollars into the shipbuilding program, and correlated programs along the eastern and western seaboard, and that we have never as yet poured any appreciable amount of that money, speaking from an economic standpoint, into the Great Lakes section of the Middle West. You appreciate that.

Mr. DAVIS. I don't know that I understand the significance of that question.

Mr. ELLIS. Put it this way; in spite of the fact that the Federal Government is continually spending millions and millions of dollars for the benefit of your section, on the eastern seaboard and the western seaboard, yet you oppose the Federal Government spending any of that money on the Great Lakes system out in the Middle West.

Mr. DAVIS. No, let me explain to you. During the last war, if it had not been for these ships into which you had poured these millions and millions of dollars, the Middle West would have had no means whatever of forwarding its grain, shipping its grain and other products. Those vessels were available for the transportation of that.

Mr. ELLIS. Right, but if the St. Lawrence—

Mr. DAVIS. Let me finish, please. And I don't need remind you that an adequate merchant marine is just as necessary as an adequate naval organization.

Mr. ELLIS. Right; but if the St. Lawrence had been developed before this, and all of that 1,100,000 horsepower of power turned loose in the United States, and the possibilities of shipbuilding on the Great Lakes opened up, what a great thing it would have meant to the defense of this country at this moment. Then, must we not anticipate just as critical hours ahead, and are we not interested, not only in defense, but in the general economy of the whole country?

Mr. DAVIS. Certainly, but I think that little word "if" is tremendously important in your statement.

Mr. ELLIS. It is, sir.

Mr. DAVIS. If we could only surmise, or conjecture when the war would finish, or how long it would last, it might make a great difference.

Mr. ELLIS. All very great proposals in this country have been opposed by people in this country who question that word "if" and anticipate it would never be needed.

Mr. DAVIS. Mr. Congressman, it is a mighty fine thing that we can carry on our democratic way of handling these things by coming here and opposing them, and being honest about them, and expressing our honest views in opposition, and then if we are licked, take it and like it. That is our democratic way of handling things, and I hope we will always continue. If anybody in this country is going to be told, "Here, this is going to be done," and then we are not able to come up, as citizens, and say it ought not be done, we might as well have Hitler take us over now.

Mr. ELLIS. And if the special interests of this country are going to prevail against the whole economy, it will mean the fall of the United States equivalent to the fall of France.

Mr. DAVIS. You may be right, but the special interests are pretty well regulated right now, and you are helping to regulate them. That is my personal view.

Mr. ELLIS. That is all.

The CHAIRMAN. Thank you very much, Mr. Davis.

FURTHER STATEMENT OF P. A. FRYE

Mr. RANKIN. Mr. Frye, you said you were speaking for Louisiana, and you are with the Louisiana Public Service Commission.

Mr. FRYE. That is correct.

Mr. RANKIN. Did the governor express his views on any of these other pending projects?

Mr. FRYE. What other pending projects do you have in mind?

Mr. RANKIN. Ship canals.

Mr. FRYE. Not to me; no, sir.

Mr. RANKIN. You don't know about that?

Mr. FRYE. No.

Mr. RANKIN. You are opposed, as I understand it, to this project purely on account of the transportation?

Mr. FRYE. No; I wouldn't confine it to that. I testified principally as to transportation, because my experience has been more along those lines.

Mr. RANKIN. You are not opposed to it as far as the power development?

Mr. FRYE. Well, I wouldn't say that we were opposed to power development anywhere, unless we got hurt in the process.

Mr. RANKIN. Well, I don't see how you can hurt the people of Louisiana any worse than they are hurt now. They have the cheapest wholesale power in America, and the highest retail rate. Did you know that?

Mr. FRYE. No, sir; I didn't know that.

Mr. RANKIN. Well, sir, the only others who have higher rates are New Hampshire—

Mr. ELLIS. And Arkansas.

Mr. RANKIN. And Arkansas. The Louisiana Power & Light Co. shipped 190,000,000 kilowatt-hours of electricity up into Arkansas and sold it wholesale for 2.3 cents per kilowatt-hour.

Mr. ELLIS. We retailed it at 3 cents and 5 cents.

Mr. RANKIN. In the State of Louisiana, this same outfit, where this cheap power is generated, has the highest retail rates of any State in the Union except New Hampshire. They shipped up into Mississippi 220,000,000 kilowatt-hours of electricity and sold it for 5.3 mills per kilowatt-hour, or less than the Tennessee Valley sells power wholesale to my town.

Now, I am wondering, Mr. Frye, if your opposition to this project is also opposition to the power development, and if you would explain why there is not some regulation to hold those retail rates down in Louisiana, when they have the cheapest power production in the United States.

Mr. FRYE. I would like to ask you, sir, what your authority is for saying that we have the second highest power rates in the country?

Mr. RANKIN. I have the rates here, and I will give you a copy of

them. I have the rates in every municipality, you might say, in America.

Mr. FRYE. According to the publications put out by the Federal Power Commission, put out annually, and I do not have one in my possession, now, that is not the case as to retail rates, neither is it the case as to industrial rates, commercial rates, or wholesale power rates. We are not the highest, and we are by no means the lowest, I am perfectly willing to concede.

Mr. RANKIN. Louisiana, Arkansas, and New Hampshire have the highest retail rates, according to this report of the Federal Power Commission, in the United States.

Now, if this power can be generated at these low rates in that area, and they oppose the Federal Government going into the power business, and other States are going to regulate it through their commissions, why in the world don't they hold their rates down to a reasonable level in that area?

Mr. FRYE. I could sit here and detail to you, Mr. Rankin, for some time to come, what has been done in Louisiana in recent years in the matter of reducing public utility rates. I could point to the many hundreds of thousands of dollars that those rates have been reduced, or millions of dollars that they have been reduced, and to point to a specific example, the rates in Baton Rouge, La., 11 years ago when I became connected with this department, and, as I remember, they started at 11 cents a kilowatt for domestic consumption.

Mr. RANKIN. How long ago has that been?

Mr. FRYE. That was 9 years ago. Today those rates start at 5½ cents.

Mr. RANKIN. Well, we buy this power a little cheaper than Louisiana Power & Light Co. sells it, even over at Jackson, Miss., and ours is 5½ mills—

Mr. BEITER (interposing). We are discussing the St. Lawrence seaway, not the Tennessee Valley Authority or the Louisiana power situation.

Mr. RANKIN. We are discussing the St. Lawrence seaway with reference to this development of this power.

Mr. BEITER. You are criticizing Louisiana for having the highest rates in the country.

Mr. RANKIN. If the gentleman is coming here and basing his opposition on the ground of this power development, I want him to explain why those people down there are not protected from those exorbitant rates that they charge.

Mr. BEITER. That will not benefit them. The St. Lawrence seaway will not benefit them. That power will not go down into Louisiana, even if the project is approved.

Mr. RANKIN. Does not the gentleman know that the Electric Bond & Share, that holds these power companies in his own State, owns the Mississippi Power & Light Co.? That is a great tarantula that sprawls all over the country, even into the State of Washington, and controls them everywhere.

Mr. SMITH. We have almost put them out of the State of Washington, as a result of the Bonneville and R. E. A. developments.

Mr. RANKIN. And the gentleman's own State is overcharged about \$200,000,000, speaking now of the State of New York.

Mr. FRYE. I am perfectly willing to admit that we are opposing this seaway, primarily as a matter of transportation, for its naviga-

tional features, but I must respectfully protest your allegation that Louisiana has the highest rates in the country.

In the latest publication of the Federal Power Commission, on a comparison of utility rates in the country, Louisiana was by no means the highest. Many States were higher in their rates than Louisiana. New York, for instance, was one of the highest, and some of the Western States were higher.

Mr. RANKIN. Well, the overcharges, according to the T. V. A., were over \$10,000,000 in the State of Louisiana alone.

Mr. FRYE. I do not know what you mean by "overcharges."

As a matter of fact, if the utilities companies made any overcharges, I think they have violated the law.

Mr. RANKIN. I understand, but my primary interest in this project is protecting the power consumers in the United States, in every section of the country.

Mr. FRYE. We have no quarrel with that.

Mr. RANKIN. Your primary interest in this, and your opposition to it, is because of its competition with the Mississippi River?

Mr. FRYE. Yes.

Mr. RANKIN. In other words, you are just in about the same boat as the gentleman from Boston who was opposed to it because they will build ships on the Great Lakes instead of in the port of Boston.

Mr. BEITER. No; that is incorrect.

Mr. RANKIN. I heard what he said. That is what it boils down to.

Mr. BEITER. But he did not say that.

Mr. RANKIN. Yes; that is what it boils down to.

Mr. BEITER. No; and we will ask the clerk to read what the gentleman said.

Mr. RANKIN. The clerk does not have to read it. I heard what he said, and the impression he left on me and the other members of the committee was that he was opposed to it because it would provide for building ships in the Great Lakes, in competition with the port of Boston.

Now, then, your opposition is based largely on the proposition that it will be in competition with the Mississippi River; that is correct, is it not?

Mr. FRYE. And that largely it will divert tonnage from our ports.

Mr. RANKIN. I understand that. You are not opposed to the Florida ship canal?

Mr. FRYE. We have taken no position on that; we have not had occasion to.

Mr. RANKIN. Are there any places on the Mississippi River, Mr. Frye, where you can build these boats?

Mr. FRYE. On the Mississippi River?

Mr. RANKIN. Yes.

Mr. FRYE. Yes; we think we can build them in New Orleans, and we think we can build them in Mobile, and we can build them in Pascagoula.

Mr. RANKIN. Well, Pascagoula is on the Gulf.

Mr. FRYE. Yes.

Mr. RANKIN. How far does the 14-foot channel go up the Mississippi River?

Mr. FRYE. It goes to Baton Rouge.

Mr. RANKIN. Somebody said it went up to Helena, Ark.; do you know anything about that?

Mr. FRYE. No.

The CHAIRMAN. What is that somebody said the other day?

Mr. RANKIN. They said the 14-foot channel in the Mississippi River went up as high as Helena, Ark.

Mr. FRYE. The 14-foot channel?

Mr. RANKIN. Yes.

Mr. FRYE. I thought you said 34 feet.

Mr. RANKIN. It is deeper than 14 feet?

Mr. FRYE. Yes.

Mr. RANKIN. Do you know how deep it is?

Mr. FRYE. At New Orleans it is 35 feet.

The CHAIRMAN. On the Mississippi River it is 9 feet.

Mr. RANKIN. I mean at Baton Rouge.

The CHAIRMAN. Up to Baton Rouge it is 35 feet.

Mr. BELL. Was not the statement made by a witness the other day that you could build ocean-going ships as far as 100 miles up the Mississippi River?

The CHAIRMAN. I suppose you can build them at Baton Rouge.

Mr. FRYE. Baton Rouge is over 200 miles above the mouth of the river. The city of New Orleans is over 100 miles above the mouth of the Mississippi River.

Mr. RANKIN. The gentleman from Arkansas on my right says that Helena, Ark., is a seaport, right across the river from Trotters Point, and ocean-going vessels can come up that high. I am trying to find out if that is correct.

Mr. FRYE. I cannot say that they could or could not.

Mr. RANKIN. But is it your contention that they could build these oceangoing vessels in the river?

Mr. FRYE. Oh, yes, and they are building them at New Orleans.

Mr. RANKIN. I did not cross-examine Mr. Davis any further because the others were doing so, but the question has been raised here about the danger or the vulnerability of this dam from the standpoint of bombardment from the air, from the ocean. You are not uneasy about that, are you?

Mr. FRYE. I would not feel qualified to pass judgment on that matter.

Mr. RANKIN. I just wanted to make this point for the record, that by the time they got that far inland with their bombing you could not find the port of Boston, because they always attack those points first.

Besides, as I said, this is solid masonry, and it is almost impregnable to attacks of that kind.

I believe that is all.

Mr. ELLIS. Mr. Frye, Arkansas, is my State. I am naturally very much interested in what you say, because what might apply to your State would also apply to mine.

Mr. FRYE. I think so; yes, sir, to a great extent.

Mr. ELLIS. Various witnesses here in opposition to the bill expressed their fear that it will endanger the commerce at the port of Boston and other eastern ports, because the oceangoing vessels will go in through the seaway into Chicago and the other points on the Lakes, because there would be cheaper transportation into that area.

Now, if that be true, would it not also follow that cheaper transportation in that area would also affect beneficially all of those States

in the Middle West, and South, and Southwest, on commodities coming to them from the Northeast?

Mr. FRYE. Well, I do not think, so far as import and export tonnage is concerned, that your State or my State would logically secure that tonnage through the eastern ports. They should secure it through the port of New Orleans and the Gulf ports, as they are doing today, and, in my opinion, I believe that this seaway would divert, in a very serious degree, the tonnage that we enjoy today through our Southern ports such as New Orleans and Lake Charles.

Mr. ELLIS. You mean tonnage coming into Louisiana ports for Chicago?

Mr. FRYE. Oh, yes. A great portion of the import and export tonnage that moves through the port of New Orleans today either originates in or is destined to the upper Mississippi Valley and the Midwest section, every section that is designed to be served by this seaway.

Mr. ELLIS. Do you have the figures on the tonnage that moves past Shreveport or New Orleans and Baton Rouge?

Mr. FRYE. The figures are carried in the Army engineers' reports on the tonnage handled through New Orleans; yes, sir. Last year it amounted to something like 16,000,000 tons for all commodities.

Mr. ELLIS. What percent of that was going as far as Cairo, or as far as the confluence of the Ohio and the Mississippi Rivers?

Mr. FRYE. I would not be in a position to say, offhand.

We will have as a witness later the general manager of the dock board in New Orleans, who would be able to give you those figures in detail.

Mr. ELLIS. You will have a witness here to testify as to that?

Mr. FRYE. Yes; we will have a witness here to testify on that, but I will say, as to the commodities that we handle to and from that territory, the principal commodities would be grain and grain products.

Mr. ELLIS. I want to ask you if the cheaper transportation reflects itself in the commodities that are manufactured in the great industrial section of the lake region, would not that commodity be cheaper to the extent of the cheaper transportation costs coming into our area for consumption, and carry with it that same benefit to our consuming people?

Mr. FRYE. It might or it might not. Very often reductions in transportation charges are not passed on to the consumers, in my observation.

Mr. ELLIS. I am sorry that I have to agree with you.

Mr. RANKIN. You are in favor of the Arkansas Valley Authority, are you not?

Mr. FRYE. I gained my knowledge of the Arkansas Valley Authority within the last few days, and I am certainly not against it.

Mr. RANKIN. I am not.

Mr. ELLIS. You are not in favor of it?

Mr. RANKIN. I am not against it.

Mr. BEITER. I would like to ask a question, now that Mr. Rankin has raised the question with each new witness who has appeared before us. Mr. Rankin asks about the invulnerability of the locks in the St. Lawrence River. This morning he stated that the R. A. F. had not been successful in destroying any large dams in Germany, nor had Germany been successful in destroying the large dam in Russia,

the Dneiprostoi Dam in Russia—I won't attempt to pronounce the name.

Mr. RANKIN. The Dneiprostoi.

Mr. BEITER. But I would like to call the attention of the gentleman from Mississippi to a newspaper headline today that "A direct hit by British bombers has wrecked the 26,000-ton German battleship *Gneisenau* in drydock at Brest and killed 128 members of her crew, according to uncensored advices received today from responsible sources in continental Europe.

A bomb hit amidships started a fire that was believed to have warped the steel battleship so badly she may have to be rebuilt, the advices said.

Mr. RANKIN. But that was in drydock.

Mr. BEITER. It was in drydock, and I want to point out here that this ship is probably one-third the size of any lock in the St. Lawrence seaway.

Furthermore, I want to point out to the gentleman from Mississippi Mayor LaGuardia's testimony before the Appropriations Committee when they were considering the second deficiency appropriation bill.

The CHAIRMAN. This year?

Mr. BEITER. Yes, this year, and he appeared there in behalf of an item of \$900,000, and, by the way, Mayor LaGuardia is head of the Office of Civilian Defense, and he said:

Gentlemen, we have learned from observation and from the experience of Europe that the entire technique of war has changed. There is no longer any such thing as a war zone where fighting can be localized. We have seen that every city becomes a target for the enemy's attack. There is no such thing as a front-line trench, and, therefore, your entire civilian population is exposed to the dangers of war. All rules heretofore recognized for the protection of the rights of noncombatants are entirely ignored and eliminated by reason of new weapons of attack.

Now, the only purpose of civilian defense at this time is to prepare for an emergency. If, fortunately, we can escape the war, then we will never come into action. That, of course, is something that we are hopeful for. I will say at this time that there is a 95 percent probability that all of this is just a matter of prudent precaution, but, at the same time, we cannot afford to take that 5 percent of chance and not be prepared.

Mr. RANKIN. Now, will the gentleman yield?

Mr. BEITER. Just a minute, I have not completed Mayor LaGuardia's statement.

He states:

The cities of course are the targets for attack and are more exposed to the danger. * * *

Now, you must bear in mind that when they went out and bombed places in the last war, there were no heavy bombing planes. * * * They were very crude and would not begin to compare with what is done now. All that is changed. They now carry many hundreds of pounds more than we carried. The useful bomb load of planes is very much greater now, and the entire technique has been changed. * * *

Now, gentlemen, you may say, "Why all this precaution when we will not be subjected, even if we get into the war, to any sudden or repeated attacks, such as the English cities have suffered?" That is true, unless the British Fleet should be captured or destroyed, or unless that fleet is crippled or weakened. Unless some potential enemy gets a base from which to attack us, we will not have long, repeated, or continuous attacks such as London and other English cities have had. However, if we do get into the war, it is certain that we will have short, sudden, and surprise attacks. There is a definite reason for that. The first reason is that the morale of the civilian population would suffer; second, that it detracts from the main objective of the war, and detracts from your necessary war production of offensive arms. It has a definite military value. That being true, it is only reasonable to expect that we will have short, sudden, and surprise attacks.

The CHAIRMAN. Whom are you quoting?

Mr. BEITER. I am quoting Mayor LaGuardia.

The CHAIRMAN. Why are you quoting him?

Mr. BEITER. I am trying to point out that these locks are vulnerable to attack.

The CHAIRMAN. He has not said anything about it there.

Mr. BEITER. I will get to that point.

The CHAIRMAN. Get to that point, as we want to call another witness.

(The balance of the quotation from Mayor LaGuardia is as follows:)

I have told you about the auxiliary fire forces, and I have told you about the necessary service to be rendered in getting the injured away, or the people away from points of danger. The injured must be carried to hospitals, and there the matter of equipment comes in. According to the present experience, we need about \$43,000 for additional equipment for every engine company, or for every permanent engine company. For every 10 engine companies, we will need \$430,000 for equipment. * * *

When I say "coastal cities," I have in mind Philadelphia, and at the same time, Pittsburgh, and I have in mind New York, and at the same time, Schenectady, because that would be a good target. * * *

EQUIPMENT

Mr. TABER. What do you contemplate doing, or what do you have in mind as to this equipment that you spoke about? Have you taken any steps along that particular line at the moment?

Mr. LA GUARDIA. If you will take New York City, where we have made an accurate estimate, it would take \$14,000,000 for fire-fighting equipment, and, perhaps, \$1,000,000 for other equipment. I do not think we would need ambulances, because we can improvise those. We will need some medical equipment, or extra medical supplies for the base or field hospitals.

Mr. TABER. When are you planning to ask for it?

Mr. LA GUARDIA. As soon as I can give the committee an accurate figure I will ask for it, because it will take a year or a year and a half to get it. I would say that it will take \$2,000,000 to take care of 1,000,000 of population.

Mr. TABER. In the big cities?

Mr. LA GUARDIA. Yes; on the coast.

Mr. TABER. How far would it extend? It would not go into many of the smaller places, would it?

Mr. LA GUARDIA. It goes as far north as Schenectady, and south to the Atlantic Ocean, in our State; and in the event that they break through up north and come down the St. Lawrence Valley, we would have to protect Buffalo and go in there. Then Philadelphia; and I would go as far into the Alleghenies as Pittsburgh.

Mr. CARTER. Mr. Chairman, I came here to hear these people who are down in the audience. They are witnesses, and you are detaining them now. If you want to take the witness stand, that is your privilege.

Mr. BEITER. I do not want to take the witness stand, but I want to point out that these locks are vulnerable to attack.

Mr. CARTER. Well, anybody knows that they are vulnerable to attack.

Mr. BEITER. You admit that?

Mr. CARTER. There is nobody that denies that.

Mr. BEITER. Mr. Rankin does.

Mr. CARTER. Oh, no; he does not.

Mr. RANKIN. I said these locks were practically impregnable to attack.

Mr. CULKIN. Will the gentleman from California yield?

Mr. CARTER. I do not have the floor, but I will be glad to yield.

The CHAIRMAN. If you are all through, I would like to have the floor myself.

Is Captain Saunders here?

Captain SAUNDERS. Right here; yes, sir.

The CHAIRMAN. Captain, come up and take the witness stand, will you please, sir.

Mr. RANKIN. The vulnerability of this boat in that drydock almost put the Boston Navy Yard out of the running in this contest.

The CHAIRMAN. We will hear from Captain Saunders now.

STATEMENT OF CAPT. THOMAS HOWARD SAUNDERS, REPRESENTING THE INTERNATIONAL SHIP MASTERS' ASSOCIATION

Captain SAUNDERS. Mr. Chairman, and members of the committee, first of all, I will tell you a little about myself, so you will know that I have some practical experience. I am 52 years old, and I have followed the Great Lakes as a seaman for 35 years.

The CHAIRMAN. You are not as old as I am, Captain; you have not had very much experience.

Captain SAUNDERS. I followed the Great Lakes as a seaman for 35 years. I started in as a coal passer, then I was a deck hand, and I came on up through the ranks for 15 or 20 years.

I am employed by the Inter-Lake Steamship Co., which handles mostly bulk cargo, iron ore and coal. I am master of the steamer *J. C. Morse*, which is now bound to Erie, Pa., with a load of 11,000 tons of ore. I was relieved by a retired man in order to come to this hearing. I have been working for my present employer for the last 12 or 14 years, the last 12 of which I have sailed the steamer *J. C. Morse* in the capacity of captain.

Our cargo is mostly bulk trade.

I represent the International Ship Masters' Association of the Great Lakes. I am past grand president, 2 years back, and I am chairman of the executive committee, at the present time, of the International Ship Masters' Association.

Our organization is composed of 1,000 members, reaching all the way from Ogdensburg to Duluth. We have an organization unit in Duluth. We have one in Milwaukee, one in Chicago, one in Port Huron, one in Detroit, one in Toledo, one in Cleveland, Ashtabula, Buffalo, and Ogdensburg. We have opposed this St. Lawrence seaway project ever since its inception, even back in 1933 and 1934. We are, as an organization, unit by unit, absolutely opposed to it, our Duluth organization, our Milwaukee organization, our Cleveland organization, and so forth, on down the line, we are opposed to it.

(The following resolutions were submitted for the record by Captain Saunders:)

Lodge No. 3. To the Grand Lodge, International Shipmasters' Association, in session at Cleveland, Ohio, January 23-26, 1940.

Whereas the United States Government has been trying to negotiate a treaty with the Government of the Dominion of Canada relative to a St. Lawrence River seaway, and the development of power at what is known as the International Rapids section of said river; and

Whereas our association has no objection to the development of the power project, but does object to development of a seaway or navigation feature: Be it

Resolved, That the delegate from Lodge No. 3, International Shipmasters' Association, petition the grand lodge in session at Cleveland to object strenuously to the development of said seaway on the grounds that it would open the Great Lakes to the competition to the tramp steamers of the world who would drive both Canadian- and American-owned ships to minimum operation. Thus ruining

completely a business for members of our association vessel owners and seamen alike; be it further

Resolved, That the grand secretary and the local lodge secretaries notify their Senators and Congressmen of our association's objection to this needless development.

Moved by Brother Carlisle that this resolution be adopted. Brother Thaden seconded the motion. Carried.

Lodge No. 3, Chicago, Ill. Resolution against St. Lawrence River waterway. To the Grand Lodge, International Shipmasters' Association in session at Milwaukee, January 28, 1941.

Whereas the Government of the United States has been trying to negotiate a treaty with the Government of Canada relative to a St. Lawrence River seaway and the development of power at what is known as the International Rapids of said river.

And, whereas, our association has no objection to the development of the power project: Be it

Resolved, That the delegate from Chicago Lodge No. 3, International Shipmasters' Association petition the grand lodge at session in Milwaukee to object strenuously to the development of said seaway on the ground that it will open the Great Lakes to the competition of the tramp steamers of the world who would drive both American- and Canadian-owned steamers to minimum operation, thus ruining completely a business for members of our association on vessel owners and seamen alike; be it further

Resolved, That local lodge secretaries notify their Senators and Congressmen of our association's objection to this needless development.

Captain SAUNDERS. We are opposed to it for two or three reasons.

We have no desire to let down the bars, as we call it, to the tramp steamers of the world to come into direct competition with us in the Great Lakes. We have what we think is the finest method and transportation system for moving bulk cargo and freight in the world. We think we move it faster and more economically than they do any place else in the world.

We have the highest paid seamen in the world, the highest paid masters, chief engineers, licensed officers, deck hands, firemen, and coal passers, of any place in the world. Our personnel is exceeded by no one. We have been able to build that personnel up by the conditions that we have up there on the Lakes.

Our organization is a fraternal organization. It is not a labor organization at all. We are interested in taking care of the widows and orphans of the membership in times of need.

We have worked very closely with the various departments of the Government, the Coast Guard, the United States Marine Inspection Service, for bettering the service on the Great Lakes, and it has been very pleasing to us that we have had results, and that we have been able to get the conditions that we have now at the present time on the Great Lakes.

Now, our association has not appeared in Washington very much in the past, for the reason that our association has not had any funds for this proposition. I have been a member of my organization for 25 years. I thought we could go along, year after year, and write to our Congressmen and our Senators and get everything we needed, and they would do everything for us that we needed that way, but we found out, here in the last 5 or 6 years, that it does not do much good. So, our organization, myself, principally, thought one of us had better come down here.

I was over in my good friend Jim Mead's office, and they dumped about five or six bags of mail on the floor that must be answered, and I suppose his time is taken up in handling mail.

Our organization is interested in this, and so I asked my employer if I could not come here and represent our organization.

We are feeding this iron ore to the furnaces for defense purposes just as fast as we can possibly feed it to them. Coming into the first of July with almost 30,000,000 tons of iron ore delivered already.

Mr. PITTINGER. That is up to the 1st of July?

Captain SAUNDERS. Yes, sir; up to the 1st of July, 30,000,000 tons of iron ore.

Mr. PITTINGER. And you are going to haul another 50,000,000 tons during the balance of the year?

Captain SAUNDERS. Yes. We broke our previous record for the month of April, and we broke our records in May, and we hope to break them every month. We are going out in this project 100 percent. We are 100 percent for this thing, to haul the ore just as fast as possible.

I cannot talk about power, because I do not know anything about it, but I can talk about navigation and the movement of bulk freight and ore.

We know what will happen if we open this thing up, here, and let them come in here. We have had some experience in the past few years.

They can come up here at the present time with a boat of 263 feet, and those boats can carry 2,500 to 3,000 tons. We operate on the Great Lakes under what we call the White law. A few years ago we had these tramp steamers coming up here. They operated under the International Code, but we finally got them straightened around. The State Department is very much interested in that. We finally got it straightened around to the point where they had to put a pilot aboard the vessel at Montreal.

If we let down the bars, these tramp steamers are going to come in here with a personnel far below ours, and they do not carry the proper number in the crew. We have far more men, and we have the finest living conditions there is aboard those ships.

I get a pretty fair salary, but my table at home does not come up to it. I do not set the table at home that I have on my ships. I eat with the crew, and you can get anything there that you find in the fine hotels. The living conditions aboard those boats are perfect, and the personnel is very well paid.

If we bring this competition in here and let the bars down, we will have to compete with them as far as our rates are concerned, and for every ton of ore that one of them brings in from the Atlantic Ocean, it will be 1 ton less we will deliver. We are very much concerned about this.

We did build ships up on the Great Lakes during the emergency in the last war, 263, and we were dropping them once every 60 days, and they could carry 3,500 tons. If these submarines are going to catch them, a 3,500-ton vessel is enough to catch at one time.

We are going to deliver 80,000,000 tons of iron ore this year, probably 45,000,000 tons of coal, and 20,000,000 tons of stone, and we are going all out in this thing, and we are concerned about what is going to happen when these tramp steamers come in here from all parts of the

world that do not have the proper personnel, do not have the same wages or working conditions.

In power, we are not interested.

We have passed, year after year, in convention, resolutions against this. Last year we met in Milwaukee, and the year before we met in Detroit, and we passed resolutions against this, to fight this thing. We went as far as we could before this, because our finances are very limited, and we could not send anyone down here. My company graciously consented to let me get off the boat at Erie.

Mr. DONDERO. Where is Erie?

Captain SAUNDERS. Erie, Pa.

Mr. DONDERO. Have they a good port there?

Captain SAUNDERS. Sure. The Youngstown Sheet & Tube ore is unloaded there, and it only takes 5 hours to unload, and the boat is going back west again.

Mr. PITTENGER. And you are carrying coal up the Lakes?

Captain SAUNDERS. No; not altogether; we run light a considerable part of the time, and we bring ore back here, because ore is very important today.

We do carry considerably more coal in the fall of the year than in the summer season, but we are running light considerably.

My boat, now, with the next delivery here, will have delivered her seventeenth cargo this season, and all of its cargo is ore. This afternoon at 1 o'clock she will have delivered 184,000 tons since we started the 1st of April.

I can remember well when we used to deliver 20 cargoes a year and thought it was a big year. My boat is delivering her seventeenth cargo now. I know that with any luck at all, if we can keep her in what we call blue water, we will deliver 40 cargoes this year, in the defense program.

We are behind this thing 100 percent, but we can see the handwriting on the wall if these bars are let down. It will take probably 4 or 5 years for this thing to happen, and in that time, when the next generation comes along, we are going to lose all of these favorable conditions, and all of the gains we have made, in personnel and living conditions and wages.

Mr. RANKIN. Are we going to adjourn until Monday, Mr. Chairman?

The CHAIRMAN. Whatever the committee decides; I do not know.

Mr. PITTENGER. The House will be in session tomorrow.

Mr. McGRATH. You remember, Mr. Chairman, I talked with you this morning about a number of witnesses that felt that they would not be reached today and asked that they might be excused. Now, there were two or three for tomorrow, but they returned home, in view of the fact, or on your assurance, that they would not be needed.

The CHAIRMAN. Will any of them be here tomorrow?

Mr. McGRATH. Yes; there will be three, and possibly four.

The CHAIRMAN. Suppose we go ahead with those that are here tomorrow. Is that satisfactory, gentlemen of the committee?

Mr. PITTENGER. Yes.

The CHAIRMAN. Then we will meet tomorrow at 10:30.

Is your boat one of the largest type, one of those over 600 feet in length?

Captain SAUNDERS. My boat is 562 feet over-all, 31-foot hold and 51 beam.

The CHAIRMAN. What is the largest cargo you can carry?

Captain SAUNDERS. 11,100 gross tons, loaded capacity.

The CHAIRMAN. 11,100 gross tons?

Captain SAUNDERS. Yes.

The CHAIRMAN. What draft will that boat have, loaded to that extent?

Captain SAUNDERS. Twenty feet, ten and one-quarter inches.

The CHAIRMAN. Twenty feet, ten inches?

Captain SAUNDERS. Yes, sir; that is all I am allowed by the Department of Commerce.

The CHAIRMAN. Only 21 feet?

Captain SAUNDERS. That is all I am allowed by the Department of Commerce on their Plimsoll line.

The CHAIRMAN. I understand. I reported that bill that applies to it out from the Committee on the Merchant Marine and Fisheries.

Captain SAUNDERS. Yes; we are interested in that.

Mr. CARTER. You spoke of the 3,500-ton vessels that were built in the Great Lakes shipyards during the World War?

Captain SAUNDERS. That is right.

Mr. CARTER. Where did they go into service?

Captain SAUNDERS. They came out to the ocean.

Mr. CARTER. In the ocean?

Captain SAUNDERS. Yes, sir.

Mr. CARTER. What draft do those vessels have going out empty?

Captain SAUNDERS. Between 9 and 10 feet.

Mr. CARTER. Between 9 and 10 feet?

Captain SAUNDERS. Yes, sir.

Mr. CARTER. I think that channel is 14 feet deep.

Captain SAUNDERS. It was 13 feet, 6 inches, at the time.

Mr. CARTER. So there is ample channel there for taking out boats of that size?

Captain SAUNDERS. Oh, yes.

Mr. DONDERO. Captain, I was greatly interested in what you said about the tramp steamers competing with the lake steamers. We have had some testimony here to the effect that tramp steamers in no way would compete with the system of transportation and commerce now on the Great Lakes, particularly the type of steamer that you are captain of. Is that your understanding of it?

Captain SAUNDERS. And we would like to believe that in the hereafter, too, Congressman.

Mr. DONDERO. A ship that does not draw more than 14 feet of water, loaded, would not be very much competition for a ship like the one over which you are captain.

Captain SAUNDERS. She would not carry as much; no.

Mr. DONDERO. Would not these steamers, if they came in with cargo from some port across the ocean, go up with their cargo and not remain in the Great Lakes to compete with you?

Captain SAUNDERS. They might. They have been trying to do it in the last few years.

Mr. DONDERO. Of course, I am sympathetic with your viewpoint. I take the same view that you do, that it would interfere if they did. They would deliver their cargo and take whatever they could get in the Great Lakes and go back home, but you are engaged in a system of transportation, of hauling iron ore, with which they would not have anything to do, whatever; is not that correct?

Captain SAUNDERS. They could bring iron ore in.

Mr. DONDERO. Where from?

Captain SAUNDERS. South America.

Mr. DONDERO. Do you think they could bring it in and compete with the transportation rate that you could haul it for?

Captain SAUNDERS. They bring it in now and ship by rail. They bring it in on the Bethlehem Steel Co. boats, into Philadelphia, and they ship it by rail to some of these furnaces.

The CHAIRMAN. That goes to Baltimore, principally.

Captain SAUNDERS. Yes; they do that.

The CHAIRMAN. Yes; but those boats draw 35 feet.

Captain SAUNDERS. Yes; they draw 35 feet.

Mr. DONDERO. But if this seaway were opened to 27 feet, they could not get down the St. Lawrence River.

Captain SAUNDERS. No; not loaded.

Mr. DONDERO. They would be ocean ships and others that could not come into the Great Lakes.

Captain SAUNDERS. Most of these boats of any size down there draw more water light than we do loaded with a full cargo.

Mr. DONDERO. They could not come in at all.

Captain SAUNDERS. No.

If you are going to go to all of this expense, our contention as an association is that if you want to take \$500,000,000 or a billion dollars and spend it, let us fix up what we have so that it would be more efficient rather than to put through this project.

The CHAIRMAN. In the hearings here 11 years ago, Mr. Chapman of Baltimore, who had charge of the ore tonnage for the United States Steel Corporation, testified in regard to the tonnage of the ships bringing ore in from South America. It seemed that some of it came from the eastern coast of Brazil, but much of it from Chile, South America, through the Panama Canal. However, most of it coming from Chile was manganese, and the other part was from the eastern coast of Brazil.

Now, he stated that ships drawing less than 35 feet could not handle it at a profit, and if they attempted to bring ore in from South America with the smaller boats, they would lose money.

You will find that in the hearings of 1930.

Captain SAUNDERS. Judge, let me draw a comparison, if I may.

As I understand it, and I cannot speak with any authority on this, but I understand that these boats coming from South America of this 35-foot draft will carry about 20,000 tons; is that about right?

The CHAIRMAN. That is the largest tonnage, about 20,000; but they stated they were contemplating building ships to carry 30,000 tons, but I understand they have never been built.

Captain SAUNDERS. Our record cargo has just been established with our own flagship, the Interlake, which arrived in Indiana Harbor just last week with the first 16,000-ton cargo on the Great Lakes of iron ore. I think she had 16,072 tons, and that was with a draft of 22 feet, 4 inches.

Mr. DONDERO. How many boats do you have in your fleet?

Captain SAUNDERS. We have 45.

Mr. DONDERO. All owned by the Interlake Steamship Co.?

Captain SAUNDERS. Yes, sir.

Mr. DONDERO. Who owns the Interlake Steamship Co.?

Captain SAUNDERS. I do not know; I am only a captain.

Mr. DONDERO. That is why I asked you that question.

Captain SAUNDERS. I am just a captain. That is out of my line entirely, Congressman. All my job is to get down and see if we cannot better ourselves, or something like that, and we have got such mighty fine jobs that we are trying to hold them.

Mr. DONDERO. You do not carry any passengers, do you, Captain?

Captain SAUNDERS. We do occasionally; yes, but not more than a few.

Mr. DONDERO. It is not your regular business, though?

Captain SAUNDERS. Oh, no, no.

Mr. DONDERO. Just guests?

Captain SAUNDERS. Just guests of the company. We would be delighted to have you come up there and see what we have got.

Mr. DONDERO. I will try to remember that invitation.

Captain SAUNDERS. You know, Congressman, if you men have never made a lake tour, if you men have never seen this swiftly moving panorama of this picture we are creating up there, 90 tons of coal or 100 tons of coal and slipping it over and dumping it in 56 seconds, and taking 60 cars of sand and dumping it into the hold—if you have not seen that, you have missed something.

In Sandusky I loaded 11,400 tons of coal in 4 hours and 40 minutes, and we do the same thing with iron.

Mr. DONDERO. I do not think there is any group of people in the world who could compete with you on the Great Lakes.

Captain SAUNDERS. In 2 hours we have to put our supplies on and our cargo off. If my hair does not look very good, I get one of my coal passers to cut it, like I did last week, as I could not get anybody else, as I did not have time.

Just two trips ago, I went into Sandusky, and I want to just give you this picture. This is the actual time and the figures. A week ago last Monday night I went into, not Sandusky, but Ashtabula. I went under the A. B. dock. I had a cargo to go over the Pennsylvania Railroad, and I checked in at Ashtabula at 19 minutes of 8 at night. I went into Ashtabula and made the turn in there, went in and ran to the dock, and these Hulett started to unload before I had my lines on, these Hulett were cutting into the ore, 19 tons at a time, and it was taken out in 3 hours and 15 minutes, and in 5 hours and 45 minutes I was going full speed again back to Superior. Now, gentlemen, that is the kind of an operation we have up there.

Mr. DONDERO. I was a little facetious a while ago in asking you if there was a port in Erie, Pa. Our very able colleague, Mr. Rodgers, comes from Erie, and I asked that question in a spirit of facetiousness.

Mr. BENDER. Have you ever docked at Rocky River?

Captain SAUNDERS. No, sir. As close as we like to get to Rocky River is about 5 miles.

Mr. CULKIN. I think in reference to Rocky River, that my prediction still stands, that in 10 years it will have 100,000.

Mr. BENDER. Do you think the population of Rocky River would be increased by 100 if the Great Lakes-St. Lawrence waterway were carried forward and adopted?

Captain SAUNDERS. I will answer that this way: Let us fix up Cleveland, first.

Mr. BENDER. Do you think boats could go up and down the Livingstone Channel without any additional work on the channel, Captain Saunders?

Captain SAUNDERS. We go through now, coming down, you see; we do not go up.

Mr. BENDER. I see.

Captain SAUNDERS. We come down with the current. It would be extremely hazardous to traffic to go both ways in the Livingstone Channel.

Mr. BENDER. The reason I asked that question is this, I think it was testified here that they could go up and down the Livingstone Channel.

Captain SAUNDERS. No; because, you see, when we hit what we call Death Hole on the lower Detroit River, Delwartis Reef, which is some 16 miles below Detroit, when we get into this fast moving water, moving at the rate of 3 to 5 miles an hour, this channel is 600 feet wide, and we sometimes get that thick fog, where the visibility goes down to 200 or 300 feet. Now, the current is running sidewise, and you have got to hit this lighthouse down here where this visibility is so poor. Now, you live 10 years, sometimes, in 10 minutes, because you have got to wear your heart on your sleeve and keep going, and if you ever hesitate you are gone. You cannot turn around, you cannot do anything else. You are in this current, and you must go on. If you have never made a trip on the Great Lakes, you have missed a great deal, and it would be the finest education in the world.

You know, Congressmen, it has been my pleasure to have at different times some Army and Navy men on board. I will just cite you an instance, if I may. They had their wives with them. There were four of them in the party. They were playing bridge, and I like to play bridge, and I can do a pretty good job with it. We were getting up near the Detroit River, the upper bend, at this particular time. It was a beautiful night, and so they decided to go out and wait a little while with their bridge game and came out on deck. With all of these moving lights up there, gas buoys, and so forth, there are about 35 or 40 of them up there, why, the admiral says to me, "Captain, when you get anchored, come in and join the bridge game." He thought all of these lights were going to stop and wait for the pilot. Well, he decided to forego his bridge game and came up on the bridge with me. He stayed there for 2 hours with me and never said a word.

If you could make the trip, you would have all of the answers to our problems, and you could see why we do not want these tramps to come up here. We do not want you to let down the bars and let them come in and lay down a precedent here.

The CHAIRMAN. I live on the Gulf coast, and we cannot get tramp ships, nor any other kind of ships.

Captain SAUNDERS. We have them up here, Judge. We have quite a lot of them up here.

The CHAIRMAN. I wish you would send them down to us.

Captain SAUNDERS. We have had some very amusing experiences with them, and we have had some very harassing experiences with them. Sometimes they will come up here and get aground. They do occasionally, and in one case a couple of years ago a deck officer wanted to know if they needed any help, and he said, "No, I will wait for the tide," and that actually happened.

Mr. BENDER. One of the best things about it is to have one of the captains explain this to us, like this gentleman has.

The CHAIRMAN. I think he can tell us more about that than anybody else.

Mr. RODGERS. Yes; he understands what he is talking about.

STATEMENT OF MR. BERTRAM D. TALLAMY—Resumed

The CHAIRMAN. Mr. Tallamy, we will hear you. Is there anyone ahead of you?

Mr. TALLAMY. I do not think so.

Mr. BEITER. Mr. Fuller is here. He is quite anxious to get away.

Mr. TALLAMY. Mr. Fuller is staying over.

Mr. FULLER. That is right, Mr. Chairman, I am staying over. In view of the fact that the committee is meeting tomorrow morning, that will be quite satisfactory.

The CHAIRMAN. You can be taken on in the morning then?

Mr. FULLER. Yes, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. PITTINGER. Do you think that you have anything further that will help us?

Mr. BENDER. I want to ask him some questions.

Mr. MACIEJEWSKI. I thought that we were through with this witness.

The CHAIRMAN. I do not know. I was not here part of the time, and I thought that he had just stepped aside for others to take the stand.

Mr. BELL. Before he leaves, Mr. Chairman, I would like to ask him some questions.

The CHAIRMAN. Yes.

Mr. BELL. I have a copy of the statement that you left; but I was not here during a part of your testimony.

I just want to inquire, Mr. Tallamy, if you covered the question of the comparative cost by hydroelectric power, and by steam.

Mr. TALLAMY. Yes, sir; I did include that, and said that the difference would be about \$100,000,000.

Mr. BELL. You mean that the cost would be \$100,000,000 more to produce the same amount of power that is to be produced by the St. Lawrence waterway, by steam?

Mr. TALLAMY. No; no. I said that the St. Lawrence waterway scheme of developing power and the coordinating of it is, with the Niagara Falls power as proposed by the Department of Commerce report and the Power Authority of the State of New York, and transmitting that power to various load centers within the State of New York would cost \$100,000,000 more than steam power and that figure is admitted in their own report.

Mr. BELL. You say that it would cost \$100,000,000 more?

Mr. TALLAMY. Yes.

Mr. BELL. You mean the initial cost, setting up the plants?

Mr. TALLAMY. The initial cost.

Mr. BELL. Did you go into the question of what the difference is, on the continuing cost of producing that power after the plants are once set up?

Mr. TALLAMY. That report, sir, that is their coordinated plan, which will cost over \$600,000,000; if the net revenue of the demand in 1950 is what they claim it will be, and we do not admit all of their claims; but admitting for the sake of testimony, that those claims may come true, they say the net gain of this coordinated plan over steam would be \$22,000,000 annually. That is the coordinated plan of the St. Lawrence power and Niagara Falls power distributed to various load centers.

Mr. BELL. Who says that?

Mr. TALLAMY. That is the power authority of the State of New York.

Mr. BELL. Have you made any independent investigations as to the cost to develop electricity by steam or by water power?

Mr. TALLAMY. I made an independent investigation of the cost of the St. Lawrence power distributed around through the interior of the State of New York. I do not believe it practical to transmit that power to New York City, but distributing it in the various load centers up-State, my figure is somewhere around \$3,000,000, possible saving annually.

Mr. BELL. By the use of the St. Lawrence?

Mr. TALLAMY. By the use of the St. Lawrence power; yes, sir.

Mr. BELL. Water, instead of steam?

Mr. TALLAMY. Yes, sir; but, I do not think we should develop the St. Lawrence power now. I do not know whether you were here this morning or not.

Mr. BELL. I was not.

Mr. TALLAMY. Then, I want to put into the record right now that I do not think now is the time to develop the St. Lawrence power, because it will take at least until the first part of 1945 to bring in the first power and probably a year later to bring in the full power there, and we cannot wait that long if we need power for national defense. We need it now, and we should start work immediately on steam plants, sir. Steam plants can be constructed in half the time, or less than half the time, and we should start immediately upon that. If we need any high-load-factor power, particularly for the aluminum industry, as I pointed out this morning, we can make an arrangement for the importation of power from the Beauharnois plant which is within 70 miles or so of this location.

Mr. BELL. How much more per unit does it cost for power to produce power by steam than by water power ordinarily?

Mr. TALLAMY. Well, when you figure in all of the transportation costs, and so on, I presume that the saving would be a mill per kilowatt hour, less than a mill, about eight-tenths of a mill per kilowatt hour in the State of New York.

Mr. BELL. Have you ever analyzed the figures of the T. V. A., or any of these?

Mr. TALLAMY. No; but I have heard so much about it, sir, that I think I ought to tackle that and look through their reports some time.

Mr. BELL. That is all.

Mr. DONDERO. Mr. Tallamy, Canada is at war. Do you not think that she requires every ounce of power she has for her war industries?

Mr. TALLAMY. Canada has made no effort to develop this power, Congressman.

Mr. DONDERO. Do you think she is in a position or condition to export power to us?

Mr. TALLAMY. Yes, sir; under the provisions that I stated this morning. Were you here this morning?

Mr. DONDERO. Yes. I was here. I heard your testimony.

Mr. TALLAMY. Then under those conditions, I think that Canada cannot only afford to do that, but it is entirely to her advantage to do it, because it creates a better balancing of trade between the two countries.

Mr. DONDERO. Do you not think that she needs every ounce of energy produced in Canada for her own defense program? She is at war and we are not.

Mr. TALLAMY. I realize that, sir; but she has made no effort to develop that power, and as I pointed out, there are loads and loads of power available there that can be developed.

The CHAIRMAN. What section is that in; I am sorry I did not hear your statement.

Mr. TALLAMY. The Beauhornois station in the St. Lawrence.

The CHAIRMAN. I am not familiar with that location on the map.

Mr. PITTENGER. You said 100 miles north of Montreal, did you not?

Mr. TALLAMY. No; I did not. I said it would be about 70 miles northeast of the International Rapids section of the St. Lawrence River, where we are proposing to build these dams. You see, in that section of the St. Lawrence River there is an existing power plant, Canadian owned, or at least a Canadian company owns it, and there they can develop 700,000 horsepower over what they have now by merely installing machinery in the plant, and digging out the power canal, or relatively a simple operation.

Mr. DONDERO. You say that you do not think that we ought to do it now?

Mr. TALLAMY. No.

Mr. DONDERO. When do you think that we ought to do it?

Mr. TALLAMY. After the conditions are settled down better, sir.

We cannot afford to delay the production of power if we need it now.

Mr. DONDERO. And if the treaty had been ratified in 1934, you would not be here testifying in this matter today?

Mr. TALLAMY. I did not get your question, sir.

Mr. DONDERO. I said that if the treaty had been ratified in 1934 by the Senate you would not be here testifying in this matter today, because the power and navigation would be there now?

Mr. TALLAMY. I do not know. I do not know; maybe it would have been completed and maybe it would not.

Mr. DONDERO. That is all.

Mr. CULKIN. Mr. Chairman.

The CHAIRMAN. Mr. Culkin.

Mr. CULKIN. Which would you rather have happen, beat the St. Lawrence, or have the democracies win? I have in mind your intense enthusiasm here on the question.

Mr. TALLAMY. Well, Mr. Congressman, in answer to that, may I say, the reason that I am here is because I want the democracies to win and not fiddle away our time and money on something which can well be delayed.

Now, we want to work on these steam plants, and get them in operation.

Mr. CULKIN. Don't make so many speeches.

Now, you are, of course, under retainer here, Mr. Tallamy?

Mr. TALLAMY. No; I am on a regular salary for the Niagara Frontier Planning Commission. That is how I am here.

Mr. CULKIN. How long have you been there?

Mr. TALLAMY. Since 1935.

Mr. CULKIN. Prior to that, what were you?

Mr. TALLAMY. Consulting engineer. I have a separate business as consulting engineer; consulting engineering business.

Mr. CULKIN. Your own individual business?

Mr. TALLAMY. That is right; sir.

Mr. CULKIN. Your business has been mostly for the utilities.

Mr. TALLAMY. No, sir; none. I never had any business with any utility—entirely with public bodies, such as cities, villages, towns, and counties.

Mr. CULKIN. Yes; and you have been for the last 5 years with this group?

Mr. TALLAMY. Yes; in a consulting capacity, spending about half of my time there.

Mr. CULKIN. In my preliminary question, I did not wish to impeach your loyalty to the democracies. I assume that that is a fact.

Mr. TALLAMY. It surely is.

Mr. CULKIN. But sometimes a man gets into a case—lawyers do sometimes—when they fail to see the truth. They are so strongly in favor of the matter that they are advocating that the truth gets away from them.

The CHAIRMAN. That only applies to lawyers, Judge; not engineers.

Mr. CULKIN. No.

The CHAIRMAN. Not to engineers.

Mr. CULKIN. Now, the Secretary of War has been viewing this picture at close range for some months, has he not; Secretary Stimson?

Mr. TALLAMY. You mean the St. Lawrence proposition?

Mr. CULKIN. Yes.

Mr. TALLAMY. I do not know, sir. He testified here.

Mr. CULKIN. He testified here in favor of the project.

Mr. TALLAMY. Yes, sir.

Mr. CULKIN. He is supposed to be surrounded with the best technicians in the field, is he not?

Mr. TALLAMY. In military affairs, I would say.

Mr. CULKIN. In military affairs.

Mr. TALLAMY. Yes.

Mr. CULKIN. And the Secretary of the Navy testified for it?

Mr. TALLAMY. He did.

Mr. CULKIN. And the Assistant Chief of Engineers testified for it?

Mr. TALLAMY. He did.

Mr. CULKIN. And they represent the national-defense phase of it, do they not?

Mr. TALLAMY. Yes, but none of them said that it was vital to national defense.

Mr. CULKIN. Now, that is an interjection.

Well, anyway, it would serve the same purpose.

Mr. TALLAMY. All he said was that it was important.

Mr. CULKIN. It makes Mr. Beiter laugh, and that is always valuable.

The CHAIRMAN. All that he said was that it was very important.

Mr. CULKIN. The chairman said that he said that it was very important.

Now, you aside from being an engineer, are somewhat of an etymologist?

Mr. TALLAMY. No; I do not think so.

Mr. CULKIN. You did not have any etymology in school?

Mr. TALLAMY. No.

Mr. CULKIN. That is not in an engineering course?

Mr. TALLAMY. No.

Mr. CULKIN. Well, now, the word "vital" simply means that we would lose if we did not have this particular matter; is that not what it means?

Mr. TALLAMY. That is what I would assume that it means.

Mr. CULKIN. But it does not mean that it is not a help to shortening the prosecution of this war, does it? Now, be fair, Mr. Tallamy.

Mr. TALLAMY. I would not know; I would not know, because—

Mr. CULKIN. In other words you would not want to go that far into the field of etymology?

Mr. TALLAMY. No.

Mr. CULKIN. Well, now, you heard the statement of Julius H. Barnes; did you hear his statement?

Mr. TALLAMY. I did not hear his statement, I am sorry.

Mr. CULKIN. Well, I do not know that it is exactly true that he made the statement here in this hearing, but he had made it previously, that if the St. Lawrence had been developed at the time of the World War, by reason of the conditions existing in traffic, that we might not have had to enter the war. You would not agree with that?

Mr. TALLAMY. Enter the war now?

Mr. CULKIN. No; enter the war then; 1917.

Mr. TALLAMY. If we had had the St. Lawrence seaway then?

Mr. CULKIN. If the St. Lawrence had been developed then and had been in going condition.

Mr. TALLAMY. No; I could not agree.

Mr. BENDER. Judge, might I interject here?

Mr. CULKIN. Yes.

Mr. BENDER. Did I understand you to say that had the St. Lawrence project been developed—

Mr. CULKIN. At the time of the World War.

Mr. BENDER. At the time of the World War we would not have been in the war.

Mr. CULKIN. We might not have entered it; we might have stayed out; but in any event we would have shortened the war and saved thousands of lives by reason of the fact that the St. Lawrence had been developed. Do you agree to that?

Mr. TALLAMY. No; I do not know anything about it.

Mr. CULKIN. You do not know anything about it?

Mr. TALLAMY. No.

Mr. CULKIN. Now, I was greatly intrigued, if I may use that word, by your suggestion as to the antisocial qualities of aluminum production.

You do not dispute that we need aluminum now, do you?

Mr. TALLAMY. No, sir.

Mr. CULKIN. And we need it badly?

Mr. TALLAMY. There is no question about it.

Mr. CULKIN. No question about that?

Mr. TALLAMY. That is why I brought that in about the Beauharnois situation.

Mr. CULKIN. Now, we have got to have this product, aluminum product?

Mr. TALLAMY. Yes.

Mr. CULKIN. Suppose we have this power now in the St. Lawrence; suppose it had been developed in 1934, would it not have been a great aid now to national defense?

Mr. TALLAMY. I do not know; it might not even have been completed by now. That is not so long ago.

Mr. CULKIN. Might not what?

Mr. TALLAMY. Might not even have been completed by now.

Mr. CULKIN. Might not have been completed now?

Mr. TALLAMY. Yes. This is only 6 years later.

Mr. CULKIN. Yes. You have listened to the estimates of the engineers.

Mr. TALLAMY. The estimates at that time, as you know, for completion, were 8 years.

Mr. CULKIN. Well, it would have been a help now. You concede that it would be a substantial help?

Mr. TALLAMY. If it were completed; surely.

Mr. CULKIN. If it were completed.

Mr. TALLAMY. Insofar as the power there is concerned, I will admit that, but I would not say it is of importance, so far as the shipbuilding angles are concerned or shipping.

Mr. CULKIN. That is out of your field.

Mr. TALLAMY. Yes; that is out of my field; but I just want to say that I am not covering that.

Mr. CULKIN. You are not a shotgun witness?

Mr. TALLAMY. No, sir. That is right. I just wanted to place in the record that I am not covering that angle of it.

Mr. CULKIN. You make no statement based upon your technical qualifications as to what the shipping effect of it may be?

Mr. TALLAMY. No. I would not attempt to cover that.

Mr. CULKIN. You do not care to get into that?

Mr. TALLAMY. No, sir.

Mr. CULKIN. You are confining yourself purely to utility?

Mr. TALLAMY. That is right.

Mr. CULKIN. In the utility field?

Mr. TALLAMY. Yes, sir.

Mr. CULKIN. And the fact is that if it were finished now, assuming it had been finished, it would be of great aid to national defense at this time, when we have a need of aluminum, which is admitted.

Mr. TALLAMY. Oh, yes. I have told you that it would aid.

Mr. CULKIN. So that the fellows opposing the building of the St. Lawrence in 1934 have something on their conscience?

Mr. TALLAMY. I do not think we are in any grave danger about aluminum production.

Mr. CULKIN. Now?

Mr. TALLAMY. I do not think there is any grave danger.

Mr. CULKIN. Now, you mean?

Mr. TALLAMY. Yes.

Mr. CULKIN. I misread the newspapers, then, because everything I see is to the contrary, from the experts. Mayor LaGuardia is now gathering in all of the old aluminum he can for the purpose of filling in the shortage.

Mr. TALLAMY. I do know that if we want to make some sort of an arrangement to furnish power to the high-load factors, high-load industry, such as the aluminum industry, or something like that, that it could be done a great deal cheaper than any program such as this.

Mr. CULKIN. I know. That has been the theme all afternoon. Are you going to inflict that on me again?

Mr. TALLAMY. No.

The CHAIRMAN. I now have to leave, and if you will excuse me for 1 minute, we have a matter here.

(Thereupon, the committee proceeded to the consideration of other business, after which the following proceedings were had:)

The CHAIRMAN. I will ask Mr. Rankin to preside.

Mr. CULKIN. Now, Mr. Tallamy, you heard General Robins state that the type of machinery that is used in a steam plant would be very difficult and probably impossible to obtain for some years; that they would be able to get that type of machinery very slowly, and on the contrary that machinery that is required for hydroelectric production would be very much easier to obtain and could be obtained very much quicker. You heard the General say that?

Mr. TALLAMY. Yes; I heard him say that.

Mr. CULKIN. Do you agree with that?

Mr. TALLAMY. No.

Mr. CULKIN. You do not agree with it?

Mr. TALLAMY. No.

Mr. CULKIN. Well now, let me suggest this to you, and I think you—you do not want to change your statement?

Mr. TALLAMY. No.

Mr. CULKIN. I saw you conferring with your overlord there. I have no objection to that, of course.

Mr. TALLAMY. My chief said that it was not General Robins who said it; but I am not sure.

Mr. CULKIN. You know that the delay in that field is really based upon the proposition of need for engines for boats, cargo, and other types of boats; some naval vessels. I gave the figures yesterday. I think the Maritime Commission is building boats now which require engines to the extent of, I think, seven hundred-odd ships and that, of course, is a natural priority and that of itself would block this other type of steam turbine that you referred to for a steam plant?

Mr. TALLAMY. You know, if you gave an order—

Mr. CULLIN (interposing). Is that not true?

Mr. TALLAMY. If you gave an order for steam turbines, and hydroelectric turbines today and told them both to get them out rapidly, the hydro turbines would come in a little bit ahead of the steam turbines, but not $2\frac{1}{2}$ or 3 years ahead.

Mr. CULKIN. There is no type of installation of this character, large type of installation of this character in progress in America, is there?

Mr. TALLAMY. Oh, yes.

Mr. CULKIN. Except possibly at Grand Coulee?

Mr. TALLAMY. Yes, and Bonneville, and Boulder.

Mr. CULKIN. Bonneville.

Mr. TALLAMY. They are putting in more turbines there.

Mr. CULKIN. Well, they were pretty well advanced out there, I understand.

Mr. TALLAMY. Not to my information, but I am not certain.

Mr. ANGELL. Bonneville is about 50 percent complete, although other generating units are under contract.

Mr. CULKIN. But now, do you not think that the procurement of machinery for hydroelectric plants would be very much more rapid than for a steam plant?

Mr. TALLAMY. Not very much more rapid; not enough more rapid to make any difference, sir, and if we need steam generated energy

and the priority board says we need it badly, we will get it first, and so far as the angle of the mechanics turning the two out is concerned, there is not very much difference in time.

Mr. CULKIN. You disagree with General Robins?

Mr. TALLAMY. I disagree with him.

Mr. CULKIN. As I recall he said that.

I thank you very much, and I have enjoyed your testimony, although I disagree with you.

Mr. BEITER. Mr. Chairman.

Mr. RANKIN. Mr. Beiter.

Mr. BEITER. Does the present proposed agreement protect our rights at Niagara Falls?

Mr. TALLAMY. I brought that out in my testimony, Congressman, but I did not think that it did.

The treaty proposed in 1938 had a clause in it which used the words "equal diversion at Niagara Falls."

Mr. DONDERO. That has been gone over by the witness, Mr. Beiter.

Mr. BEITER. I probably was absent at the time you testified in that connection. The thought just occurred to me and I wanted your views on it very briefly. If you have already put them in the record, very well.

Mr. DONDERO. They are already in the record.

Mr. TALLAMY. I did cover that, and I do not think it protects our rights at all to the extent of giving away about 8,000 second-feet.

Mr. BEITER. Did you cover this angle of it—I am sorry that I have to ask you questions, if you have already covered it.

Under the agreement Canada has until December 31, 1948, to complete its section, should the pressure of the war make that necessary.

You agree that that provision should be eliminated?

Mr. TALLAMY. I think it should be changed, so that in the event this thing does go through and we are going to have the St. Lawrence water way project and we are going to put our money into it, I think we ought to know beforehand whether Canada is going to complete her share of it.

Mr. BEITER. Then, you believe if the provision is not eliminated, Canada will not be bound to complete her part of the project until some indefinite time in the future?

Mr. TALLAMY. According to the agreement, Canada would have to complete it by December 31, 1948, but there is a provision which does exist in the treaty which allows the two Governments to get together and prolong that period of time, and I rather suspect that is what would happen.

So I do not imagine that Canada will be called upon to complete her end of the bargain as it is now. I think that the contrary will be true.

Mr. DONDERO. The witness is not testifying as an international lawyer?

Mr. TALLAMY. I just say that is what I think, and I am not a lawyer; I have not tried to qualify as one.

Mr. BEITER. I listened to the very interesting testimony of Mr. Hamlin the other day, and I am wondering whether you heard his statement here.

Mr. TALLAMY. Yes.

Mr. BEITER. Do you believe that the agreement in its present form is a sugar-coated pill for the Canadians?

Mr. TALLAMY. Let me say this, Mr. Congressman, that I have the highest esteem for my chairman, and I very seldom differ with him in his opinions.

Mr. CULKIN. Do you not think that that would be good for him once in a while?

Mr. TALLAMY. I beg your pardon.

Mr. CULKIN. Do you not think that that would be good for him once in a while, for you to disagree with him?

Mr. BEITER. You believe that a new treaty rather than an agreement should be negotiated?

Mr. TALLAMY. What did you say, sir?

Mr. BEITER. In other words, you believe that it would be to our advantage to have a treaty rather than an agreement?

Mr. CULKIN. I object. The witness has not qualified to answer that question.

Mr. BEITER. He has.

Mr. TALLAMY. I think that this agreement should not be ratified. I do not even want a treaty at the moment.

Mr. PITTINGER. What they want then, those who do not want it, is that they do not want a seaway, Mr. Beiter.

Mr. MACIEJEWSKI. Mr. Chairman, I think that we have gone through this thing. This man has been on the stand for about 3 days.

Mr. BEITER. I have completed "my testimony."

Mr. MACIEJEWSKI. Let us get through with this.

Mr. BEITER. I have finished.

Mr. MACIEJEWSKI. This is repetition. We have listened to this all day and it is repetition.

Mr. BEITER. I know, but I heard about Tupelo and building ships up the Mississippi River.

Mr. MACIEJEWSKI. Let us get down to business here.

Mr. RANKIN. Are there any other questions of this witness? If not, I want to complete my examination. I want to say that the most impressive thing was when my friend destroyed that ship in drydock and made it look imperative that we will have to prepare to build these ships inland somewhere.

I was questioning you this morning about these power rates, and you say here that this power at Buffalo cost 3.46 mills.

Now, what do you figure the cost would be at the dam?

Mr. TALLAMY. The cost at the dam would be 1.77.

Mr. RANKIN. At the dam?

Mr. TALLAMY. 1.77.

Mr. RANKIN. 1.77 mills?

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, that would amortize the investment in how many years?

Mr. TALLAMY. Fifty.

Mr. RANKIN. In 50 years?

Mr. TALLAMY. I figure 50 years amortization.

Mr. RANKIN. And how much do you figure that the investment will be?

Mr. TALLAMY. \$90,000,000. These figures were based on \$90,000,000.

Mr. RANKIN. \$90,000,000?

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, you spoke this morning as if this entire \$200,000,000 were charged to power and that would take about—it would cost about 3.4 mills per kilowatt-hour, would it not, to amortize it in 50 years?

Mr. TALLAMY. If this what; I am sorry that I did not hear you.

Mr. RANKIN. It has been stated here that this power development would cost about \$200,000,000.

Mr. TALLAMY. Oh, yes.

Mr. RANKIN. If the transmission were in separately.

Then if it did, according to your figures, what would it cost to amortize in 50 years; what rate would it have to be figured at?

Mr. TALLAMY. It would be little different if Canada paid her half, you see, because we would only have to pay \$100,000,000 on our side.

Mr. RANKIN. I see. So then this would amortize it at 1.77 mills, at the dam, at 80 percent load factor.

Mr. TALLAMY. Yes.

Mr. RANKIN. It would amortize this entire investment in power; the entire cost of this power development in 50 years.

Mr. TALLAMY. I think so, yes; provided there was a sale for all of the power, of course.

Mr. RANKIN. Of course. You said here 80 percent load factor.

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, you spoke this morning about the danger of this dam or this project being bombed from the air.

As a matter of fact, a steam plant is much more vulnerable than a hydro plant, is it not?

Mr. TALLAMY. Than some hydro plants?

Mr. RANKIN. Well, than this one.

Mr. TALLAMY. I do not think so.

Mr. RANKIN. Now, as a matter of fact, do we not read every day of bombs in Europe destroying steam plants, generating facilities, and in the various towns, London, and probably Berlin, or some of those German cities on the other side.

Mr. TALLAMY. If it had not been for the fact that those steam plants and other sources of electrical energy in and around London were scattered widely, it would have been just too bad.

Now, if London had depended upon one hydroelectric plant, I fully believe it would have been put out of commission.

Mr. RANKIN. So then, a steam plant in New York City, in case of war, if war were brought to our door, they would be much more vulnerable to attack from the air than the hydro dam up on the St. Lawrence, would they not?

Mr. TALLAMY. When you say "they," I do not agree with you. If you say one, there might be equal vulnerability.

Mr. RANKIN. Well, a dozen; a dozen of them.

Mr. TALLAMY. What did you say?

Mr. RANKIN. Suppose there were a dozen of them; or 100 of them.

Mr. TALLAMY. The chances of all, a dozen, being bombed, as compared with one equivalent source of power like the St. Lawrence, is very, very remote.

Mr. RANKIN. Well, the St. Lawrence, of course, you understand, the way they build these dams now is that they are building them

with special protection against bombing from the air. You are aware of that, are you not?

Mr. TALLAMY. Yes.

Mr. PITTENGER. That is a fact, is it not? Let us get the answer into the record.

Mr. TALLAMY. I think that they are taking special precautions, but they are not bombproof.

Mr. RANKIN. Well, probably not, but can you cite a single instance—

Mr. TALLAMY. What?

Mr. RANKIN. Can you cite a single instance where one has been knocked out of commission in this war?

Mr. TALLAMY. I am not very familiar with the details of the European war.

Mr. RANKIN. The truth of the business is, as was brought out here the other day, they have bombed the Suez Canal, I think, somebody said, 46 times, or something like that, and they have bombed the Kiel Canal more than 100 times, and boats are still passing through both of them. Neither one of them have been put out of commission.

Mr. BELL. Will the gentleman yield?

Mr. RANKIN. Not just yet.

Mr. Tallamy, of course, I may say this about the Suez; it has no locks. That is a sea-level canal, but the Kiel Canal is not. It has locks.

Mr. TALLAMY. Yes.

Mr. RANKIN. I will yield.

Mr. BELL. That is what I wanted to point out, that there are no locks to bomb in the Suez; that the bombs just drop into the water or the mud, and that is all.

Mr. RANKIN. I understand, but there are locks in the Kiel Canal.

Mr. BELL. I think that that is very true.

Mr. RANKIN. And, it has been bombed over 100 times, as someone stated the other day, and is still being used.

Now, if it is that difficult even to destroy locks in these canals, would it not be infinitely more difficult to knock out these generating facilities down in these great hydro dams, with a large amount of—I do not know, 20, or 40, or 50, or 100 feet of reinforced concrete above them?

Mr. TALLAMY. You are just speaking of that one situation where there is a whale of a lot of concrete; but you have other highly vulnerable parts of a dam. You have the movable gates, and you have the levees, and you have the locks.

Mr. RANKIN. I understand. Now, your levees, of course, are embankments, and they are wide, and can be repaired very rapidly. As a rule they are made of dirt, and are large, wide earthen levees, are they not?

Mr. TALLAMY. Yes.

Mr. RANKIN. And so, it seems to me that you are bound to confess that steam plants along the Atlantic seaboard are infinitely more vulnerable to attack, successful attack, from the air from planes coming from, we will say an airplane carrier at sea, than this great dam would be with all its protection of reinforced steel and all of the other additional protection that modern engineering has contrived.

Mr. TALLAMY. Well, I think that diversified steam plants are far less vulnerable, sir, than the one concentrated hydroelectric plant. I am going to have to stick to that, because I fully believe it, and earnestly believe it.

Mr. RANKIN. You have said that the horse was 15 feet high, so you will probably have to stay with it. I cannot see your viewpoint because the record shows, if we simply go back over the files of the daily press, numbers and numbers of times where cities have had their power facilities knocked out, because steam plants have been bombed, and we have not heard, and there has not been a single instance brought to my attention, and I have watched it very carefully, where a hydro dam has been destroyed, by bombs from the air.

Mr. BEITER. Will the gentleman yield for just a moment?

Mr. RANKIN. Yes.

Mr. BEITER. You spoke of New York City. Mayor LaGuardia said—

Mr. RANKIN. Now, don't read me anything about Mayor LaGuardia.

Mr. BEITER. This is just two lines. He says that the St. Lawrence Valley should very probably go as far north as Schenectady; south to the Atlantic Ocean in our State, and even then if they should break through at the north, and come down the St. Lawrence Valley, we would have to protect Buffalo and go in to Philadelphia, and I would go as far into the Alleghenies as Pittsburgh.

I think that particular territory there should have added protection.

Mr. RANKIN. All right. Then, the territory that needs it worse is along the Atlantic seaboard.

Mr. BEITER. He says the Atlantic.

Mr. RANKIN. I know as much about geography as LaGuardia does, and I know that protection is going to be needed worse along the Atlantic seaboard in case of any attack from the sea.

Mr. ANGELL. Mr. Chairman.

Mr. BELL. Mr. Chairman, may I ask the witness one question?

Mr. RANKIN. Mr. Bell.

Mr. BELL. Did you read or see a report in the press of the speech that Lord Beaverbrook made, I think a month or two ago, in which he said that the present advantage and safety of England's defense industries was good because they had diversified them in many places in small plants.

Did you see a report of that speech?

Mr. TALLAMY. I did not read the speech, but I read editorial references to that speech.

Mr. BELL. And you understand that is the fact, that England has saved her war industries from destruction by scattering them abroad in small plants?

Mr. TALLAMY. That is right.

Mr. BELL. By diversification.

Mr. TALLAMY. By diversification. There is no question but that that is a fundamental principle of military strategy, it would seem to me. I am not posing as a military strategist, but it seems just common sense that that is the thing to do, scatter things around.

Mr. RANKIN. That is a good argument for spreading some of the industries out over the South and the West.

Mr. ANGELL. Mr. Chairman, will you yield?

Mr. RANKIN. I want to finish with one more question.

On this bombing proposition, the question was raised here and one gentleman testified at length about the port of Boston, Boston shipbuilding facilities.

Now, in case of attack would not those shipbuilding facilities be far more exposed than they would if they are in the Great Lakes or even in the Gulf of Mexico?

Mr. TALLAMY. Well, in answer to that, so far as the yards themselves are concerned, the yards themselves, your statement is correct; but if all of the yards are on the Great Lakes, for the construction of deep draft, longer vessels, which would only have one outlet to the sea, through the St. Lawrence, they would be bottled up within the Great Lakes area if anything should happen to either the Welland or the St. Lawrence Canal locks. Therefore, if anything should happen to those two sections, all of these other shipyards would be in effect put out of commission.

So I take it that the same thing to do is diversification of the shipyards on the coast and the Gulf and that the same thing applies as to steam plants. We need diversification. We need them scattered on the Atlantic, the Gulf, and the Pacific.

Mr. RANKIN. Well, would it not be much easier to protect these shipbuilding facilities in the Gulf of Mexico or in the South, we will say, the Mississippi Sound, than it would be along the Atlantic seaboard?

Mr. TALLAMY. Surely.

Mr. RANKIN. Because of the fact we have air bases all around them.

Mr. TALLAMY. I think you are quite correct, sir.

Mr. RANKIN. I believe that that is all.

Mr. ANGELL. Mr. Chairman.

Mr. RANKIN. Mr. Angell.

Mr. ANGELL. Mr. Chairman, I was absent when my turn came this morning to question Mr. Tallamy and I would like to ask a few questions, if I may.

Mr. Tallamy, under this proposal, or under this bill, as you know, authority is given to the President to negotiate an arrangement with the Power Authority of New York by which the power generated here and the power facilities will be turned over to the New York Power Authority.

I would like to ask you if the economic transmission area contiguous to this power development is all situated in the State of New York.

Mr. TALLAMY. Economic transmission distance, you mean?

Mr. ANGELL. Yes.

Mr. TALLAMY. No; it is not.

Mr. ANGELL. What is the distance that power could be transmitted, economically, from this development?

Mr. TALLAMY. Well, it depends upon the way you transmit it. You just cannot circumscribe a circle around the St. Lawrence development and say that anything that falls within that is the economic transmission area, because the price of coal, for instance, very importantly affects that.

Mr. ANGELL. Now, Buffalo, I believe, is some 270 miles from the St. Lawrence project. How far is Portland, Maine?

Mr. TALLAMY. I do not know.

Mr. ANGELL. Less distance than Buffalo, is it not?

Mr. TALLAMY. About 200 miles.

Mr. ANGELL. How far is Boston?

Mr. TALLAMY. Boston is about 250 miles.

Mr. ANGELL. And, are those areas within the economic transmission radius?

Mr. TALLAMY. Well, I have not made any investigation on the transmission line costs out of the State of New York, because the law is, in the State of New York, that any power developed in the St. Lawrence area shall be controlled and distributed by the Power Authority of the State of New York for the benefit of the State of New York and so, therefore, I always confine my studies to the State of New York.

Now, as I say, let me enlarge on why I am saying this: Buffalo is 200 miles from the St. Lawrence section. In my opinion, St. Lawrence power cannot successfully compete in Buffalo with steam power, because in Buffalo we have very adequate cooling water and we have a very cheap source of coal, because of the lake transportation, again.

Now, when you take some other section of the State, 200 miles away from the St. Lawrence, it might show, and does show, that St. Lawrence power would be cheaper than steam power.

Mr. ANGELL. For instance, in Vermont, New Hampshire, and a portion of Maine.

Mr. TALLAMY. Well, that part of Vermont which is 100 miles from the International Rapids section, I would certainly assume would be cheaper there than steam power.

Mr. ANGELL. Also New Hampshire.

Mr. TALLAMY. New Hampshire.

Mr. ANGELL. All within—

Mr. TALLAMY. One hundred and fifty miles.

Mr. ANGELL. Most of it is within 200 miles.

Mr. TALLAMY. Yes; I assume so, although I cannot tell, because I have not made any calculations, sir.

Mr. ANGELL. Now, the watershed for this area from which the water power is derived—how large is that watershed?

Mr. TALLAMY. The watershed from which the St. Lawrence receives its flow?

Mr. ANGELL. Yes.

Mr. TALLAMY. It is very large.

Mr. ANGELL. It is not limited to New York?

Mr. TALLAMY. No, sir.

Mr. ANGELL. It includes all of the territory contiguous to the Great Lakes?

Mr. TALLAMY. Why, yes, sir. I should guess it would reach 25 percent of the watershed area or area of the central part of the States.

Mr. ANGELL. You would say then that it is a national resource logically belonging to our whole country rather than any one particular State?

Mr. TALLAMY. Well, I am not a lawyer, you know, and there are a lot of riparian-right things involved here which are beyond me. I know that the State of New York claims, and I as an engineer have had some dealing with riparian ownership and have always, up until just recently, thought that there was no doubt about the right of a riparian owner to use the water to his advantage, provided he did.

not take it away from the stream so as to adversely affect someone below, but I have noticed that that fundamental idea has been recently reversed by the Supreme Court.

Mr. CULKIN. That is on an opinion in New York State, New York State law?

Mr. TALLAMY. That is the basis of the power-authority law and I know in the work that I have had in New York State in reference to dams and things of that nature, I have had to deal with this riparian right situation.

Mr. ANGELL. But this is power in a navigable stream, and the disposition of it depends upon the action of Congress.

The decision in the Appalachian Electric Power Co. case sets at rest that issue.

Mr. TALLAMY. I think that is the one I was thinking of.

Mr. ANGELL. It definitely determined that on navigable streams the hydro power is the property of the Federal Government.

Mr. CULKIN. I think I can state, Mr. Angell, that New York State, of course, stands on the law whatever it is. We accept the law.

Mr. ANGELL. I would assume that, yes.

Now, I just briefly call your attention to a short statement made by Mr. John W. Scott, a member of the Federal Power Commission:

Streams, river basins, and watersheds are unaware of State boundaries, and their proper development cannot be confined thereto. Rains fall and snows blanket the slopes of our mountains without regard to State lines. These blessings of nature are bestowed without regard for political subdivisions.

And he is arguing in making that statement that these great natural resources, particularly those of hydroelectric power in navigable streams, belong to the Nation at large and to all of the people; they are a sacred trust to be held for the benefit of all the people and not confined to any one State or any one area; and logically this great waterpower here which originates over an area covering as you say a quarter of central United States and a great portion of Canada, logically cannot be claimed by any one State but belongs to the Nation, and the economic area in which this power should be marketed is not limited to New York. In fact, a great deal of the contiguous area of other States is much nearer than the heavy developed portion of New York, aside from those plants that are located at Massena—Vermont, for instance, and New Hampshire are closer than those sections.

Mr. RANKIN. Let me say to the gentleman from Oregon [Mr. Angell] I do not know what others have in mind. As you know, I am what they call chairman of the public power bloc in the House. We have no idea of shutting New England off from this power.

Mr. TALLAMY. May I comment on your remarks, and yours, too, because both have somewhat the same idea?

Mr. ANGELL. Yes; I will be very glad to have you do so.

Mr. TALLAMY. This agreement, as I see it, is something very unusual. You are entering into a contract with Canada to do a certain thing, if it is ratified, yet certain provisions of this agreement are now up in the air. We do not know what they are, and that is one.

Now, the State of New York, according to this, may negotiate a contract with the United States Government and that contract is to be ratified by the Congress and the State legislature.

Mr. CULKIN. Mr. Angell, may I ask a question?

Mr. ANGELL. Certainly.

Mr. CULKIN. You are not a lawyer?

Mr. TALLAMY. No, sir.

Mr. CULKIN. Why hold this up by a discussion of the law?

Mr. TALLAMY. I am not a lawyer. I am just an engineer.

Mr. CULKIN. I understand. I would like to say this.

Years ago on the theory that the witness asserted, on riparian ownership, certain groups, including, I think the old Mellon outfit, went down along the stream, did they not, and bought the riparian rights?

Mr. TALLAMY. What?

Mr. CULKIN. They bought the riparian rights all along the rapids on the American side.

Mr. TALLAMY. I have heard that. I do not know.

Mr. CULKIN. They got a grant from the legislature giving them the power. Then Governor Hughes started a lawsuit and the legislative grant was set aside. That was the result of the assertion of riparian ownership.

Mr. ANGELL. Mr. Chairman, the reason I am raising this point is that I have raised it with other witnesses, so that the committee and the Members of Congress when the matter comes before them may have the benefit of the statements from the witnesses as to the area which is contiguous to this development and show that if we do adopt this plan, we are going on a new trail, one that we have never followed before, of turning over a large development of national resources, which is contiguous to a great many States to one single State, giving it complete control of it, practically. It is true that the Federal Government may impose some conditions, but we are turning it over entirely, and for all time, to one State, and if as our acting chairman (Mr. Rankin) says that the other States are to share in this great resource, then this one State must administer it and provide the rules under which it shall do so.

Mr. RANKIN. I will say to the gentleman that I had the same situation in my State. The State of Alabama claimed jurisdiction over all of the power at Muscle Shoals, and when I got through, I got Muscle Shoals power 5 years before they did.

Mr. ANGELL. And it was held in Federal Government ownership.

Mr. RANKIN. Yes.

Mr. ANGELL. Mr. Chairman, I would like to ask unanimous consent to include as a part of this record this statement by Mr. John W. Scott, from which I have been reading.

Mr. CULKIN. Who is he?

Mr. ANGELL. He is a member of the Federal Power Commission. This is a discussion of the Supreme Court decision in the *Appalachian Power Company case*.

Mr. CULKIN. I have no objection to that.

Mr. ANGELL. And, Mr. Chairman, I would also like to include the decision in the record.

Mr. RANKIN. Without objection.

(The paper above referred to by Mr. Angell, and the Supreme Court decision in the case of *United States of America, petitioner v. Appa-*

lachian Electric Power Company decided December 16, 1940, are printed in the record, as follows:)

WATER-POWER DEVELOPMENT AND THE NEW RIVER CASE

A DISCUSSION OF THE FAR-REACHING IMPLICATIONS OF THE RECENT SUPREME COURT DECISION CLARIFYING THE EXTENT OF FEDERAL POWER COMMISSION JURISDICTION OVER HYDROELECTRIC PROJECTS

By JOHN W. SCOTT, Member, Federal Power Commission

Recent events focus attention upon the activities of the Federal Power Commission.

This interest results from the national-defense program, the proposed St. Lawrence River development, and the important Supreme Court decision in the *Appalachian Electric Power Company (New River) case*, decided December 16, 1940.¹

The two latter items place emphasis upon the Commission's work with respect to water-power development. It may be that, by very reason of this emphasis on water power, other highly significant phases of our work may not receive their full share of appreciation.

It is well to bear in mind that the Federal Power Commission is in no sense merely a water-power commission. It is true that hydroelectric developments were uppermost in mind when the Federal Water Power Act of 1920² was enacted, creating a three-man board consisting of the Secretaries of War, Agriculture, and the Interior for the purpose of supervising water-power projects to be built under license.

In 1930, however, the Commission was given the status of an independent agency, composed of five members appointed by the President. By title II of the Public Utility Act of 1935, broad regulatory powers over electric utilities which own or operate facilities for the transmission or sale of electricity in interstate commerce were conferred upon the Commission. The functions of the Commission were further extended by the Natural Gas Act of 1938, under which the Commission exercises broad regulatory powers over natural-gas companies engaged in the transportation of natural gas in interstate commerce and in the sale in interstate commerce of natural gas for resale.

The Tennessee Valley Authority Act, as amended, the Bonneville Act, and the Fort Peck Act also confer authority on our agency.

Under the Flood Control Act of 1938, it is provided "that penstocks or other similar facilities adapted to possible future use in the development of hydroelectric power shall be installed in any dam herein authorized when approved by the Secretary of War upon the recommendation of the Chief of Engineers and of the Federal Power Commission." This act initiated a new policy with respect to the determination of the feasibility of development of hydroelectric power at Federal dam and reservoir projects constructed primarily for flood-control purposes. Under it the Federal Power Commission has a great responsibility concerning the future development of power at flood-control projects.

For a considerable period of time the Commission has been engaged in carrying on many prosaic regulatory functions under these various acts of Congress. In this regard we have borrowed from the principles of preventive medicine and public health work and are trying innovations which have as their purpose a speeding up of the regulatory process. Great stress is being laid upon preventing abuses rather than correcting them after they have occurred.

A few years ago the Federal Trade Commission admirably exposed unsavory and even vicious inflationary practices among the utility companies. The Federal Power Commission is now engaged in a serious endeavor under the authority delegated to it by the Congress to correct these abuses. One of the important steps in this direction was the prescribing by our Commission and by some 27 State commissions of a uniform system of accounts which requires electric utilities to record their properties at the original cost thereof.

Moreover, the Commission is attempting to eliminate inflation from utility-plant accounts, correct haphazard practices with respect to setting up depreciation reserves, and forestall the issuance of watered securities which eventually would have an inescapably adverse effect upon rates. In addition, comprehensive re-

¹ Full text of opinion reported in 35 P. U. R. (N. S.) 129.

² 41 Stat. 1763. The act was amended by 49 Stat. 838 (1935), by which it became known as the Federal Power Act.

ports are required and worthwhile statistics are being published and made readily available to the public and others. Anyone who has the desire or interests to investigate these data may obtain important information concerning the business operations of the utility and determine therefrom, in some degree, the effectiveness of regulation.

The national-defense³ program requires the assurance of an adequate power supply to meet the needs of increased production of essential war materials. In this connection the President has directed that this agency maintain contacts with the War, Navy, and other departments concerned with national defense orders and translate their orders and requests into demands for power. The creation of the St. Lawrence Advisory Committee⁴ (headed by the chairman of our commission) has stimulated renewed interest in the proposed St. Lawrence River project. This committee is now engaged in consulting with representatives of a similar committee of the Canadian Government with respect to development of navigation and hydroelectric power in the International Rapids section of that river, and conducting preliminary field surveys related thereto.

There is especial public interest in water-power development, and in the capacity of the Federal Power Commission to preserve and protect our great water resources, however, by reason of the recent Supreme Court decision in the *New River Case*. In it the court defined the constitutional power of the United States over navigable waters, and clarified the claims of riparian owners and the States themselves in connection with streams under the Federal jurisdiction. Historically, the Power Act was enacted after many years of constant agitation on the part of farsighted individuals, organizations, and legislators who advocated conservation of the water resources of our country for the use and benefit of all the people.

Conservation of our natural resources was first born in the hearts and brains of those who placed the public good first. When Theodore Roosevelt called the conference of governors at the White House in 1908, he stated that the meeting was "called to consider the weightiest problem now before the Nation * * *. The natural resources of our country are in danger of exhaustion if we permit the old wasteful methods of exploiting them longer to continue." It was realized then that our great forests were being rapidly denuded, soils impoverished, and our magnificent streams polluted. Concern was felt about the possible exhaustion of our supplies of coal and oil. Our one inexhaustible source of fuel and energy, water power, was then receiving more than covetous glances from those who sought its monopoly.

Gifford Pinchot, former Governor of Pennsylvania and former head of our Forest Service, has stated that the "struggle for control of water power began when the United States Forest Service, first among Government organizations, undertook to control and direct the private development of water power within its jurisdiction—that is, on streams in the national forests." The venerable forester made the further significant observation that before that fight began, "the electric power interests were all for Federal control—because there wasn't any. Now these same interests are all for State control—because for nearly all practical purposes there isn't any."

It was the early practice to secure special authorization from Congress for the development of power sites on streams under Federal jurisdiction. This, however, was abruptly halted by the conservationists under the leadership of Pinchot and Theodore Roosevelt. On January 15, 1909, just before his retirement from office, the latter, in vetoing the James River bill, made this significant statement:

"The great corporations are acting with foresight, singleness of purpose, and vigor to control the water powers of the country. They pay no attention to State boundaries and are not interested in the constitutional law affecting navigable streams except as it affords what has been aptly called a 'twilight zone' from any regulation."

And concluded his message:

"I esteem it my duty to use every endeavor to prevent the growing monopoly, the most threatening which has ever appeared, from being fastened upon the people of this Nation."

³ Sec. 202 (e) of the Federal Power Act, in part, provides: "During the continuance of any war in which the United States is engaged, or whenever the Commission determines that an emergency exists by reason of a sudden increase in the demand for electric energy, or a shortage of electric energy or of facilities for the generation or transmission of electric energy, or of fuel or water for generating facilities, or other causes, the Commission shall have authority, either upon its own motion or upon complaint, with or without notice, hearing, or report, to require by order such temporary connections of facilities and such generation, delivery, interchange, or transmission of electric energy as in its judgment will best meet the emergency and serve the public interest. * * * [16 U. S. C. A., sec. 824 a.]"

⁴ Executive Order No. 8538, October 16, 1940 (Federal Register, October 18, 1940).

The fight was on! Tremendous pressure was brought to bear upon Congress by the power companies. Of the struggle, Kerwin relates:

"It is the old story. When clever legal representatives of rich corporations could fashion their arguments to play upon those prejudices of legislators built upon theories of state sovereignty or of *laissez faire*, they were all but invincible."

The conflict in Congress was prolonged and extremely bitter. The conservationists never wavered in their support of strong Federal control of the development of the Nation's vast water resources. To them credit should be given for the passage of the Federal Water Power Act of 1920 which is essentially a conservation measure.

This act created the Federal Power Commission and gave it authority to license, for not more than 50 years, water-power developments located on lands of the United States and waters subject to Federal control. It recognized such hydroelectric development to be essentially a public business that might be entrusted to private enterprise to the extent it served the predominant public interest in the development of the Nation's water resources in an orderly, comprehensive manner in harmony with the best interests of the public.

The Power Act provides for the right of the United States to take over projects at the end of the license period. The Government may exercise this right of recapture only upon the condition that before taking possession it shall pay the net investment of the licensee in the project or projects taken, not to exceed the fair value of the property. Provision is made for commission supervision over the accounting of the licensee and for the regulation of services and rates in the absence of any such State regulation. Inflation of project costs through valuations placed on good will, going value, prospective revenues, or on water rights and lands in excess of the actual reasonable cost of such properties at the time of acquisition is prohibited.

In issuing preliminary permits or licenses for water-power developments, the commission is required by the act to give preference to applications of States and municipalities. Whenever the development of any project should, in the judgment of the commission, be undertaken by the United States, itself, the Commission is directed, after investigation, to submit its findings to Congress with recommendations for construction of the project.

Let us consider the scope of the Commission's licensing jurisdiction. The authority delegated under the act rests ultimately upon the right of Congress: (1) To require its consent before anyone may occupy power sites located on lands of the United States, and (2) to require its consent for the use of waters subject to Federal control under the interstate commerce clause of the Constitution.

Article I, section 8, clause 3, of the Constitution provides: "The Congress shall have power * * * to regulate commerce with foreign nations, and among the several States, and with the Indian tribes; * * *."

It is interesting to note that, historically, this power of the Federal Government resulted from the third great compromise of the Constitutional Convention. New England wanted the Central Government to have control over foreign commerce and over commerce between the States. South Carolina and Georgia wanted that matter left to the States. New England wanted the slave trade abolished at once and slavery abolished in 1808. The two Carolinas would not enter the Union unless the question of slavery was left to the States, but were willing to consent that the slave trade be abolished at the time named by New England. With reference to this compromise, Young, in his *The American Statesman*, gives the following account of how the question of Federal control over interstate commerce was settled: "Thus, by an understanding, or, as Gouverneur Morris called it, 'a bargain,' between the commercial representatives of the Northern States, and the delegates of South Carolina and Georgia, and in spite of the opposition of Maryland and Virginia, the unrestricted power of Congress to pass navigation laws was conceded to the northern merchants, and to the Carolina rice planters, as an equivalent, 20 years' continuance of the African slave trade."

What is the nature and extent of the Commission's jurisdiction when no public lands are involved and when constitutional authority must rest solely on the commerce clause?

Undoubtedly, the authors of this clause contemplated that the Federal Government would have authority to prevent the States from interfering with the freedom of commercial intercourse between themselves or with foreign nations. The clause itself, however, contains no such limitation. It contains an express grant of power to Congress to regulate commerce.

Chief Justice Marshall, in the early case of *Gibbons v. Ogden* (1824),⁵ decided that commerce under the Constitution comprehended navigation, and that "a power to regulate navigation is as expressly granted as if that term had been added to the word 'commerce.'" It followed therefrom that Congress might regulate the navigable waterways as highways of interstate commerce.

Congress has declared in the Federal Water Power Act of 1920, as amended, that it shall be unlawful to construct and operate a hydroelectric development "across, along, or in any of the navigable waters of the United States" without a license issued by the commission.

Prior to its decision in the *New River case*, the Supreme Court of the United States, in *The Montello case* (1874),⁶ said that though there had been rapids and falls with carrying places in the Fox River in Wisconsin, the lower court erred in ruling that the stream was not navigable before it was improved, on the ground there were obstructions to unbroken navigation. In refusing to accept the tests of navigability adopted by the trial court, it further stated:

"* * * for it would exclude many of the great rivers of the country which were so interrupted by rapids as to require artificial means to enable them to be navigated without break. Indeed, there are but few of our fresh-water rivers which did not originally present serious obstructions to an uninterrupted navigation. In some cases, like the Fox River, they may be so great while they last as to prevent the use of the best instrumentalities for carrying on commerce, but the vital and essential point is whether the natural navigation of the river is such that it affords a channel for useful commerce. If this be so the river is navigable in fact, although its navigation may be encompassed with difficulties by reason of natural barriers, such as rapids and sand bars."

And in *Economy Light & Power Co. v. United States* (1921),⁷ the highest court in the land stated:

"* * * Navigability, in the sense of the law, is not destroyed because the watercourse is interrupted by occasional natural obstructions or portages; nor need the navigation be open at all seasons of the year, or at all stages of the water."

In this case it was contended that the Des Plaines River in Illinois had lost its character as a navigable stream, but the court, speaking through Mr. Justice Pitney, said:

"The Des Plaines River, after being of practical service as a highway of commerce for a century and a half, fell into disuse, partly through changes in the course of trade or methods of navigation, or changes in its own condition, partly as the result of artificial obstructions. In consequence, it has been out of use for a hundred years; but a hundred years is a brief space in the life of a nation; improvements in the methods of water transportation or increased cost in other methods of transportation may restore the usefulness of this stream; since it is a natural interstate waterway, it is within the power of Congress to improve it at the public expense; and it is not difficult to believe that many other streams are in like condition and require only the exertion of Federal control to make them again important avenues of commerce among the States. *If they are to be abandoned, it is for Congress, not the courts, so to declare.* * * * [Italics supplied.]

Moreover, the Supreme Court, in *United States v. Rio Grande Dam and Navigation Company* (1899),⁸ in construing the Rivers and Harbors Act of 1890 prohibiting "the creation of any obstruction, not affirmatively authorized by law, to the navigable capacity of any waters, in respect of which the United States has jurisdiction," held that Congress could control the erection of structures in non-navigable tributaries which might affect the navigability of the waters into which the tributaries flow. In addition, Congress, in the Federal Water Power Act of 1920, as amended, defined for the first time "navigable waters of the United States."⁹

⁵ 9 Wheat. 1.

⁶ 20 Wall. 430, 442-3.

⁷ 256 U. S. 113, 122, 124.

⁸ 174 U. S. 690.

⁹ Sec. 3 (5). "'Navigable waters' means those parts of streams or other bodies of water over which Congress has jurisdiction under its authority to regulate commerce with foreign nations and among the several States, and which either in their natural or improved condition, notwithstanding interruptions between the navigable parts of such streams or waters by falls, shallows, or rapids compelling land carriage, are used or suitable for use for the transportation of persons or property in interstate or foreign commerce, including therein all such interrupting falls, shallows, or rapids, together with such other parts of streams as shall have been authorized by Congress for improvement by the United States or shall have been recommended to Congress for such improvement after investigation under its authority; * * *'" [16 U. S. C. A. sec. 796.]

It was with this background of judicial pronouncement and congressional declaration that the Supreme Court considered the contentions made with respect to jurisdiction of the Federal Power Commission in the *Appalachian Electric Power Company case*. The company had refused to accept a standard license for the construction and operation of its hydroelectric plant on the New River near Radford, Va., as required by the provisions of the Power Act. The company contended, among other things, that the river was not navigable in fact and hence not navigable in law. It also challenged statutory conditions for a license among which are included sections 10 (a), requiring that the project be best adapted to a comprehensive plan for improving or developing the waterway for the use or benefit of interstate commerce, for the improvement and utilization of waterpower development, and for beneficial public uses, including recreational purposes; 10 (c), requiring the licensee to maintain a project adequately for navigation and for efficient power operation and to maintain depreciation reserves adequate for renewals and replacements; 10 (d), requiring that out of surplus earned after the first 20 years above a specified reasonable rate of return, licensee must maintain amortization reserves to be applied in the reduction of net investment; 10 (e), requiring the payment to the United States of reasonable annual charges; and 14, giving the United States the right, upon expiration of the license, to take over and operate the project by paying the licensee the "net investment" as defined, not to exceed the fair value of the property taken.

Forty-one States through their attorneys general joined the company in denying the authority of the commission. Notwithstanding that the trial court had found in favor of the company, Mr. Justice Reed, speaking for a majority of the court,¹⁰ in sweeping aside respondent's claims and the contention of the States, stated:

"The power of the United States over its waters * * * arises from the commerce clause of the Constitution. * * * The Federal Government has domination over the water power inherent in the flowing stream. It is liable to no one for its use or nonuse. The flow of a navigable stream is in no sense private property. * * * Exclusion of riparian owners from its benefits without compensation is entirely within the Government's discretion. * * * It is quite true that the criticized provisions summarized above are not essential to or even concerned with navigation as such. * * * In our view, *it cannot properly be said that the constitutional power of the United States over its waters is limited to control for navigation.* * * * *Flood protection, watershed development, recovery of the cost of improvements through utilization of power are likewise parts of commerce control.* * * * That authority is as broad as the needs of commerce. * * * The license conditions to which objection is made have an obvious relationship to the exercise of the commerce power. * * * In our view this "is the price which (respondents) must pay to secure the right to maintain their dams." * * * Such an acquisition or such an option to acquire is not an invasion of the sovereignty of a State. At the formation of the Union, the States delegated to the Federal Government authority to regulate commerce among the States. *So long as the things done within the States by the United States are valid under that power, there can be no interference with the sovereignty of the State.* [Italics supplied.] (1940) 36 PUR (NS) at pp. 135, 146-149.)

This pronouncement of the court will serve as a constitutional beacon light in the field of conservation.

The decision is a most stimulating statement, one that should stir the heart of every true conservationist. It is judicial statesmanship at its best.

Congress has heretofore recognized, and now the Supreme Court places its imprimatur upon the fundamental concept that the water resources of America—the totality of things inherent in and related to proper watershed development, long illusory—belong to, and may be realized and possessed by, the people of America.

Merely to recite the plain implications of the New River decision makes obvious its tremendous importance. It brushes aside many uncertainties of the past and with refreshing courage brings sound legal reasoning to support the almost evangelical program of the early conservationists that the water resources of the Nation should be conserved and utilized in the public interest.

An orderly development of our water resources would appear to require exercise of Federal authority over projects located upon non-navigable reaches or tributaries of streams wherein such construction and operation will affect the downstream navigable capacity of any river. Otherwise, the benefits accruing from developments under license on the lower waters, in many instances, could be

¹⁰ Messrs. Justice Roberts and McReynolds dissenting. Hughes, C. J., not participating.

destroyed through the construction and operation of upstream projects; the comprehensive development of a river basin for the maximum possible benefit to the public of the water resources of the region, might be thwarted; and navigation in the lower reaches seriously impaired.

In this regard, attention is invited to the authority and responsibility of the Commission under section 4 (a) of the act, as amended.

"To make investigations and to collect and record data concerning the utilization of the water resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development costs, and relation to markets of power sites, and whether the power from Government dams, can be advantageously used by the United States for its public purposes, and what is a fair value of such power, to the extent the Commission may deem necessary or useful for the purposes of this act [16 U. S. C. A. sec. 797]."

In addition, section 10 (a), as amended, states that all licenses issued under this part will be on the following conditions:

"That the project adopted, including the maps, plans, and specifications, shall be such as in the judgment of the Commission will be best adapted to a comprehensive plan for improving or developing a waterway or waterways for the use or benefit of interstate or foreign commerce, for the improvement and utilization of water-power development, and for other beneficial public uses, including recreational purposes; and if necessary in order to secure such plan the Commission shall have authority to require the modification of any project and of the plans and specifications of the project works before approval [16 U. S. C. A. sec. 803]."

Congress has here, with regard to proposed water-power projects to be licensed and regions to be developed, expressed very broad objectives for attainment. To meet these requires a comprehensive study of the entire river basin. This, obviously, is essential to make certain that a proposed development will not only conserve and utilize to the fullest possible extent the power resources of a particular site, but also will be an integral part of a comprehensive plan to conserve and utilize in the public interest all the water resources of the entire river basin. Licensing authority over merely the developments on "navigable waters," defined as we have noted, would appear insufficient if the objectives expressed by Congress are to be attained.

Congress has not so limited its grant of licensing authority. It has provided in section 23 (b) of the act, as amended,

"* * * Any person, association, corporation, state, or municipality intending to construct a dam or other project works across, along, over, or in any stream or part thereof, other than those defined herein as navigable waters, and over which Congress has jurisdiction under its authority to regulate commerce with foreign nations and among the several States shall before such construction file declaration of such intention with the Commission, whereupon the Commission shall cause immediate investigation of such proposed construction to be made, and if upon investigation it shall find that the interests of interstate or foreign commerce would be affected by such proposed construction such person, association, corporation, State, or municipality shall not construct, maintain, or operate such dam or other project works until it shall have applied for and shall have received a license under the provisions of this act. If the commission shall not so find, and if no public lands or reservations are affected, permission is hereby granted to construct such dam or other project works in such stream upon compliance with State laws [16 U. S. C. A. sec. 817]."

Under this section of the act, the Commission performs a function of jurisdictional fact finding. In this regard it is interesting to note that of the 158 declarations of intention filed since its creation in 1920, the Commission has found in approximately half of them that the construction proposed would not affect the interests of interstate or foreign commerce. Thus, a large number of the proposed projects were not required to be placed under Federal license.

The Supreme Court action in the *New River* case may well cause inquiry concerning the number of unlicensed power projects that may fall within the scope of the decision, those requiring Federal license. That there are a great number of unlicensed projects now in operation is no secret, how many are within the rule announced by the court remains undetermined. The Court having clarified the situation with regard to riparian owners and the States themselves, it is hoped that any owner or operator of an unlicensed project, located upon navigable waters of the United States within the definition of the *New River* case, will assist the Commission in discharging its duties by applying for a license.

Today, our Nation has a population in excess of 130,000,000 people. We must be mindful that our ever-expanding society has increasing requirements for

electric energy. True, we have the Tennessee Valley Authority, Bonneville, Grand Coulee, and many privately owned, Federally licensed projects utilizing a portion of our water resources. These, however, are capable of developing but a small part of the total water resources of the Nation. In fact, the projects now constructed and in operation provide but a small part of our energy requirements during normal times.

To meet the growing demands of national emergency may well require the construction of additional hydroelectric projects. Their construction by Federal, State, or municipal agencies, or by private companies under Federal license, will be not only of great aid to the national defense and materially assist in the conservation and utilization of our water resources, but provide added capacity for normal needs.

The total installed capacity of water-power plants in the United States was in excess of 11,500,000 kilowatts at the end of 1940 and the energy output therefrom during the past year totaled more than 46,500,000,000 kilowatt-hours. Less than 20 percent of the water-power resources of the United States is developed. It is estimated that undeveloped water-power sites exist in this country having five times the capacity now in use, with estimated annual energy output therefrom of 273,000,000,000 kilowatt-hours. This amount of undeveloped energy is nearly twice the total amount of electric energy generated and consumed in the entire United States during last year. These figures present a picture of national waste and public blindness. Conservation and utilization of this "white coal" are essential to the progressive development of the Nation and the improvement of our economic and social conditions generally. As a willing servant, this potential energy can be substituted in part for exhaustible fuels. A sound national economy, in the years to come, would appear, therefore, to require progressive stream planning and orderly development of the water resources of the country. This will ultimately bring to all of our people maximum benefits from multiple-purpose projects combining, where possible, facilities for navigation, flood control, irrigation, recreation, pollution abatement, and the generation of electric energy.

Streams, river basins, and watersheds are unaware of State boundaries, and their proper development cannot be confined thereto. Rains fall and snows blanket the slopes of our mountains without regard to State lines. These blessings of nature are bestowed without regard for political subdivisions. The founding fathers worried little about flood control; yet, today, it has become a real problem requiring the construction of many control works and large projects to protect people and property located in cities built upon the flood plains of our streams. Use of electric energy was unheard of by those who wrote the Constitution. Its use for industrial and domestic purposes, so essential today, was not in contemplation or within the minds of those who wrote the commerce clause. Little did the men who fought at Valley Forge, Guilford Courthouse, and Yorktown dream that some day electric energy would be the most essential thing required in the production of airplanes, ships, tanks, and other armaments so urgently needed for an adequate national defense.

Yet, the framers of the Constitution were conscious that they were preparing a document for the ages, not one adapted only for the exigencies of the time. It was Hamilton who stated:¹¹

"* * * we must bear in mind that we are not to confine our view to the present period, but to look forward to remote futurity. * * * Nothing, therefore, can be more fallacious than to infer the extent of any power, proper to be lodged in the National Government, from an estimate of its immediate necessities. There ought to be a capacity to provide for future contingencies as they may happen; and as these are illimitable in their nature, it is impossible to safely limit that capacity."

The Supreme Court, by upholding the act, has made it possible to harness the subtle magic of water power in America. The hand of destiny beckons to an awakening citizenry cognizant of the potentialities of this energy source. I venture to predict that the realization of the maximum development of our water resources will ultimately prove to be the anchor rock of our democracy.

A statesman of the past has stated:

"Ideals are like stars; you will not succeed in touching them with your hands. But like the seafaring man on the desert of waters, you choose them as your guides, and following them you will reach your destiny."

¹¹ The Federalist, No. XXXII.

SUPREME COURT OF THE UNITED STATES

No. 12.—OCTOBER TERM, 1940.

The United States of America, Petitioner, vs. Appalachian Electric Power Company.	}	On Writ of Certiorari to the United States Circuit Court of Appeals for the Fourth Circuit.
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[December 16, 1940.]

Mr. Justice REED delivered the opinion of the Court.

This case involves the scope of the federal commerce power in relation to conditions in licenses, required by the Federal Power Commission, for the construction of hydroelectric dams in navigable rivers of the United States. To reach this issue requires, preliminarily, a decision as to the navigability of the New River, a water-course flowing through Virginia and West Virginia. The district court and the circuit court of appeals have both held that the New River is not navigable, and that the United States cannot enjoin the respondent from constructing and putting into operation a hydroelectric dam situated in the river just above Radford, Virginia.

Sections 9 and 10 of the Rivers and Harbors Act of 1899 make it unlawful to construct a dam in any navigable water of the United States without the consent of Congress.¹ By the Federal Water Power Act of 1920,² however, Congress created a Federal Power Commission with authority to license the construction of such dams upon specified conditions. Section 23 of that Act provided that persons intending to construct a dam in a nonnavigable stream may file a declaration of intention with the Commission. If after investigation the Commission finds that the interests of interstate or foreign commerce will not be affected, permission shall be granted for the construction. Otherwise construction cannot go forward without a license.

The Radford Dam project was initiated by respondent's predecessor, the New River Development Company, which filed its declaration of intention with the Federal Power Commission on June 25, 1925. The Commission requested a report from General Harry Taylor, then Chief of Engineers of the War Department. He first reported that the river was navigable, and also that while the water flow from the dam, if not properly regulated, could have an adverse effect on navigation during low water stages in the Kanawha River (of which the New was one of the principal tributaries), such possible adverse effect would not warrant refusing a license to construct the dam if control was maintained by the United States. On review at the Commission's request, however, General Taylor rendered a second report, concluding that the New River in its present condition was not navigable and that navigation on the Kanawha would not be adversely affected by the proposed power development. On March 2, 1926, the Commission held a hearing on the declaration; the only evidence then submitted was General Taylor's second report.

Respondent, the Appalachian Electric Power Company, took an assignment of the declaration of intention on August 30, 1926, and several days later filed an application for a license on the Commission's suggestion that this would expedite matters and could be withdrawn if it later developed that no federal license was required. In October, the district engineer of the War Department held a public hearing at Radford. On June 1, 1927, the Commission made a finding that the New River was not "navigable waters" within the definition in section 3 (8) of the Federal Water Power Act of 1920 but that (under section 23 of the Act) the project would affect the interests of interstate and foreign commerce. On July 1, 1927, the Commission tendered to respondent a standard form license which the respondent refused in April, 1928, principally on the ground that the conditions—especially those concerning rates, accounts and eventual acquisition—were unrelated to navigation. In February, 1930, respondent reiterated that its project was not within the Commission's jurisdiction, but nevertheless offered to accept a "minor-part" license³ containing only such conditions as would protect

¹ 30 Stat. 1151, 33 U. S. C. §§ 401, 403.² 41 Stat. 1063. The Act was amended by 49 Stat. 838 (1935), U. S. C. Supp. V, Title 16, § 791 *et seq.*, by which it became known as the Federal Power Act.³ Section 10 (i).

the interests of the United States in navigation. In September, 1930, Attorney General Mitchell advised the Commission that it could properly issue such a minor-part license;⁴ the question submitted by the Commission had stated that the New River was neither navigated nor navigable in fact. On November 25, the Commission "declined to take action on the application favorable or adverse," on the ground that a court adjudication was desirable. After the establishment of the Commission as an independent agency,⁵ it held another hearing in February, 1931; in April it denied the application for a minor-part license, directed that the respondent be tendered a standard form license under the Act, and ordered it not to proceed without such a license. A minority of the Commission then favored a finding that the New River was navigable; the majority, however, thought that question was for the courts and that the Commission's jurisdiction was properly based upon section 23 of the Federal Water Power Act.

On June 8, 1931, the respondent brought an action against the Commission to remove a cloud on its title and to restrain interference with the use of its property. This case was dismissed for jurisdictional reasons.⁶ While it was pending, on October 12, 1932, the Commission without notice adopted a resolution that the New River, from the mouth of Wilson Creek, Virginia, north, was navigable.

The respondent began construction work on the dam about June 1, 1934. On May 6, 1935, the United States filed this bill for an injunction against the construction or maintenance of the proposed dam otherwise than under a license from the Federal Power Commission, and in the alternative a mandatory order of removal. It alleged that the New River is navigable; that the dam would constitute an obstruction to navigation and would impair the navigable capacity of the navigable waters of the United States on the New, Kanawha and Ohio Rivers; that the Commission had found the dam would affect the interests of interstate or foreign commerce; and that its construction therefore violated both the Rivers and Harbors Act and the Federal Water Power Act. Respondent denied these allegations, and also set forth a number of separate defenses based on the assumption that the New River was nonnavigable. The fortieth and forty-first paragraphs of the answer, however, set forth defenses relied on by the respondent even if the river were held navigable. The substance of these was (1) that the conditions of any federal license must be strictly limited to the protection of the navigable capacity of the waters of the United States; and (2) that the Commission's refusal to grant the minor-part license containing only such conditions was unlawful, and that any relief should be conditioned upon the Commission's granting respondent such a license. By these defenses respondent put in question—in the event of an adverse holding on navigability—the validity of the conditions of the Act carried over into the standard form license which relate to accounts, control of operation and eventual acquisition of the project at the expiration of the license.

After trial, in an opinion reinforced by formal findings of fact and law, the district court decided that the New River is not a navigable water of the United States; that respondent's dam would not obstruct the navigable capacity of the Kanawha or any other navigable river, and would not affect the interests of interstate commerce; that the Power Commission's findings on these matters were not final but subject to the determination of the courts;⁷ that the Federal Water Power Act did not vest in the Commission authority to require a license in a non-navigable river; that even if the Commission had authority to require some license for a dam in nonnavigable waters, it could not impose conditions having no relation to the protection of the navigable capacity of waters of the United States; and that its effort to impose upon respondent a license containing unlawful conditions barred the United States from relief. The district judge therefore dismissed the bill, but left it open to the Government to assert its rights if future operation of the project interfered with the navigable capacity of the waters of the United States. The circuit court of appeals, with one judge dissenting, affirmed. We granted certiorari.⁸

Concurrent Findings.—The district court's finding that the New River was not navigable was concurred in by the circuit court of appeals after a careful appraisal

⁴ 36 Op. A. G. 355.

⁵ Originally it consisted of three cabinet officers, ex officio: the Secretaries of War, Interior, and Agriculture. By 46 Stat. 797 it was reorganized into an independent Commission with five members. The new Commission began to function on December 22, 1930.

⁶ *Appalachian Electric Power Co. v. Smith*, 67 F. (2d) 451, cert. denied, 291 U. S. 674.

⁷ In both courts below the Government unsuccessfully urged that the findings of the Commission, if supported by substantial evidence, were conclusive. Although it still regards this contention as correct, the Government does not seek to have this Court pass on it in this case.

⁸ 309 U. S. 646.

of the evidence in the record.⁹ Both courts stated in detail the circumstantial facts relating to the use of the river and its physical characteristics, such as volume of water, swiftness and obstructions. There is no real disagreement between the parties here concerning these physical and historical evidentiary facts. But there are sharp divergencies of view as to their reliability as indicia of navigability and the weight which should be attributed to them. The disagreement is over the ultimate conclusion upon navigability to be drawn from this uncontroverted evidence.

The respondent relies upon this Court's statement that "each determination as to navigability must stand on its own facts,"¹⁰ and upon the conventional rule that factual findings concurred in by two courts will be accepted by this Court unless clear error is shown.¹¹

In cases involving the navigability of water courses, this Court, without expressly passing on the finality of the findings, on some occasions has entered into consideration of the facts found by two courts to determine for itself whether the courts have correctly applied to the facts found the proper legal tests.¹² When we deal with issues such as these before us, facts and their constitutional significance are too closely connected to make the two-court rule a serviceable guide. The legal concept of navigability embraces both public and private interests. It is not to be determined by a formula which fits every type of stream under all circumstances and at all times. Our past decisions have taken due account of the changes and complexities in the circumstances of a river. We do not purport now to lay down any single definitive test. We draw from the prior decisions in this field and apply them, with due regard to the dynamic nature of the problem, to the particular circumstances presented by the New River. To these circumstances certain judicial standards are to be applied for determining whether the complex of the conditions in respect to its capacity for use in interstate commerce render it a navigable stream within the Constitutional requirements. Both the standards and the ultimate conclusion involve questions of law inseparable from the particular facts to which they are applied.

Navigability. The power of the United States over its waters which are capable of use as interstate highways arises from the commerce clause of the Constitution. "The Congress shall have Power . . . To regulate Commerce . . . among the several States." It was held early in our history that the power to regulate commerce necessarily included power over navigation.¹³ To make its control effective the Congress may keep the "navigable waters of the United States" open and free and provide by sanctions against any interference with the country's water assets.¹⁴ It may legislate to forbid or license dams in the waters;¹⁵ its power over improvements for navigation in rivers is "absolute."¹⁶

The states possess control of the waters within their borders, "subject to the acknowledged jurisdiction of the United States under the Constitution in regard to commerce and the navigation of the waters of rivers."¹⁷ It is this subordinate local control that, even as to navigable rivers, creates between the respective governments a contrariety of interests relating to the regulation and protection of waters through licenses, the operation of structures and the acquisition of projects at the end of the license term. But there is no doubt that the United States possesses the power to control the erection of structures in navigable waters.

The navigability of the New River is, of course, a factual question¹⁸ but to call it a fact cannot obscure the diverse elements that enter into the application of the legal tests as to navigability. We are dealing here with the sovereign powers of the Union, the Nation's right that its waterways be utilized for the interests of the commerce of the whole country. It is obvious that the uses to which the streams may be put vary from the carriage of ocean liners to the floating out of logs;¹⁹ that the density of traffic varies equally widely from the busy

⁹ 107 F. (2d) 769, 780, 787.

¹⁰ *United States v. Utah*, 283 U. S. 64, 87.

¹¹ *Brewer Oil Co. v. United States*, 260 U. S. 77, 86; e. g., *Alabama Power Co. v. Ickes*, 302 U. S. 464, 477; *Pick Mfg. Co. v. General Motors Corp.*, 299 U. S. 3; *Texas & N. O. R. Co. v. Ry. Clerks*, 281 U. S. 548, 558; *United States v. Donnell*, 303 U. S. 501, 509.

¹² *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 699; *Leovy v. United States*, 177 U. S. 621; *Economy Light Co. v. United States*, 256 U. S. 113, 117; *United States v. Holt Bank*, 270 U. S. 49, 55.

¹³ *Gilbons v. Opend*, 9 Wheat. 1, 18; *Leovy v. United States*, 177 U. S. 621, 632.

¹⁴ *Gilman v. Philadelphia*, 3 Wall. 713, 721-25; *United States v. Coombs*, 12 Pet. 72, 78.

¹⁵ *Wilson v. The Black Bird Creek Marsh Co.*, 2 Pet. 245, 250; *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 703.

¹⁶ *United States v. River Rouge Co.*, 269 U. S. 411, 419.

¹⁷ *Water Power Co. v. Water Commissioners*, 168 U. S. 349, 366; *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 702.

¹⁸ *Arizona v. California*, 283 U. S. 423, 452.

¹⁹ *The Montello*, 20 Wall. 430, 441.

harbors of the seacoast to the sparsely settled regions of the Western mountains.²⁰ The tests as to navigability must take these variations into consideration.

Both lower courts based their investigation primarily upon the generally accepted definition of *The Daniel Ball*.²¹ In so doing they were in accord with the rulings of this Court on the basic concept of navigability.²² Each application of this test, however, is apt to uncover variations and refinements which require further elaboration.

In the lower courts and here, the Government urges that the phrase "susceptible of being used, in their ordinary condition," in the *Daniel Ball* definition, should not be construed as eliminating the possibility of determining navigability in the light of the effect of reasonable improvements. The district court through the argument inapplicable.²³

The circuit court of appeals said:

"If this stretch of the river was not navigable in fact in its unimproved condition, it is not to be considered navigable merely because it might have been made navigable by improvements which were not in fact made. Of course if the improvements had been made the question of fact might have been different."²⁴

To appraise the evidence of navigability on the natural condition only of the waterway is erroneous. Its availability for navigation must also be considered. "Natural and ordinary conditions"²⁵ refers to volume of water, the gradients and the regularity of the flow. A waterway, otherwise suitable for navigation, is not barred from that classification merely because artificial aids must make the highway suitable for use before commercial navigation may be undertaken. Congress has recognized this in section 3 (8) of the Water Power Act by defining "navigable waters" as those "which either in their natural or improved condition" are used or suitable for use. The district court is quite right in saying there are obvious limits to such improvements as affecting navigability. These limits are necessarily a matter of degree.²⁶ There must be a balance between cost and need at a time when the improvement would be useful. When once found to be navigable, a waterway remains so.²⁷ This is no more indefinite than a rule of navigability in fact as adopted below based upon "useful interstate commerce" or "general and common usefulness for purposes of trade and commerce" if these are interpreted as barring improvements.²⁸ Nor is it necessary that the improvements should be actually completed or even authorized. The power of Congress over commands is not to be hampered because of the necessity for reasonable improvements to make an interstate waterway available for traffic.

Of course there are difficulties in applying these views. Improvements that may be entirely reasonable in a thickly populated, highly developed, industrial region may have been entirely too costly for the same region in the days of the pioneers. The changes in engineering practices or the coming of new industries with varying classes of freight may affect the type of the improvement. Although navigability to fix ownership of the river bed²⁹ or riparian rights³⁰ is determined as the cases just cited in the notes show, as of the formation of the Union in the original states or the admission to statehood of those formed later, navigability, for the purpose of the regulation of commerce, may later arise.³¹ An analogy is

²⁰ *United States v. Utah*, 283 U. S. 64, 63.

²¹ 10 Wall. 537, 563.

" . . . These rivers must be regarded as public navigable rivers in law which are navigable in fact. And they are navigable in fact when they are used, or are susceptible of being used, in their ordinary condition, as highways for commerce, over which trade and travel are or may be conducted in the customary modes of trade and travel on water. And they constitute navigable waters of the United States within the meaning of the acts of Congress, in contradistinction from the navigable waters of the States, when they form in their ordinary condition by themselves, or by uniting with other waters, a continued highway over which commerce is or may be carried or with other States or foreign countries in the customary modes in which such commerce is conducted by water."

²² *United States v. Appalachian Electric Power Co.*, 23 F. Supp. 83, 98; same, 107 F. (2d), 769, 780.

²³ *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 698; *Brewer Oil Co. v. United States*, 260 U. S. 77, 86; *United States v. Holt Bank*, 270 U. S. 49, 56; *United States v. Utah*, 283 U. S. 64, 76; *United States v. Oregon*, 295 U. S. 1, 15.

²⁴ 23 F. Supp. at 99-100.

²⁵ 107 F. (2d) at 786.

²⁶ *United States v. Oregon*, 295 U. S. 1, 15.

²⁷ Thus in the *Rio Grande* case, the record contained reports of army engineers that improvements necessary to make the river navigable would be financially, if not physically, impracticable because of the many millions of dollars that would be required. The supreme court of the Territory of New Mexico observed that "the navigability of a river does not depend upon its susceptibility of being so improved by high engineering skill and the expenditure of vast sums of money, but upon its natural present conditions" (9 N. M. 292, 299). This Court agreed that too much improvement was necessary for the New Mexico stretch of the river to be considered navigable. *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 699.

²⁸ *Economy Light Co. v. United States*, 256 U. S. 113.

²⁹ See 107 F. (2d) at 780.

³⁰ *Shively v. Bowlby*, 152 U. S. 1, 18 and 26; *United States v. Utah*, 283 U. S. 64, 75.

³¹ *Oklahoma v. Texas*, 258 U. S. 574, 591, 594; *United States v. Oregon*, 295 U. S. 1, 14.

³² *Cl. United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 699.

found in admiralty jurisdiction,³² which may be extended over places formerly nonnavigable.³³ There has never been doubt that the navigability referred to in the cases was navigability despite the obstruction of falls, rapids, sand bars, carries or shifting currents.³⁴ The plenary federal power over commerce must be able to develop with the needs of that commerce which is the reason for its existence. It cannot properly be said that the federal power over navigation is enlarged by the improvements to the waterways. It is merely that improvements make applicable to certain waterways the existing power over commerce.³⁵ In determining the navigable character of the New River it is proper to consider the feasibility of interstate use after reasonable improvements which might be made.³⁶

Nor is it necessary for navigability that the use should be continuous. The character of the region, its products, and the difficulties or dangers of the navigation influence the regularity and extent of the use.³⁷ Small traffic compared to the available commerce of the region is sufficient.³⁸ Even absence of use over long periods of years, because of changed conditions, the coming of the railroad or improved highways does not affect the navigability of rivers in the constitutional sense.³⁹ It is well recognized too that the navigability may be of a substantial part only of the waterway in question.⁴⁰ Of course, these evidences of nonnavigability in whole or in part are to be appraised in totality to determine the effect of all. With these legal tests in mind we proceed to examine the facts to see whether the 111-mile reach of this river from Allisonia to Hinton, across the Virginia-West Virginia state line, has "capability of use by the public for the purposes of transportation and commerce."⁴¹

Physical Characteristics. New River may be said to assume its character as such at the mouth of Wilson Creek near the North Carolina-Virginia line. From that point it flows first in a northeast and then in a northwest direction something over 250 miles to Kanawha Falls, West Virginia. It passes through Allisonia and Radford, Virginia, and then Hinton, West Virginia. It is joined by many tributaries, the largest of which is the Gauley. At Kanawha Falls it changes its name to the Kanawha, a navigable river of commercial importance which joins the Ohio 97 miles below. The whole territory traversed by the New is broken and mountainous. Between Hinton and Kanawha Falls, the river is swift and the gorge precipitous. Above Hinton the river flows more slowly, through a broader valley and between less rugged mountains. The same may be said of the area above Radford. Throughout the river there is an abundance of water, and the respondent hardly denies that the flowage suffices if other conditions made the New available for navigation.⁴²

It will conserve discussion to appraise the navigability of the 111-mile stretch between Allisonia and Hinton in three sections which together form the whole reach between these points: the 28 miles from Allisonia to Radford, which the United States improved between 1876 and 1883; the 59-mile stretch from Radford to Wiley's Falls, Virginia, never improved except at Wiley's Falls itself; and the 24 miles from Wiley's Falls across the state line to Hinton, West Virginia, which, like the upper section, the Government improved during 1876-1883. We shall examine chiefly the disputed middle section, for as to the others the evidence of navigability is much stronger and that of obstructions much weaker. For instance, the report of the Chief of Engineers for 1873 refers to certain keelboats operating on the river, and his report for 1883 shows that 17 keelboats operated above Hinton. Keelboats were flat-bottomed bateaux, 50 to 70 feet long, with a draft of two feet and a carrying capacity varying up to 10 or 12 tons. They were used commercially to transport lumber, tobacco and other products of the region. The evidence is clear that these bateaux plied from Hinton up to near Glen Lyn with fair regularity through the first decade of this century and well

³² Art. III, section 2, cl. 1. Cf. *Genesee Chief v. Fitzhugh*, 12 How. 443.

³³ *The Robert W. Parsons*, 191 U. S. 17, 28; *Ex parte Boyer*, 109 U. S. 629; *Marine Transit Co. v. Dreyfus*, 284 U. S. 263, 271-72.

³⁴ *The Montello*, 20 Wall. 430, 442-43; *Economy Light Co. v. United States*, 256 U. S. 113, 122; *United States v. Utah*, 283 U. S. 64, 86. See also *Mr. Justice McLean in Spooner v. McConnell*, 22 Fed. Cas. No. 13,245, at p. 944 (C. C. D. Ohio 1838).

³⁵ Illustrative of this natural growth is *United States v. Cross*, 243 U. S. 316, involving riparian proprietors' rights whose improvements raise the river level so that uplands are newly and permanently subjected to the servitude of public use for navigation. Compensation was decreed for the taking with a declaration that the waterways in question, as artificially improved, remained navigable waters of the United States (pp. 325 and 326). Cf. *Arizona v. California*, 283 U. S. 423, 454.

³⁶ Cf. *Barnes v. United States*, 46 Ct. Cl. 7, 28.

³⁷ *United States v. Utah*, 283 U. S. 64; *Arizona v. California*, 283 U. S. 423, 452-54.

³⁸ *United States v. Utah*, 283 U. S. 64, 82.

³⁹ *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 329.

⁴⁰ *Economy Light Co. v. United States*, 256 U. S. 113, 124; *Arizona v. California*, 283 U. S. 423, 453.

⁴¹ Cf. *The Montello*, 20 Wall. 430, 441.

⁴² See 23 F. Supp. at 91.

into the second; timber and lumber in large quantities apparently were boated and rafted down to Hinton from various up-river points below Glen Lyn until about the beginning of the World War.⁴³ Around and above Radford the Chief of Engineers reported two keelboats operating in 1881, eight in 1882, and eight together with a small steamboat in 1883. The corroborating testimony of many witnesses shows that in the 80s these boats carried iron ore and pig iron, as well as produce and merchandise, between Allisonia and New River Bridge, which is a little above Radford.⁴⁴ At the Hinton and New River Bridge railroad stations, freight brought in by the keelboats or other river craft was transhipped, and freight arriving by rail was forwarded by river.

We come then to a consideration of the crucial stretch from Radford to below Wiley's Falls where junction is made with the interstate reach from Wiley's Falls to Hinton. In the report of the Secretary of War for 1872 appears Hutton's useful mile-by-mile survey of the river from above Allisonia to the mouth of the Greenbrier, which is nearly down to Hinton. It was made as a basis for plans to improve the New by federal appropriation.⁴⁵ This survey designates the Radford-Wiley's Falls stretch as "mile 46" to "mile 104" inclusive. Eighteen of these miles have grades falling, gradually or abruptly, more than four feet in the mile. Several of these where there are rapids or falls show drops of eight, nine and in one instance 11½ feet. The higher footage represents, of course, miles in which small falls are found. Between these more precipitous sections are many miles of what is called "good water," with a gradual fall of 4 feet or less. Even in miles where the declivity is rapid, the fall is apparently largely in sections containing obstructions. For instance, the 51st mile reads "Rapid, over bowlders and gravel, 1,500 feet long; fall, 8½ feet," and the 100th mile "Neiley's Falls and rapids; whole fall, 11 feet, 6 of it nearly vertical. A sluice 500 feet long, along left bank, will pass them, with 50 feet of rock excavation and 450 feet of bowlders and gravel." Quite frequently where the fall is moderate, other obstructions appear, as the 78th mile "Rapids, 500 feet long, over bowlders and gravel; fall, 2 feet." Large isolated rocks are scattered abundantly throughout the stretch. A geologist testifying for the respondent tells strikingly how the faulting and folding of the surface at this stretch has resulted in the tilting of the rock strata to a steep degree. "In its flow, the water of New River moves along and up the slopes of successive rock strata or ledges . . . this results in a river with numerous ledges of rock strata, some partly submerged, some exposed, which are substantially vertical or standing on end, and which extend across the stream at right angles to the line of flow . . . The slope of the strata is downward in an upstream direction rather than in a downstream direction," contrary to the usual condition. No other data point to material variations from these descriptions.

Use of the River from Radford to Wiley's Falls. Navigation on the Radford-Wiley's Falls stretch was not large. Undoubtedly the difficulties restricted it and with the coming of the Norfolk & Western and the Chesapeake & Ohio railroads in the 80s, such use as there had been practically ceased, except for small public ferries going from one bank to the other.⁴⁶ Well authenticated instances of boating along this stretch, however, exist. In 1819 a survey was made by Moore and Briggs, whom the General Assembly of Virginia had sent to report on the availability of the New for improvement. Beginning at the mouth of the Greenbrier they boated up to the mouth of Sinking Creek, some 55 miles, noting the characteristics of the river as they went. They reported that they ascended all falls with their boat, "though, in two or three instances, with considerable difficulty, after taking out our baggage, stores, &c."⁴⁷ Sinking Creek is about half way up this stretch of river we are considering.

In 1861 the Virginia General Assembly appropriated \$30,000 to improve the New River to accommodate transportation of military stores by bateaux from

⁴³ This is shown by the testimony of Weiss, Peters, Starbuck, Lane, E. M. Smith, Farley, Kenlev, Lucas, E. W. Lilly, W. L. Burks, Z. V. Burks, Johnson, Wauhop, Stover, R. Calloway, J. C. Martin, Tomkies, and B. C. Lilly.

⁴⁴ E. g., the testimony of R. L. Howard, Graham, J. Breeding, Owen, Z. Farmer, H. B. Allison, J. H. Howard, Peterson, Moore, Likens, Roop, and Ingles.

⁴⁵ In 1885 the assistant engineer reported that "from inquiries it is thought that the channel-way made in former years [on the improved sections] still keeps open, and bateaux are in constant use on them, iron having been shipped to New River bridge up to the time of the suspension of the furnaces by the prevailing hard times" (Report of the Chief of Engineers for 1886).

⁴⁶ 17 Stat. 376.

⁴⁷ At different times before 1935 ferries crossed the river at no less than ten points along the Radford-Wiley's Falls stretch. In 1935 there were five such public ferries.

⁴⁸ Report of Moore and Briggs. Fourth and Fifth Annual Reports of the Board of Public Works to the General Assembly of Virginia (1819). Report of the Principal Engineer of the Board of Public Works.

While Marshall was Chief Justice he was head of a Virginia commission which had surveyed part of the New River by boat in 1912, but only going downstream from the mouth of the Greenbrier. Report of the Commissioners, printed 1816.

Central depot [Radford] to the mouth of the Greenbrier.⁴⁸ While there is no direct proof that this particular appropriation was spent, reports of the War Department engineers make it clear that the Confederate government effected some improvements on the river.⁴⁹ These facts buttress the testimony of several witnesses, one a Confederate veteran, that during the Civil War keelbottom boats brought supplies from Radford to a commissary at the Narrows (about 7 miles above Glen Lyn), and then continued further downstream.⁵⁰ This testimony the circuit court of appeals accepted as true.⁵¹

From the end of the Civil War to the coming of the railroads, the evidence of elderly residents familiar with events along the banks of the river between Radford and Wiley's Falls leaves no doubt that at least sporadic transportation took place in and throughout this stretch. By this it is not meant that the keelboats above Radford and above Hinton, which operated frequently in the improved sections, made regular through trips from Allisonia past Radford to Hinton. Through navigation, however, did occur, as is shown by the testimony of a number of witnesses and recognized by the lower courts.⁵² There are also numerous references to isolated bits of boating along parts of the Radford-Wiley's Falls reach.⁵³ And when the Government stopped improvement in 1883, it ordered the boats it was using in the lead mines' division above Allisonia, and at various places downstream, to be brought down the full stretch of the river to Hinton for sale. Under the supervision of the assistant engineer, a derrick boat, four bateaux, and numerous flat boats, skiffs and canoes—more than twenty vessels in all—were taken down to Hinton, a number of them from points above Radford. This was accomplished, as the Chief of Engineers' report shows, despite difficulties occasioned by "weather, low water, and scarcity of labor."⁵⁴

In addition to the testimony of use in the days before railways and good roads, there was a demonstration of the possibility of navigation by a government survey boat with an outboard motor, 16 feet long, five feet wide, drawing 2½ to 3 feet, loaded with a crew of five and its survey equipment. This boat made a round trip from the Narrows, just above Wiley's Falls, to Allisonia, a distance of 72 miles one way, in July, 1936, when the river stage was normal summer low water. While the crew was out of the boat and used poles a number of times, there were no carries or portages. Going upstream it was not necessary to pull or push the boat more than a mile and a quarter and not more than a few hundred feet on the return trip.

Use of a stream long abandoned by water commerce is difficult to prove by abundant evidence. Fourteen authenticated instances of use in a century and a half by explorers and trappers, coupled with general historical references to the river as a water route for the early fur traders and their supplies in pirogues and Durham or flatbottomed craft similar to the keelboats of the New, sufficed upon that phase in the case of the DesPlaines.⁵⁵ Nor is lack of commercial traffic a bar to a conclusion of navigability where personal or private use by boats demonstrates the availability of the stream for the simpler types of commercial navigation.⁵⁶

The evidence of actual use of the Radford-Wiley's Falls section for commerce and for private convenience, when taken in connection with its physical condition make it quite plain that by reasonable improvement the reach would be navigable for the type of boats employed on the less obstructed sections. Indeed the evidence detailed above is strikingly similar to that relied upon by this Court in *United States v. Utah*⁵⁷ to establish the navigability of the Colorado from Cataract Canyon to the Utah-Arizona boundary line. There had been seventeen through trips over a period of sixty years from the original exploration and these together with sporadic trips on parts of the stretch, and considerable

⁴⁸ Virginia Acts of 1861-62, c. 50.

⁴⁹ "But little has been done in the way of improving the river since the time of Moore and Briggs, though an effort is said to have been made in that direction by the confederate government in the late war" (Report of Chief of Engineers for 1873). "Experience as developed by the universal fate of the work of the late Confederate States on this river (though this seems to have been injudiciously located and poorly built), is adverse to anything like rigid structures . . ." (Report of Chief of Engineers for 1879).

⁵⁰ Testimony of Snyder, Snidow, Skeen.

⁵¹ 107 F. (2d) at 783.

⁵² See 23 F. Supp. at 93; 107 F. (2d) at 786.

⁵³ Testimony of bateaux going from Radford, or above, to Hinton, is given by Flannagan, Linkous, Collins, Webb, Snyder.

⁵⁴ A boat, 50 feet by 8, with a gasoline motor, went from Radford to Hinton in 1901, though after the river had been materially raised by a rain.

⁵⁵ E. g., testimony of Coleman, Howard, Webb, Snyder, Price, Martin, Anderson.

⁵⁶ Report of the Chief of Engineers for 1883. See also testimony of Owen, Crowell, Dickinson.

⁵⁷ Economy Light Co. v. United States, 256 Fed. 792, 797-98; affirmed 256 U. S. 113.

⁵⁸ United States v. Utah, 283 U. S. 64, 82.

⁵⁹ 283 U. S. 64, 81.

use—in connection with gold placer mining—of other parts from 1888 to 1915, sufficed to sustain navigability.⁵⁸

Effect of Improbability. Respondent denied the practicability of artificial means to bring about the navigability of the New River and the effectiveness of any improvement to make the river a navigable water of the United States. The Government supported its allegation of improbability by pointing out that the use of the section for through navigation and local boating on favorable stretches of the Radford-Wiley's Falls reach showed the feasibility of such use and that little was needed in the way of improvements to make the section a thoroughfare for the typical, light commercial traffic of the area. Keelboats, eight feet wide, drawing two feet, were the usual equipment. In the 1872 report of the Chief of Engineers, Major Craighill in charge of New River reports that to get "good sluice navigation of 2 feet at all times" for 54 miles up from the mouth of the Greenbrier River, near Hinton, would cost \$30,000 and for 128 miles, Greenbrier to the lead mines (above Allisonia), would cost \$100,000. The depth over the shoals could be increased to 2 feet without "too much increase of velocity of the current." This recommendation was based on Hutton's mile-by-mile survey and includes all of the Radford-Wiley's Falls section.

The improvements were undertaken beginning in 1877. As the region was becoming better developed, a higher type of improvement became desirable, wider sluice ways and a deeper channel, usable by small steamboats. Work went forward above Hinton and above Radford to meet the pressing demands of the communities. Annual reports of the Chief of Engineers assumed or reaffirmed the navigability of the entire river above Hinton and the practicality of the improvements.⁵⁹ By 1891, \$109,733.21 had been spent. It was in that year estimated \$159,000 more would be required to complete the project the full length from Wilson Creek to Hinton.⁶⁰ Useful navigation moved regularly between Hinton and near Glen Llyn and between Radford and Allisonia. About half the reach between Hinton and Allisonia was improved. The Radford-Wiley's Falls section was never improved. It was reported that conditions had changed and the project should not be completed.⁶¹ The provisions for improvements were repealed in 1902.⁶² By 1912 the region's need for use of the river had so diminished that the army engineers advised against undertaking improvements again, and even referred to the cost as "prohibitive."⁶³ From the use of the Radford-Wiley's Falls stretch and the evidence as to its ready improbability at a low cost for easier keelboat use, we conclude that this section of the New River is navigable. It follows from this, together with the undisputed commercial use of the two stretches above Radford and Hinton, that the New River from Allisonia, Virginia, to Hinton, West Virginia, is a navigable water of the United States.

License Provisions. The determination that the New River is navigable eliminates from this case issues which may arise only where the river involved is non-navigable.⁶⁴ But even accepting the navigability of the New River, the respondent urges that certain provision of the license, which seek to control affairs of the licensee, are unconnected with navigation and are beyond the power of the Commission, indeed beyond the constitutional power of Congress to authorize.

The issue arises because of the prayer of the bill that the respondent be compelled to accept the license as required by law or remove the dam as an obstruction and the answer of the respondent that the license required by law and tendered to it by the Commission contains provisions, unrelated to navigation or the protection of navigable capacity, which are beyond the constitutional authority of Congress to require on account of the Fifth and Tenth Amendments. There is no contention that the provisions of the license are not authorized by the statute. In the note below⁶⁵ the chief statutory conditions for a license are epitomized.

⁵⁸ See the Report of the Master, p. 127 *et seq.*

⁵⁹ Report for 1873, pp. 69, 495-99; 1879, pp. 79, 530-45; 1880, pp. 107-08, 676-81; 1881, pp. 144-45, 904-11; 1882, 140-42, 913-19; 1883, pp. 144-45, 699-705; 1886, pp. 281-82, 1599-1602.

⁶⁰ Report of the Chief of Engineers for 1891, p. 303.

⁶¹ *Id.*, at 302-303.

⁶² 32 Stat. 374.

⁶³ House Doc. No. 1410, 62nd Cong., 3d Sess., p. 3.

⁶⁴ Cf. *United States v. Appalachian Electric Power Co.*, 107 F. (2d) 769, 793 *et seq.*

⁶⁵ § 4(a) of the Act allows the Commission to regulate the licensee's accounts.

§ 6 limits licenses to 50 years.

§ 8 requires Commission approval for voluntary transfers of licenses or rights granted thereunder.

§ 10(a), as amended in 1935, requires that the project be best adapted to a comprehensive plan for improving or developing the waterway for the use or benefit of interstate or foreign commerce, for the improvement and utilization of water-power development, and for other beneficial public uses, including recreational purposes. Under § 10(c) the licensee must maintain the project adequately for navigation and for efficient power operation, must maintain depreciation reserves adequate for renewals and replacements, and must

The license offered the respondent on May 5, 1931, embodied these statutory requirements and we assume it to be in conformity with the existing administration of the Power Act. We shall pass upon the validity of only those provisions of the license called to our attention by the respondent as being unrelated to the purposes of navigation. These are the conditions derived from sections 10a, 10c, 10d, 10e and 14. We do not consider that the validity of other clauses has been raised by the respondent's general challenge to the constitutionality of any provision "other than those relating solely to the protection" of navigable waters.⁶⁵ It should also be noted that no complaint is made of any conditions of the license dependent upon the authorization of § 10g, the omnibus clause requiring compliance with such other conditions as the Commission may require.

The petitioner suggests that consideration of the validity of section 14, the acquisition clause, and the license conditions based upon its language are properly to be deferred until the United States undertakes to claim the right to purchase the project on the license terms fifty years after its issuance.⁶⁷ Assuming that the mere acceptance of a license would not later bar the objection of unconstitutional conditions, even when accompanied by a specific agreement to abide by the statute and license,⁶⁸ we conclude that here the requirements of section 14 so vitally affect the establishment and financing of respondent's project as to require a determination of their validity before finally adjudging the issue of injunction.

The respondent's objections to the statutory and license provisions, as applied to navigable streams, are based on the contentions (1) that the United States' control of the waters is limited to control for purposes of navigation, (2) that certain license provisions take its property without due process, and (3) that the claimed right to acquire this project and to regulate its financing, records and affairs, is an invasion of the rights of the States, contrary to the Tenth Amendment.

Forty-one states join as amici in support of the respondent's arguments. While conceding, as of course, that Congress may prohibit the erection in navigable waters of the United States of any structure deemed to impair navigation, the Attorneys General speaking for the states insist that this power of prohibition does not comprehend a power to exact conditions, which are unrelated to navigation, for the permission to erect such structures. To permit, the argument continues, the imposition of licenses involving conditions such as this acquisition clause, enabling the Federal Government to take over a natural resource such as water-power, allows logically similar acquisition of mines, oil or farmlands as consideration for the privilege of doing an interstate business. The states thus lose control of their resources and property is withdrawn from taxation in violation of the Tenth Amendment.

Further, the point is made that a clash of sovereignty arises between the license provisions of the Power Act and state licensing provisions. The Commonwealth of Virginia advances forcibly its contention that the affirmative regulation of water-power projects on its navigable streams within its boundaries rests with the state, beyond that needed for navigation. "While the supremacy of the Federal Government in its own proper sphere, as delineated in the Constitution, is cheerfully conceded, yet just as earnestly does Virginia insist upon the supremacy of her own government in its proper field as established by that instrument." Virginia has a Water Power Act.⁶⁹ It, too, offers a fifty-year license, with the right to use the natural resources of the state, the stream flow and the beds of the water courses for the period of the license or its extensions subject to state condemnation at any time on Virginia's terms for ascertainment of value. Opera-

conform to the Commission's regulations for the protection of life, health and property: (d) out of surplus earned after the first 20 years above a specified reasonable rate of return, the licensee must maintain amortization reserves to be applied in reduction of net investment; (e) the licensee must pay the United States reasonable annual charges for administering the Act, and during the first 20 years the United States is to expropriate excessive profits until the state prevents such profits; (f) the licensee may be ordered to reimburse those by whose construction work it is benefited.

By § 11, for projects in navigable waters of the United States the Commission may require the licensee to construct locks, etc., and to furnish the United States free of cost (a) lands and rights-of-way to improve navigation facilities, and (b) power for operating such facilities.

§ 14 gives the United States the right, upon expiration of a license, to take over and operate the project by paying the licensee's "net investment" as defined, not to exceed fair value of the property taken. However, the right of the United States or any state or municipality to condemn the project at any time is expressly reserved.

§ 19 allows state regulation of service and rates; if none exists, the Commission may exercise such jurisdiction.

⁶⁵ Denver Stock Yark Co. v. United States, 304 U. S. 470, 484; Pacific States Co. v. White, 296 U. S. 176, 184.

⁶⁷ Cf. Electric Bond & Share Co. v. Securities and Exchange Comm., 303 U. S. 419, 435; W. W. Cargill Co. v. Minnesota, 180 U. S. 452, 468; New Jersey v. Sargent, 269 U. S. 325, 339.

⁶⁸ Section 6.

⁶⁹ Michie's 1936 Code, §§ 3581 (1)-(16).

tion is likewise regulated by state law.⁷⁰ The Commonwealth objects that the development of its water power resources is subjected to Federal Power Act requirements such as are detailed above in stating the respondent's objection, even to the point that Virginia itself may not build and operate a dam in navigable water without authorization and regulation by the Federal Government.

The briefs and arguments at the bar have marshaled reasons and precedents to cover the wide range of possible disagreement between Nation and state in the functioning of the Federal Power Act. To predetermine, even in the limited field of water power, the rights of different sovereignties, pregnant with future controversies, is beyond the judicial function. The courts deal with concrete legal issues, presented in actual cases, not abstractions.⁷¹ The possibility of other uses of the coercive power of license, if it is here upheld, is not before us. We deem the pictured extremes irrelevant save as possibilities for consideration in determining the present question of the validity of the challenged license provisions. To this we limit this portion of our decision.⁷²

The respondent is a riparian owner with a valid state license to use the natural resources of the state for its enterprise. Consequently it has as complete a right to the use of the riparian lands, the water, and the river bed as can be obtained under state law. The state and respondent, alike, however, hold the waters and the lands under them subject to the power of congress to control the waters for the purpose of commerce.⁷³ The power flows from the grant to regulate, i. e., to "prescribe the rule by which commerce is to be governed."⁷⁴ This includes the protection of navigable waters in capacity as well as use.⁷⁵ This power of Congress to regulate commerce is so unfettered that its judgment as to whether a structure is or is not a hindrance is conclusive. Its determination is legislative in character.⁷⁶ The Federal Government has domination over the water power inherent in the flowing stream. It is liable to no one for its use or non-use. The flow of a navigable stream is in no sense private property; "that the running water in a great navigable stream, is capable of private ownership is inconceivable." Exclusion of riparian owners from its benefits without compensation is entirely within the Government's discretion.⁷⁷

Possessing this plenary power to exclude structures from navigable waters and dominion over flowage and its product, energy, the United States may make the erection or maintenance of a structure in a navigable water dependent upon a license.⁷⁸ This power is exercised through section 9 of the Rivers and Harbors Act of 1899 prohibiting construction without Congressional consent and through section 4 (e) of the present Power Act.

It is quite true that the criticized provisions summarized above are not essential to or even concerned with navigation as such. Respondent asserts that the rights of the United States to the use of the waters is limited to navigation. It is pointed out that the federal sovereignty over waters was so described in *Port of Seattle v. Oregon & Washington Railroad Company*,⁷⁹ *United States v. Oregon*,⁸⁰ *Kansas v. Colorado*,⁸¹ *United States v. River Rouge Company*,⁸² and *Wisconsin v. Illinois*.⁸³ The first two of these cases centered around the issue of title to land under navigable water. Nothing further was involved as to the use of the water than its navigability. In *Kansas v. Colorado* the point was the Government's advocacy of the doctrine of sovereign and inherent power to justify the United States taking charge of the waters of the Arkansas to control the reclamation of arid lands (pp. 85-89). There was found no constitutional authority for irrigation in the commerce clause or the clause relating to property of the United States.⁸⁴ It cannot be said, however, that the case is authority for limiting federal power over

⁷⁰ Michie's 1936 Code, §§ 4065a, 4066.

⁷¹ *Cherokee Nation v. Georgia*, 5 Pet. 1, 75; *United States v. West Virginia*, 295 U. S. 463, 474; *New Jersey v. Sargent*, 269 U. S. 328; cf. *McGuinn v. High Point*, 217 N. C. 449, 458.

⁷² *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 339.

⁷³ *New Jersey v. Sargent*, 269 U. S. 328, 337; *United States v. River Rouge Co.*, 269 U. S. 411, 419; *United States v. Cress*, 243 U. S. 316, 320; *Willink v. United States*, 240 U. S. 572, 580; *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 62; *Gibson v. United States*, 166 U. S. 269, 271.

⁷⁴ *Gibbons v. Ogden*, 9 Wheat. 1, 196.

⁷⁵ *Gilman v. Philadelphia*, 3 Wall. 713, 725.

⁷⁶ *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 64, 65; *Union Bridge Co. v. United States*, 204 U. S. 364, 400; cf. *Pennsylvania v. Wheeling Bridge Co.*, 13 How. 518, 18 How. 421.

⁷⁷ *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 66, 69, 76; cf. *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288, 330.

⁷⁸ *Greenleaf Lumber Co. v. Garrison*, 237 U. S. 251, 268; *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 707.

⁷⁹ 255 U. S. 56, 63.

⁸⁰ 295 U. S. 1, 14.

⁸¹ 206 U. S. 46, 85-86.

⁸² 269 U. S. 411, 419.

⁸³ 278 U. S. 367, 415.

⁸⁴ Art. IV, § 3, cl. 2.

navigable waters to navigation,⁸⁵ especially since the stretch of the Arkansas River involved in the dispute was asserted by the Government to be nonnavigable (p. 86). In the *River Rouge* controversy, this Court spoke of the limitation "to the control thereof for the purposes of navigation." But there, too, it was a question of the riparian owner's use of his property for access to the channel, a use fixed by state law. The conclusion that the United States could not interfere, except for navigation, with his right of access to navigable water, required no appraisal of other rights. *Wisconsin v. Illinois* is a part of the Chicago Drainage Canal litigation. In so far as pertinent here, it merely decided that under a certain federal statute⁸⁶ there was no authority for diversion of the waters of Lake Michigan for sanitary purposes (p. 418). There is no consideration of the constitutional power to use water for other than navigable purposes, though it is plain that other advantages occur (pp. 415, 419).

In our view, it cannot properly be said that the constitutional power of the United States over its waters is limited to control for navigation. By navigation respondent means no more than operation of boats and improvement of the waterway itself. In truth the authority of the United States is the regulation of commerce on its waters. Navigability, in the sense just stated, is but a part of this whole. Flood protection, watershed development, recovery of the cost of improvements through utilization of power are likewise parts of commerce control.⁸⁷ As respondent soundly argues, the United States cannot by calling a project of its own "a multiple purpose dam" give to itself additional powers, but equally truly the respondent cannot, by seeking to use a navigable waterway for power generation alone, avoid the authority of the Government over the stream. That authority is as broad as the needs of commerce. Water power development from dams in navigable streams is from the public's standpoint a by-product of the general use of the rivers for commerce. To this general power, the respondent must submit its single purpose of electrical production. The fact that the Commission is willing to give a license for a power dam only is of no significance in appraising the type of conditions allowable. It may well be that this portion of the river is not needed for navigation at this time. Or that the dam proposed may function satisfactorily with others, contemplated or intended. It may fit in as a part of the river development. The point is that navigable waters are subject to national planning and control in the broad regulation of commerce granted the Federal Government. The license conditions to which objection is made have an obvious relationship to the exercise of the commerce power. Even if there were no such relationship the plenary power of Congress over navigable waters would empower it to deny the privilege of constructing an obstruction in those waters. It may likewise grant the privilege on terms. It is no objection to the terms and to the exertion of the power that "its exercise is attended by the same incidents which attend the exercise of the police power of the states."⁸⁸ The Congressional authority under the commerce clause is complete unless limited by the Fifth Amendment.

The respondent urges that as riparian owner with state approval of its plans, it is entitled to freedom in the development of its property and particularly cannot be compelled to submit to the acquisition clause with a price fixed at less than a fair value, in the eminent domain sense, at the time of taking. Such a taking, it is contended, would violate the Fifth Amendment. It is now a question whether the Government in taking over the property may do so at less than a fair value. It has been shown, note 77, *supra*, that there is no private property in the flow of the stream. This has no assessable value to the riparian owner. If the Government were now to build the dam, it would have to pay the fair value, judicially determined,⁸⁹ for the fast land; nothing for the water power.⁹⁰ We assume without deciding that by compulsion of the method of acquisition provided in section 14 of the Power Act and the tendered license, these riparian rights may pass to the United States for less than their value. In our view this "is the price which [respondents] must pay to secure the right to maintain their dam." The quoted words are the conclusion of the opinion in *Fox River Company v. Railroad Commission*.⁹¹ The case is decisive on the issue of confiscation. It relates to an acquisition clause in a Wisconsin license by which a dam in navigable water of the state might be taken over at such a price as would, this Court assumed,

⁸⁵ Cf. *United States v. Hanson*, 167 Fed. 881, 884; *Cincinnati Soap Co. v. United States*, 301 U. S. 308, 322.

⁸⁶ Cf. *Sanitary District v. United States*, 26 U. S. 405, 428.

⁸⁷ Cf. *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288.

⁸⁸ *United States v. Carolene Products Co.*, 304 U. S. 144, 147. Cf. *Mulford v. Smith*, 307 U. S. 38, 48.

⁸⁹ *Monongahela Navigation Co. v. United States*, 148 U. S. 312, 327.

⁹⁰ *United States v. Chandler-Dunbar Co.*, 229 U. S. 53, 66, 76.

⁹¹ 274 U. S. 651.

amount to violation of the due process clause of the Fourteenth Amendment if it were not for the license provision. Title to the bank and bed were in the objector, just as, by virtue of the state's license and the riparian ownership, all rights here belong to respondent. There, as here, the rights were subject to governmental "control of navigable waters."¹² The fact that the *Fox River* case involved a state and that this case involves the United States is immaterial from the due process standpoint. Since the United States might erect a structure in these waters itself, even one equipped for electrical generation,¹³ it may constitutionally acquire one already built.

Such an acquisition or such an option to acquire is not an invasion of the sovereignty of a state. At the formation of the Union, the states delegated to the Federal Government authority to regulate commerce among the states. So long as the things done within the states by the United States are valid under that power, there can be no interference with the sovereignty of the state. It is the nondelegated power which under the Tenth Amendment remains in the state or the people. The water power statutes of the United States and of Virginia recognize the difficulties of our dual system of government by providing, each in its own enactments, for the exercise of rights of the other.¹⁴

Reversed and remanded to the District Court with instructions to enter an order enjoining the construction, maintenance or operation of the Radford project otherwise than under a license, accepted by the respondent within a reasonable time, substantially in the form tendered respondent by the Federal Power Commission on or about May 5, 1931, or in the alternative, as prayed in the bill.

The CHIEF JUSTICE took no part in the consideration or decision of this case.

A true copy.

Test:

Clerk, Supreme Court, U. S.

SUPREME COURT OF THE UNITED STATES

No. 12.—OCTOBER TERM, 1940.

The United States of America,
Petitioner,
vs.
Appalachian Electric Power
Company

} On Writ of Certiorari to the United
States Circuit Court of Appeals for
the Fourth Circuit.

[December 16, 1940.]

Mr. Justice ROBERTS.

The judgment of reversal rests on the conclusion that New River is navigable,—a conclusion resting on findings of fact, made here *de novo*, and in contradiction of the concurrent findings of the two courts below. I am of opinion that the judgment of the Circuit Court of Appeals should be affirmed, first, because this court ought to respect and give effect to such concurrent findings which have substantial support in the evidence; secondly, because the evidence will not support contrary findings if the navigability of New River be tested by criteria long established.

1. A river is navigable in law if it is navigable in fact.¹ Indeed the issue of navigability *vel non* is so peculiarly one of fact that a determination as to one stream can have little relevancy in determining the status of another. As this court has said, "each determination as to navigability must stand on its own facts."²

The evidence supports,—indeed I think it requires,—a finding that, applying accepted criteria, New River is not, and never has been, in fact navigable. On this record the rule of decision, many times announced by this court, that the concurrent findings of fact of two lower courts, if supported by substantial evidence, will be accepted here, requires affirmance of the judgment. The rule applies not only to evidentiary facts but to conclusions of fact based thereon. Moreover, it has been the basis of this court's decision in a suit involving the question of navigability. Invoking the rule, this court, in *Brewer-Elliott Oil & Gas Co. v.*

¹ *Id.*, 656.

² *Ashwander v. Tennessee Valley Authority*, 297 U. S. 288; *Arizona v. California*, 283 U. S. 423.

³ §§ 10e, 14 and 19 of the Federal Power Act; Michie's 1936 Virginia Code, § 3581 (10).

⁴ *Oklahoma v. Texas*, 258 U. S. 574, 585, 590-1; *Arizona v. California*, 283 U. S. 423, 452; *Crowell v. Benson*, 285 U. S. 22, 55.

⁵ *United States v. Utah*, 283 U. S. 64, 87.

United States, 260 U. S. 77, 86, declined to review a judgment based on a concurrent finding of two lower courts that a stream "was not, and had never been, navigable within the adjudged meaning of that term."

The cases cited for the proposition that where navigability was an issue this court has reconsidered the facts found by the courts below to determine whether they have correctly applied the proper legal tests do not, when the questions involved are understood, lend support to the action of the court in this case.³

The petitioner, in effect, asks this court to convict the courts below of error in determining the credibility, weight and relevance of the evidence. But that determination is peculiarly within their province, as this court has often said. The doctrine applies in this case with especial force. The respondent says, without contradiction, that the Government in its brief in the Circuit Court stated: "It cannot be said that the New River presents a 'clear case' of navigability or non-navigability . . .". Yet this court is asked to ignore concurrent findings on the subject.

If the evidence may fairly support these findings, the courts below can be convicted of error only in applying an erroneous rule of law to the facts found.

Examination of the opinions below shows that the courts faithfully followed the decisions of this court in applying the law to the facts. They adopted the definition⁴ and applied the criteria this court has announced in appraising the effect of the facts found.

As shown by the cases cited in the margin⁵ a stream to be navigable in fact must have "a capacity for general and common usefulness for purposes of trade and commerce". Exceptional use or capability of use at high water or under other abnormal conditions will not suffice. Moreover, the stream must be used, or available to use, "for commerce of a substantial and permanent character". Where the stream "has never been impressed with the character of navigability by past use in commerce, . . . commerce actually *in esse* or at least *in posse* is essential to navigability" and "a theoretical or potential navigability or one that is temporary, precarious and unprofitable is not sufficient." The most important criterion by which to ascertain the navigability of a stream is that navigability in fact must exist under "natural and ordinary conditions". Application of these tests by the court below to the evidence in the case led to but one conclusion,—that New River has not been, and is not now, a navigable water of the United States. If the findings below had been the other way, the Government would be here strenuously contending that they could not be set aside, as it successfully did in *Brewer-Elliott Oil & Gas Co. v. United States, supra*.

2. The petitioner contends that the application of the accepted tests to the facts disclosed amounts to a ruling of law, and asserts that error in their application is reviewable. As I read the court's opinion, the argument is not found persuasive. While apparently endorsing it in the abstract the court, instead of relying on it, adopts two additional tests in the teeth of the uniform current of authority. If anything has been settled by our decisions it is that, in order for a water to be found navigable, navigability in fact must exist under "natural and ordinary conditions". This means all conditions, including a multiplicity of obstacles, falls and rapids which make navigation a practical impossibility. The court now, however, announces that "natural and ordinary conditions" refers only to volume of water, gradients, and regularity of flow. No authority is cited and I believe none can be found for thus limiting the connotation of the phrase. But further the court holds, contrary to all that has heretofore been said on the subject, that the natural and ordinary condition of the stream, however impassable it may be without improvement, means that if, by "reasonable" improvement, the stream may be rendered navigable when it is navigable without such improvement; that "there must be a balance between cost and need at a time when the

³ The cases cited are *United States v. Rio Grande Irrigation Co.*, 174 U. S. 690, 699, where this court said with respect to the findings: "We are not, therefore, disposed to question the conclusion reached" by the courts below; *Leovy v. United States*, 177 U. S. 621, where a judgment on a jury's verdict was reversed for error in the judge's instructions as to the criteria of navigability; *Economy Light Co. v. United States*, 256 U. S. 113, 117, where the court did not reexamine the facts but affirmed the judgment of the Circuit Court of Appeals, as that court had correctly applied the test laid down in *The Daniel Ball*; and *United States v. Holt Bank*, 270 U. S. 49, 55, where the courts below treated the question of navigability as one of local law to be determined by applying the rule adopted in Minnesota, and this court, though holding that they applied the wrong standard, as the question was one of federal law, affirmed the findings, instead of remanding the case, since the record disclosed that according to the right standard the water was navigable.

⁴ Cf. *The Daniel Ball*, 10 Wall. 557; *The Montello*, 11 Wall. 411, 415; *United States v. Oregon*, 265 U. S. 1, 23.

⁵ *The Montello*, 20 Wall. 430; *United States v. Rio Grande Co.*, 174 U. S. 690; *Leovy v. United States*, 177 U. S. 621; *Donnelly v. United States*, 228 U. S. 243; *United States v. Cress*, 243 U. S. 316; *Oklahoma v. Texas*, 258 U. S. 574; *United States v. Holt State Bank*, 270 U. S. 49; *United States v. Oregon*, 265 U. S. 1; *Harrison v. Fite*, 148 Fed. 781; *Gulf & I. Ry. Co. v. Davis*, 26 F. (2d) 930, 41 F. (2d) 109; *United States v. Doughton*, 62 F. (2d) 936.

improvement would be useful." No authority is cited and I think none can be cited which countenances any such test. It is of course true that if a stream in its natural and ordinary condition is navigable it does not cease to be so because improvements have bettered the conditions of navigation.⁶ But the converse is not true—that where a stream in its natural and ordinary condition is non-navigable, a project to build a canal along its entire course, or dams and locks every few miles, at enormous expense, would render it a navigable water of the United States. Who is to determine what is a reasonable or an unreasonable improvement in the circumstances; or what is a proper balance between cost and need? If these questions must be answered it is for Congress, certainly not for this court to answer them. If this test be adopted, then every creek in every state of the Union which has enough water, when conserved by dams and locks or channelled by wing dams and sluices, to float a boat drawing two feet of water, may be pronounced navigable because, by the expenditure of some enormous sum, such a project would be possible of execution. In other words, Congress can create navigability by determining to improve a non-navigable stream.

If this criterion be the correct one, it is not seen how any stream can be found not to be navigable nor is it seen why this court and other federal courts have been at pains for many years to apply the other tests mentioned when the simple solution of the problem in each case would have been to speculate as to whether at "reasonable" cost, the United States could render a most difficult and forbidding mountain torrent suitable for the least pretentious form of water traffic. In the light of the court's opinion, if this test be applied to the New River it must, of course, be admitted that by blasting out channels through reefs and shoals, by digging canals around falls and rapids, and possibly by dams and locks, the New River could be rendered fit for some sort of commercial use. What the expense would be no one knows. Obviously it would be enormous. Congress in the past has undertaken to render the river navigable and decades ago gave up the attempt. Still we are told that, at "reasonable" cost, the thing can be done, and so the stream is navigable.

In the light of the grounds upon which the decision of the court is based it hardly seems necessary to comment on the evidence, for it is in the main addressed to issues no longer in the case. The two courts below have analyzed it and examined it in detail and reference to their carefully considered opinions suffices.⁷ I think the conclusion reached by the courts below must stand unless the two novel doctrines now announced be thrown into the scale to overcome it.

Mr. Justice McREYNOLDS concurs in this opinion.

Mr. BENDER. Mr. Chairman, I would like to ask some questions of the witness.

Mr. RANKIN. Mr. Bender.

Mr. BENDER. Is it not a fact that water at night is a perfect guide to locations in connection with bombing?

Mr. TALLAMY. Why, it seems to be in the night bombing in Europe.

Mr. BENDER. Dams are not earthquake proof either, are they?

Mr. TALLAMY. No; not completely so.

Mr. BENDER. What would be the effect on steam plants, if present contemplated power expansion program is carried out, after the war is over? That is, there seems to be an emphasis placed on the immediate need for additional power and the development of these power projects.

When the war is over, what will be the effect on the steam plants resulting from this development?

Mr. TALLAMY. Mr. Bender, I covered that rather at length in my main testimony. In just about two sentences, it will react very detrimentally to the steam plants which are necessary to be constructed right now to meet any power shortage.

Mr. BENDER. Can more power be developed initially through the construction of additional plants, steam plants, immediately?

Mr. TALLAMY. Yes, sir; I think there could. The Power Authority of the State of New York in fact has a proposal which they call stage I

⁶ Economy Light Co. v. United States, 256 U. S. 113.

⁷ 23 F. Supp. 83; 107 F. (2d) 769.

proposal, at Niagara Falls, to divert some 25,000 second-feet on a full stage plan. If that were put into effect, according to my calculation we could get about 300,000 additional horsepower there at the moment. It would be expensive, somewhat expensive hydroelectric energy, but it could be done very quickly, because there are no dams or anything like that involved. It is just a matter of digging some tunnels and building a plant, and there we would be less vulnerable, because it would be a tunnel way under the ground, and no dam; down at the foot of a cliff; I mean, the power plant would be at the foot of a cliff.

Mr. BENDER. Mr. Tallamy, we have no information regarding the damage or the extent of the damage done to the waterways in Germany by the British during this war.

Mr. TALLAMY. No. That is quite correct. I do not know what is going on there, and as to these questions with relation to whether they have destroyed dams or locks or not, I do not know. They might have, for all I know.

Mr. BENDER. This morning Mr. Rankin in questioning you discussed the injury done by power lines. He indicated there was no great injury done to property as the result of the extension of power lines. Is that your opinion?

Mr. TALLAMY. No. I am glad you brought that up, because I had a subdivision to design once, away back in 1926 or so, and we fiddled around with the thing and worked with it. There was a power line going right straight through the middle of the property, and a big one. We tried to subdivide that property every old way possible. Well, we just could not do it and make a go of it. The result was that the whole property, about 150 acres, was just left vacant, and it was in a rather highly valued land section, adjacent to Buffalo.

I know that a power line running through a highly valued piece of land, residential land, destroys the property value of it. I know that. It destroys the value of the property adjacent to the line.

Mr. BENDER. In your opinion, Mr. Tallamy, is it fair to use T. V. A. rates as a yardstick to measure rates of private companies?

Mr. TALLAMY. I do not think so at all. I have never studied the T. V. A. I think I ought to. But I do know this, that you cannot compare rates from one community to another community unless you take in a lot of other factors than just the rates. You have to take into consideration taxes and the outstanding debt, the type of the system, concentration of population, service, and form of subsidy, and everything else.

So you just cannot merely pick a rate out of the book and compare it with another one and say one is overcharged. You have to take into consideration many other factors.

Mr. BENDER. How large an interest deficit at current Government rates is the T. V. A. accumulating? You say that you have not studied it, so, of course, you would not be in a position to answer that question.

Mr. TALLAMY. No, sir; I do not know.

Mr. BENDER. Mr. Chairman, I would like to ask many more questions of the witness, if he will be back here tomorrow.

Mr. RANKIN. Will you be back tomorrow?

Mr. TALLAMY. I had hoped to get on my way. I have been on the stand so much. I want to get away this week if I can.

Mr. RANKIN. It is after 5 o'clock now.

Mr. BENDER. If the Chairman is willing, I would like to insert some data in the record later in order to save the time of the witness, if he will not appear later.

Mr. RANKIN. That is all right.

Are you through?

Mr. MACIEJEWSKI. I move that we adjourn until 10:30 tomorrow morning.

Mr. RANKIN. Will you wait a moment? You spoke a moment ago about generating power by steam at Buffalo.

Mr. TALLAMY. Yes.

Mr. RANKIN. Do you generate power by steam at Buffalo?

Mr. TALLAMY. Yes, sir.

Mr. RANKIN. Right at Niagara Falls? Almost inside of Niagara Falls.

Mr. TALLAMY. Yes.

Mr. RANKIN. Now, in response to a question about transmitting this power to Portland, Maine, and Boston, 250 miles, you said you were not sure about the distribution, the distance of transmission, and whether it was feasible. As a matter of fact they are transmitting power from Boulder Dam to Los Angeles, 268 miles, I think.

Mr. TALLAMY. Yes.

Mr. RANKIN. And they are doing it for less than 4 mills per hour. And, they are transmitting power from Niagara Falls to Ottawa, Canada, 238 miles, and distributing it at rates below the T. V. A. rates.

Mr. TALLAMY. Yes, sir. May I answer you there?

Mr. RANKIN. Yes.

Mr. TALLAMY. There are those factors, and again, coal is expensive up in Canada.

Mr. RANKIN. Surely.

Mr. TALLAMY. Those factors have to be considered.

Mr. RANKIN. Now, the gentleman from Ohio [Mr. Bender] was talking about the T. V. A. rates.

It is immaterial what the T. V. A. does, but if a municipality buys electricity for 5 mills per kilowatt-hour and sells it, distributes it at a certain price, then another city under the same circumstances ought to be able to do the same thing.

So, I have brought out here and proven by you that you can transmit this power, even generate it by coal, all over the State of New York, wholesale, at as low a rate as we are paying for T. V. A. power in the Tennessee Valley area.

Now, the distribution part of it, there is where the great expense comes in. In large measure the overcharge is for distribution.

Mr. TALLAMY. According to the reports of the Government, Department of Commerce, and the Power Authority of the State government, both of which present reports favorable to the power project and the soundness of the project, indicate that according to their estimated demand for power in 1950, there is a saving over power derived from steam generation in the entire State of New York, for the Niagara Falls development and the St. Lawrence development both, both hydro plants would only be \$22,000,000, and that, as I say, is their report predicated upon every use and assumption which are favorable in my opinion to their statement. Still they only show a \$22,000,000 saving.

Mr. CULKIN. I think it is \$26,000,000.

Mr. TALLAMY. That is where the Department of Commerce disagrees with me in interpreting the Power Authority's report. The Power Authority shows in several different places in their report, in so many words, that the savings would be \$22,000,000.

Now, there is a table later on in the Power Authority report which shows the coordinated plan costs and the steam plant costs, and then in that table they add a factor for taxes to even things up.

This factor is just the same, and it is a percentage of the gross revenues as anticipated, and they apply the same percentage to gross revenues on one side and on the other side. So, therefore, the difference you see is in taxes, and I do not think that should be considered.

The CHAIRMAN. The next witness is Mr. Panasci.

STATEMENT OF ANTHONY PANASCI, MEMBER OF THE BOARD OF SUPERVISORS OF ERIE COUNTY, N. Y.

Mr. PANASCI. Mr. Chairman, and members of the Rivers and Harbors Committee, my name is Anthony Panasci; my address is 934 Niagara Street, Buffalo, N. Y., and I appear here as a member of the Board of Supervisors of Erie County. As a member of this legislative body which represents one of the most populated counties in New York State, it is my privilege to present herewith a certified copy of the resolution of our board opposing the St. Lawrence seaway project, addressed to our Representatives in Congress. This resolution was passed after several meetings of our own rivers and harbors committee, and unanimously by the entire membership of our board where the proposed project was properly discussed.

The Erie County Board of Supervisors consists of 54 members of both political parties; 27 members are from the city of Buffalo, and 27 members represent an equal number of towns in Erie County as well as the cities of Lackawanna and Tonawanda, N. Y.

Erie County is situated along Lake Erie and the Niagara River, and faces our neighbor to the north, the Province of Ontario in Canada.

Buffalo is the largest city in Erie County. However, all along Lake Erie, industry has constructed plants and warehouses that are dependent upon the continuation of grain storage, milling, and kindred activities that have long been a major portion of our source of employment, and serves as an attraction to other allied industries.

More than 15,000 people are gainfully employed in these industries and much tonnage comes to and leaves Erie County daily. Foodstuffs are stored there, not only by American growers but by Canadians as well. One hundred and sixty-eight millions of dollars of waterfront property is taxed by the community on assessed valuation basis. The annual income of the workers on the water front along the frontier averages \$20,000,000, which means that that amount is spent by the inhabitants for necessities that promote the public welfare of this industrial community. It is an integral part of the life of the county of Erie and whenever a county is damaged, the entire State feels the effect, both in taxes and in expenditures. Briefly, that is the picture as it exists today. It was not created overnight, but is the result of years and years of calculated investments and skilled labor. This picture can be radically affected by the passage of the St. Lawrence seaway proposal. A prosperous and thriving community can be legislated out of existence, or at its best to a much lower degree of

utility, and the people that are affected must, by their taxes, pay for the vehicles of their ruination.

The residents of Erie County pay millions of dollars annually to support our Government. These moneys are expended by our Government in most cases wisely, but it seems to me that those of us who live along the Niagara frontier should not be compelled to pay for a project that will remove industry and employment from the frontier and allocate them to another part of this republic, or in Canada. It also seems strange that a proposal such as the St. Lawrence seaway, should be considered now, when we need men and materials for defense purposes, instead of connected seaways to the ocean. However, I note that the seaway is not as important an item as electrical power seems to be. That defect, I respectfully submit, could be remedied for many miles surrounding the American and Canadian boundaries at Niagara Falls.

Erie County is opposed to the St. Lawrence seaway proposal because the project itself is expensive and not absolutely necessary. It is opposed to it because it is international in character and an all-American route is preferred, and finally, it is opposed to it because it is injurious to the welfare and well being of the citizens of Erie County. (The resolution referred to is as follows:)

STATE OF NEW YORK,
BOARD OF SUPERVISORS OF ERIE COUNTY, CLERKS OFFICE,
Buffalo, N. Y., June 16, 1941.

To Whom It May Concern:

I hereby certify, That at a session of the board of supervisors of Erie County, held in the County Hall, in the city of Buffalo, on the 7th day of January, A. D., 1941, a resolution was adopted, of which the following is a true copy:

"ITEM 32: Messrs. McMahon and Morrissey presented the following preamble and resolution.

"JANUARY 7, 1940.

"Whereas the Niagara Frontier, particularly the city of Buffalo, is again menaced commercially by introduction of a bill in Congress to create a St. Lawrence seaway project; and

"Whereas the completion of this project would create havoc with our lake commerce, railroad transportation, shipments of grain and storage thereof; and

"Whereas, hundreds of boats in all our lake ports would be laid up and thousands of employees be thrown out of employment and forced to seek public relief; therefore, be it

"Resolved, That the Board of Supervisors of Erie County again go on record as opposing the St. Lawrence Seaway project and that a copy of this resolution be forwarded to the two United States Senators from New York State; also our Representatives in Congress from the Fortieth, Forty-first and Forty-second districts.

" WM. J. McMAHON,

" ANDREW J. MORRISSEY.

" Mr. Morrissey asked for a suspension of the necessary rule for the immediate adoption of the resolution.

"Request granted.

"Mr. Morrissey moved that the resolution be adopted.

"Mr. Fitzgibbons seconded.

"Carried."

Attest:

ERIE M. WHEELER,
Deputy Clerk of the Board of Supervisors of Erie County.

Mr. RANKIN. The committee will stand adjourned until 10:30 o'clock tomorrow morning.

(Thereupon, at 5:24 p. m., the committee adjourned to meet the following day, Saturday, June 28, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

SATURDAY, JUNE 28, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:30 a. m., in the committee room, New House Office Building, Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will come to order. Mr. Fuller, we will be glad to hear you.

STATEMENT OF HUBERT B. FULLER, CHAIRMAN OF THE TRANSPORTATION COMMITTEE OF THE CLEVELAND CHAMBER OF COMMERCE, CLEVELAND, OHIO

Mr. FULLER. Mr. Chairman and gentlemen of the committee, my name is Hubert B. Fuller. For many years I have been a member of the firm of Cull and Fuller, engaged in the general practice of law in Cleveland, Ohio. Incidentally, I have for some years been chairman of the transportation committee of the Cleveland Chamber of Commerce which has made a detailed study of the proposed St. Lawrence waterway project and which is of the definite opinion that this project is undesirable from the standpoint of the country at large and would be seriously detrimental to Cleveland.

In the first place, we wish to emphasize the fact that we are loyal Americans and are as patriotic as anybody. We applaud the determination of the Government to increase and expedite the defense program in order to protect American institutions and the American way of life from danger wherever it may exist. As a part of that concern for our national safety, we urge that our energy and all of our efforts be concentrated upon those things now vitally and immediately important. And by that I mean the manufacture of airplanes—bombing planes, fighting planes, scouting planes—tanks, guns, and ammunition, and the immediate building of ships. No one seriously questions the fact that the danger is immediate and that the crisis is at hand. In other words, what we do now and within the next year may determine the issue. Therefore, from the standpoint of national defense, it seems to us important that as a Nation neither our time, nor our energies, nor our money should be dissipated upon projects which cannot be made quickly available.

If we could be convinced that the St. Lawrence waterway project is necessary to our security as a Nation, we would withdraw our objections as a patriotic duty. We are not so convinced and neither do the statements of high Government officials, made last week before

this committee persuade us that the safety of this country depends upon the adoption of this project. The statements of the Secretary of War and of the Secretary of the Navy before this committee cannot in our opinion be so interpreted.

The proposal for a St. Lawrence waterway project far antedates the war emergency. More recently, the project was submitted in the form of a treaty with Canada for ratification by the United States Senate, which under our Constitution would require a two-thirds vote of that body for approval. In our opinion it would be unfortunate if there should prevail the suspicion that this legislation contemplates accomplishing by a law—enacted, under the plea of military emergency and patriotism, by a majority of both Houses of Congress, instead of by the constitutional method of a treaty, requiring a two-thirds vote of the Members then present in the Senate—something which could not be accomplished upon its merits in times of peace.

In the earlier days, those who advocated the St. Lawrence waterway predicated their position upon the need for additional transportation facilities between the seaboard and the Middle West. In this connection, it must be borne in mind:

First, that such a waterway, because of climatic conditions, would be unavailable for use during at least 5 months of the year.

Second, that in the intervening years there has been an immense improvement in transportation facilities due in part to the development of the motor industry and the inauguration of an efficient system of highway transportation. In fact, during the past few years, the situation has been completely reversed so that the facilities of existing agencies of transportation have been far in excess of the traffic available.

And yet, even if the St. Lawrence waterway were constructed, our primary system of transportation—the railroads—must be maintained in a high state of efficiency in order to transport traffic during that period of the year when the St. Lawrence waterway would not be available. And for 12 months of the year those facilities must serve the communities not tributary to the waterway.

Those who advocate the construction of this waterway paint an alluring picture of its advantages to the cities of the Great Lakes until the average reader imagines that trans-Atlantic liners and freighters will maintain regular sailing schedules between such cities as Buffalo, Cleveland, Detroit, Duluth, Chicago, and Rocky River, Mr. Bender, and world ports.

As to products of general consumption, such as manufactured articles, it is our opinion that the picture thus painted is entirely visionary. As I will attempt to show, the quantity of machinery and other types of manufactured articles which would move over this waterway in normal times of peace is highly exaggerated. Of one thing we may be certain—that if this waterway were today in existence it could not and would not be used for such purposes. This is true for the obvious reason that the tonnage could not be spared from ocean routes to transport the traffic which now moves into and from our seaboard ports to the inland cities on the Great Lakes. It is today a matter of grave importance that those ocean-going vessels unload and load and put to sea with the greatest possible speed. The turn about factor is today the greatest single element in ocean water transportation in view of the shortage of shipping resulting from the

ravages of war. I need only suggest the profligate waste of time consumed in running such vessels through the St. Lawrence waterway and thence through the Great Lakes.

For those who entertain optimistic expectations of the economic advantages to the general public from reduction in transportation charges which will result from the St. Lawrence waterway project, I should like to point out the story of the Hennepin Canal, authorized by Congress 50 years ago and costing over \$7,000,000, constructed to connect the Mississippi Valley with the Atlantic Ocean by way of the Great Lakes and the Illinois River. This artificial waterway, which its advocates declared would result in an annual savings to the people of the United States of some \$20,000,000; that is, \$20,000,000 a year, was finally opened to navigation in 1907. For many years past, its traffic has consisted largely of barges, houseboats, gasoline launches and rowboats.

So disappointing has been the canal that it was finally abandoned by the Government as a waterway some 2 years ago.

I do not mean by this that the St. Lawrence waterway would not be used or that if constructed it would ultimately be abandoned but I do mean that a study of waterway improvements in the United States which I made many years ago when I was associated as secretary in the United States Senate with Senator Theodore E. Burton, who was for many years chairman of this Rivers and Harbors Committee, showed clearly that the predictions of the economic advantages and savings in transportation costs which would accrue to the people of the United States as a result of various waterway improvements and particularly inland waterway improvements, were invariably grossly exaggerated.

But let us consider this proposal under peacetime conditions. The advocates of the St. Lawrence waterway suggest that its construction would enable seagoing vessels to unload and acquire cargoes of general merchandise at Great Lake ports, such as Cleveland.

It is suggested that in this manner the port of Cleveland would develop a very substantial importance as a point of transshipment by rail and motor vehicle to and from a large inland area. This possibility in our opinion is greatly exaggerated. To the east, of course, is Buffalo, a distance of approximately 185 miles, which would likewise be a port for the transshipment of such cargoes as might be brought in or loaded out over the St. Lawrence waterway. The radius of operations from that port would presumably extend a distance of 90 miles westward, thus limiting the Cleveland tributary area to 95 miles in an easterly direction. To the southeast is Pittsburgh—a distance of approximately 130 miles. In the Pittsburgh area we would come into immediate competition with traffic moving at more favorable combined water and rail rates overland from such Atlantic ports as New York, Philadelphia, and Baltimore. In that direction, the Cleveland industrial area would, therefore, be limited. To the south and southwest, Cincinnati is 243 miles distant. In southern Ohio we would meet traffic centering at Cincinnati, based upon the Gulf port of New Orleans and water transportation at low rates between New Orleans and Cincinnati. To the west is Toledo, only 106 miles distant, which would likewise be a port of transshipment in the same manner as Cleveland with a radius as to Cleveland of at least 50 miles.

It thus appears that any traffic, either in-bound or out-bound, based upon Cleveland must be developed within a very restricted area.

In connection with the study which was made by the transportation committee of the Cleveland Chamber of Commerce, an inquiry was made among industrial plants located in Metropolitan Cleveland and in the industrial area tributary thereto in an effort to ascertain whether, if the St. Lawrence waterway were completed and were available for seagoing vessels, existing plants in the Cleveland area would be able to any extent the facilities which would thus become available. We were surprised at the unanimity of the replies indicating that no substantial use could be made of such facilities even if they were at the time in existence. We are, therefore, unable to see in what manner the city of Cleveland could expect to profit by the development of the St. Lawrence waterway.

It should be noted that the St. Lawrence project contemplates a 27-foot channel. We call attention to the fact that a large majority of the ships now being built by the Maritime Commission have drafts in excess of 27 feet—some of them of over 29 feet, and the larger number between 27 and 28 feet. Those ships could not use the St. Lawrence waterway under any conditions.

It is true that prior to the outbreak of the present European war there had developed a modest waterway commerce between foreign ports and the Great Lakes, rendered by small vessels, generally referred to as package freighters—some here have called them tramp steamers—which could pass through the present canals and reach our lake waters. But it is obvious that general cargo traffic—that is, large vessels carrying substantial cargoes of manufactured products—cannot be anticipated under the present or probable future development of commerce on the Great Lakes due to many and varied factors such as customs of purchase and distribution, delays, dangers, the time element, and expense of restricted channel navigation, limited seasonal operations, and so forth.

While the project offers no prospect of advantage to the port and city of Cleveland as to products of general consumption, that is, of manufactured articles, it does threaten to imperil the prosperity of our community because of the very considerable volume of certain types of bulk commodities which would undoubtedly be transported over this waterway in the event of the completion of this project in competition with those commodities of American origin. From the standpoint of Cleveland, these commodities would be primarily coal, ore, and low-grade, semifinished steel products, such as billets, pig iron, bars, and so forth, upon which the port of Cleveland largely depends for its tonnage and for the prosperity of the large fleet of lake vessels which are operated from our city.

It is strongly urged that the St. Lawrence project be approved in order that the Great Lakes area may be available for the construction of shipyards and the building of vessels of different types, mostly war vessels.

The type of warships that could be built upon the Great Lakes, even if the St. Lawrence improvement were today completed, is necessarily limited. Obviously, it would still be impossible to build battleships or battle cruisers or airplane carriers, since vessels of those types could not possibly go through the canal which is proposed under the pending project. As in the last war, we can today build and we are building

on the Great Lakes smaller naval vessels, such as submarine chasers and mine net tenders, that can go through the present canals and therefore, require no expenditure of \$250,000,000 or \$300,000,000 to get them to the sea. Probably the only type of warship that the St. Lawrence waterway improvement would permit us to build that we cannot now build is the small cruiser of 7,500 to 10,000 tons to fit the specifications of the proposed new canal. We question the wisdom of those who advocate the St. Lawrence development as a naval project in order to build this single type of war vessel where no cruisers have ever been built and in shipyards which as yet do not exist. Let us keep in mind the fact that the waterway would be navigable only 7 months of the year and during 5 months we could not get a vessel out of a Great Lakes shipyard down to the Atlantic Ocean no matter how many were completed.

We could build cargo carriers. We could build large ones in halves and put them together at Montreal. It was done during the last war and it can be done again.

Doubtless, there are insufficient shipyards in this country today and new ones will have to be opened. But on the Great Lakes let us build the type of vessels for which present conditions are adaptable and for which a preliminary and unrelated expenditure of a quarter of a billion dollars is not required. It seems to us obviously cheaper and more practical to build more shipyards on the seaboard—the Atlantic Ocean or the Gulf of Mexico and the larger rivers tributary thereto.

In times of peace it seems to us that if the St. Lawrence waterway project be adopted, Atlantic coast shipbuilding yards will be more apt to be building the special types of vessels used for carrying grain, ore, and coal on the Great Lakes than that the Great Lakes yards will be building vessels to be used in general coastwise and foreign commerce.

The power aspects of the St. Lawrence waterway have been presented in detail by other speakers better qualified to discuss the technical issues there involved. One thing, however, is certain; namely, that we in Cleveland and in Ohio cannot expect to derive any advantage, direct or remote, from power developed along the waterway. And we are of the opinion that the taxpayers of the Nation as a whole ought not to be asked to approve the expenditure of several hundred million dollars, largely for the creation of power in upper New York State in order either to develop that limited area as an industrial empire or to restore it to whatever industrial importance it may claim to have once enjoyed.

Gentlemen, I desire to add to that statement the brief remark, that I will be followed on the stand by Mr. Andrew H. Brown, who is transportation commissioner of the Cleveland Chamber of Commerce and is a gentleman erudite in traffic matters, and I think he will be able to and will expand further some of the points to which I have referred in this brief discussion of mine.

Mr. PITENGER. What is your official connection here with the city of Cleveland?

Mr. FULLER. I have no official connection, sir. I am a lawyer in Cleveland, and I have been for many years chairman of the transportation committee of the Cleveland Chamber of Commerce.

The CHAIRMAN. Mr. Fuller came to Washington with Mr. McGann [clerk of the committee] many years ago when Senator Burton was here. Are there any questions?

Mr. DONDERO. I would like to ask Mr. Fuller some questions.

The CHAIRMAN. Yes, Mr. Dondero.

Mr. DONDERO. Mr. Fuller, you attack the procedure here in which this matter might be submitted to the legislative branch of this Government. Have you read section 13 of the treaty of 1909 very closely?

Mr. FULLER. No, sir; I have not; and I wish to say, Mr. Dondero, that I do not regard myself as a constitutional lawyer. Judge Bell the other day used the expression "Main Street lawyer." I would say that I am a Euclid Avenue lawyer. I do not pretend to be a constitutional lawyer. I understand that the particular phase of the discussion to which you refer will be treated by a witness who will appear somewhat later in the hearings.

I do want to say this, however, that I do think, Mr. Dondero, and I say it with all deference, that there exists through the country the general impression, which I think is unfortunate, and that is the thing to which I refer, that there were not two-thirds of the United States Senators favorable to the project and that it does not seem, or has not seemed, that the constitutional majority required for ratification of a treaty could be secured, and, therefore, to obviate that danger, another method has been attempted for securing approval of this project.

Mr. DONDERO. The chairman wanted to ask a question.

Mr. FULLER. Yes, sir.

The CHAIRMAN. On the other hand, the treaty of 1909 provides for these controversies to be settled by agreement and approved by Congress and by Canada.

The treaty that was brought in here a few years ago was probably referred to the Senate because it was thought that the Senate Foreign Affairs Committee was more favorable to it than the House of Representatives would have been. It ought to have come here to this House, under the treaty of 1909.

Mr. DONDERO. I might say, Mr. Fuller, that that section provides that matters concerning the approval between the two nations might be considered by concurrent legislation. Those are the two words used in that treaty. That is the reason for calling it to your attention.

Mr. FULLER. Yes, sir.

Mr. DONDERO. And we have already in the building of the Livingstone Channel and other connecting links in the Great Lakes between the two countries, proceeded precisely upon that same premise.

Mr. FULLER. I know that is true.

Mr. DONDERO. So it is not a subterfuge, and I do not think any one can say that there are any ulterior motives whatever. The House of Representatives is closer to the people, perhaps, than the Senate body. At least, that is the understanding, so that that impression is erroneous, and testimony has already been offered by the State Department, showing it is perfectly proper and within the provisions of the treaty, Mr. Fuller.

Mr. FULLER. May I suggest this, at that point, Mr. Dondero: I do not think my remarks are capable of being interpreted as a reflection on anybody and they are not so intended, of course.

Mr. DONDERO. No.

Mr. FULLER. But, I am of the opinion that is the general impression which prevails, which may be unfortunate; it may not be justified, but it nevertheless exists.

Mr. DONDERO. I think perhaps you are right about that. People do not understand why we are proceeding in a different manner now.

Mr. FULLER. Having attempted once to accomplish this by treaty, and not having succeeded, you see. I think if that had never been attempted, that feeling probably would not exist, frankly.

Mr. DONDERO. Mr. Fuller, you expressed some concern over the fact that this waterway would be closed a part of the year?

Mr. FULLER. Yes, sir.

Mr. DONDERO. Is it not a fact that the Soo locks and canal, and all the connecting channels of the Great Lakes, and nearly every great harbor of the world, some the most congested harbors and waterways of the world, and I am calling your attention to the Rhine and to the Danube and the Kiel Canal, are all closed a part of the year; and yet those rivers are used by commerce to the greatest extent of any waterways of the entire world?

Mr. FULLER. Yes, sir; that is correct.

Mr. DONDERO. And what different rule would you apply to the deepening of the St. Lawrence?

Is there any reason why any different rule would be used for the St. Lawrence?

Mr. FULLER. I do not think it is quite right to make a comparison of European waterway development—that, is the use of European waterways.

Mr. DONDERO. Your city is one of the Great Lakes ports and that is closed a part of the year?

Mr. FULLER. Oh, yes.

Mr. DONDERO. But your commerce continues year after year and expands year after year, in spite of the closing of the waterway?

Mr. FULLER. Well, that is a very different type of commerce from what the advocates of the St. Lawrence waterway anticipate. They anticipate a seaborne traffic.

Mr. DONDERO. Yes. Then, Mr. Fuller, what is your answer to this situation: Why has the St. Lawrence waterway already been deepened on three different occasions?

Mr. FULLER. For such use as makes it available for those who can most advantageously use it.

Mr. DONDERO. To meet increasing and expanding commerce?

Mr. FULLER. Like the port of Montreal.

Mr. DONDERO. The commerce has expanded throughout the years; is not that the reason?

Mr. FULLER. I assume so; that commerce which could use it advantageously; yes, sir.

Mr. DONDERO. Mr. Fuller, we are living in a fast changing world?

Mr. FULLER. Yes, sir.

Mr. DONDERO. Nobody knows how long this present emergency will last, and the best advice we have is that it is going to be of long duration, but we all hope not.

Mr. FULLER. Yes.

Mr. DONDERO. Should Hitler win the war in Europe, no less a person than the President of the United States has already advised

the Congress that shipbuilding facilities under Hitler's domination would be seven times that of the United States.

Mr. FULLER. Yes, sir.

Mr. DONDERO. Don't you think, in the face of that fact, we ought to prepare to meet that contingency?

Mr. FULLER. Yes, sir.

Mr. DONDERO. How are we going to do it, unless we use the facilities we have at our command?

Mr. FULLER. Mr. Dondero, I am not saying we should not use the facilities of the Great Lakes and that we should not expand them.

Mr. DONDERO. How are you going to do it unless you open this bottleneck and make available to the Nation the vast shipbuilding facilities of the Great Lakes?

Mr. FULLER. I beg your pardon?

Mr. DONDERO. How are you going to do it unless you open up this bottleneck?

Mr. FULLER. Well, I think the balance of my reply is the answer to that question, and that is this: We have, I assume you would call them modest shipyards, on the Great Lakes, as compared to those large yards at Bath, Maine, for example, and on the Delaware River.

Mr. DONDERO. We have 45 shipyards on the Great Lakes?

Mr. FULLER. And they are all relatively small.

Mr. DONDERO. Did you hear the testimony yesterday that we are building ships 600 feet long in the Great Lakes?

Mr. FULLER. Yes; I did.

Mr. DONDERO. And require a depth of 25 to 30 feet?

Mr. FULLER. Yes; I did. I live in Cleveland, and we have the American Shipbuilding yard, and another yard at Lorain of the same company.

Mr. DONDERO. Yes.

Mr. FULLER. But I am saying to you, Mr. Dondero, we should use those facilities which now exist, and we can expand them and we can use those facilities to advantage. We have used them and will use them for the building of the type of facilities for which they are qualified. Now, as I understand it, there is only one type of vessel and that is this small cruiser that they talk about building in the Great Lakes that have not been built there before. I am speaking of war facilities. You obviously cannot build battleships and large cruisers and airplane carriers and things of that sort; you would never get them out.

Mr. DONDERO. Yes; and yet Mr. Fuller, there is only one port in the United States where such large ships as the *Normandie* can enter, which is New York?

Mr. FULLER. That is right.

Mr. DONDERO. And yet we do not condemn the other harbors because of that?

Mr. FULLER. No, sir.

Mr. DONDERO. Would it not be far safer for this country to have facilities inland a thousand miles than it would to depend entirely on having all our shipbuilding facilities for our naval vessels on the coast line, where they are open to attack by bombers and from the sea?

Mr. FULLER. I think your question is predicated upon an incorrect premise, Mr. Dondero. Now, those who have asked that question or

similar questions of preceding witnesses have apparently based that question upon the conception that the point of attack is going to be way inland. It is not necessarily so. It would not be necessary for a bomber to fly to Oswego or Cleveland, or that part of the country.

Mr. DONDERO. That is predicated exactly on the reverse, Mr. Fuller, of what you understand. It is predicated upon the fact that the coast line is vulnerable, while the inland country is not so vulnerable.

Mr. FULLER. That is quite correct.

Mr. DONDERO. And the Nation now is establishing its munitions and gunpowder plants between the Allegheny and the Rocky Mountains, to get them away from the coast?

Mr. FULLER. Yes.

Mr. DONDERO. And don't you think we ought to apply that to shipbuilding for our Navy?

Mr. FULLER. Mr. Dondero, it is my understanding that through some arrangement, I assume with the R. F. C. or some other agency of the Government, the American Shipbuilding Co., located on the Great Lakes at Cleveland, where Mr. Bender and I live, and at Lorain, is organizing a subsidiary or affiliated corporation for the purpose of building shipyards for the construction of naval vessels down on the Texas coast or the Gulf coast, somewhere.

Mr. DONDERO. That does not render them less vulnerable; they would still be on the coast.

Mr. FULLER. Oh, absolutely, but why don't you let us build vessels such as we built in the last war, that we are able to build there in this war, that we are building now, that we can get out?

Mr. DONDERO. Because it is quite possible that those vessels would not meet the demands of increased modern warfare; that is the reason. Our shipyards are overtaxed, and they cannot build ships enough to meet the demands.

Mr. FULLER. Yes, sir.

Mr. DONDERO. And when this war is over you may rest assured that the commerce of this world will have to be provided with ships from somewhere.

Mr. FULLER. Yes.

Mr. DONDERO. And perhaps the shipyards of Europe will not be able to do that as well as our own, because a lot of theirs will have been destroyed?

Mr. FULLER. Yes, sir.

Mr. DONDERO. A word was used yesterday that I was much interested in, the word "visionary."

Mr. FULLER. Yes, sir.

Mr. DONDERO. I made some investigation in connection with the building of the Soo Canal and the Panama Canal, and I find that same word was used and that even so great a man as Henry Clay had opposed it; and no one would want to say that that was visionary, now?

Mr. FULLER. I was very much interested in your remark as to Henry Clay, and as Mr. Kirwan said here the other day, that there have been opponents of almost all developments, all of them I think, Christianity among them.

But I do not think that ought to be used as a justification for every kind of a project that anybody advocates; I do not think that ought

to be used to discourage a fair and critical analysis by impartial men who are capable of making such study and arriving at a proper conclusion.

Mr. DONDERO. Mr. Fuller, we are both lawyers, and of course we have a right to ask you on cross examination to elaborate upon the testimony or the views that you submit.

Mr. FULLER. Quite so. Do not understand I am objecting to that, please, sir; I did not intend to.

Mr. DONDERO. I did not mean in any way to be unjust or discourteous.

Mr. FULLER. You are not, sir.

Mr. CULKIN. May I ask, there—

Mr. DONDERO. Just a minute.

You make the point that the city of Cleveland and the State of Ohio ought not to be asked to contribute towards the development of power which you in no way can use?

Mr. FULLER. Yes, sir.

Mr. DONDERO. We in Michigan will not be able to use it.

Mr. FULLER. That is right.

Mr. DONDERO. No one in the House of Representatives was more against the Grand Coulee Dam, perhaps, than I was. And yet today they are able—although the Grand Coulee will cost nearly \$400,000,000—they are able to render such assistance to the national defense as they are able to give. But that is water over the dam. That would be sectionalism.

Mr. FULLER. Yes.

Mr. DONDERO. One more question: Have you any automobile plants in Cleveland?

Mr. FULLER. I would say no to that, none of any consequence. We manufacture automobile parts there, largely.

Mr. DONDERO. I thought perhaps you had the White Truck Co.?

Mr. FULLER. I was thinking of passenger cars. We do have the White Truck Co.

Mr. DONDERO. It has been estimated that there would be a difference of about \$10 per car in transportation costs for every car shipped to South America, and a difference of about \$40 for every car shipped to a foreign port, across the oceans. That saving would also apply to the city of Cleveland.

Mr. FULLER. Now, Mr. Dondero, I do not wish to evade any question, but I believe that this committee ought to have the information given by men who know what they are talking about, and I wonder if it would be improper for me to suggest that I would like to have Mr. Brown answer that question when he appears? Now, he is a traffic man and familiar with freight rates, as I am not.

Mr. DONDERO. That is all right.

Mr. FULLER. I think that would be fairer to you and me, both.

Mr. DONDERO. That is all, Mr. Chairman.

Mr. CULKIN. Mr. Chairman, I would just wish to ask a few questions.

Mr. RANKIN. Mr. Chairman, are we going to alternate between the two sides?

The CHAIRMAN. We are going to alternate. Mr. Rankin,

Mr. RANKIN. I spent a week away and did not get a chance to ask any questions of any of the witnesses.

The CHAIRMAN. We will let you alternate now to make up.

Mr. RANKIN. All right. Now, you spoke a while ago about this inland waterway being frozen up. How many months of the year did you say, Mr. Fuller?

Mr. FULLER. You are speaking of the St. Lawrence waterway, Mr. Rankin?

Mr. RANKIN. Yes.

Mr. FULLER. Well, it is generally estimated at about 5 months of the year.

Mr. RANKIN. Five months of the year.

Mr. FULLER. Not available for traffic 5 months of the year.

Mr. RANKIN. Now, that would not apply to the Florida Ship Canal or the Tombigbee or the Lower Mississippi, would it?

Mr. FULLER. No, sir.

Mr. RANKIN. In other words, the ice proposition is entirely eliminated on those southern projects?

Now, you gentlemen have cross fired considerably about the transportation end of this project. I want to say to you frankly that I am interested largely in the power end of it.

Mr. FULLER. I got that impression yesterday, Mr. Rankin.

Mr. RANKIN. I think I probably will be able to justify that impression before I get through today.

Are you opposed to this development from the standpoint of power?

Mr. FULLER. I want to say, first of all, Mr. Rankin, that I would not undertake for one moment to cross swords with a gentleman who obviously has made such a study of power questions as you have, sir. I am not at all familiar with it. All I have said in this statement in connection with that is that we in Cleveland do not anticipate that we would derive any advantage direct or indirect, from the development of power from that distant point; and that we feel that we ought not as taxpayers in general to be called upon to contribute to the development, assuming that it may be advantageous.

Mr. RANKIN. Well, now, in reply to that, let me call your attention to the fact that Cleveland already has one of the outstanding public power systems in the world.

Mr. FULLER. Are you referring to our municipal plant?

Mr. RANKIN. Yes, sir; I am.

Mr. FULLER. It has its problems.

Mr. RANKIN. How is that?

Mr. FULLER. It appears to have its problems. Speaking now merely as a citizen who reads the newspapers.

Mr. RANKIN. Yes; I know it does. And as a man who has investigated the rates, I want to say to you that your rates are about half in Cleveland what they are in Albany, N. Y. I have the record before me. I will not bother you with reading those tables. But if the people of the State of Ohio received—if all of them received power at the rate you are getting in Cleveland—where they evidently were squeezing the water out or were preventing any water from getting into their charges—if the people of the entire State of Ohio received power at the rate you are getting in Cleveland, they would save around 35 to 40 million dollars a year, and probably more.

I wonder if you are aware of the fact, and I might as well go into this while I am at it, according to the Tennessee Valley Authority rates—and I make this statement in answer to the gentleman from

Michigan. Talk about opposing the Tennessee Valley Authority, which to my opinion is the greatest thing the Government has ever done, and it will pay back to the Government every dollar it has ever cost, and more, too. But according to the Tennessee Valley Authority rates, the overcharge to the State of Ohio would be somewhere between 57 to 70 million dollars. Now, they come back at me and say that the T. V. A. pays no taxes. Which is wrong, because they pay 10 percent of their gross revenue and not on the basis of their net operation.

Mr. FULLER. Mr. Rankin, I don't know anything about that. But I do recall reading a statement which quoted Senator Norris a year or two ago as having said that if they—I think he was talking about the Tennessee Valley Authority—were required to pay taxes in the same manner as the other companies, they could not compete. That was before they had acquired, I believe it was the Commonwealth & Southern properties. I am frank to say I merely have that recollection.

Mr. RANKIN. I was looking for that response. You misunderstood Senator Norris but, even if he had said that, here is a complete answer: Tacoma, Wash., owns its plant and pays more taxes for the amount of electricity distributed or for the amount of revenue taken in or for the amount of investment, than the average private company throughout the entire United States.

If the people of Ohio got their electricity—and I am talking about the people who turn the switch and pay the bill, now?

Mr. FULLER. Yes; I understand.

Mr. RANKIN. If they received their electricity at the same rates the people of Tacoma, Wash., got it for last year, they would have saved \$63,654,000.

Mr. FULLER. Yes, sir.

Mr. RANKIN. Or about six and a half million more if they got it from the Tennessee Valley Authority rates.

Now, you are right across the river from Ontario?

Mr. FULLER. Well, it is a lake.

Mr. RANKIN. I understand; it is a lake across there.

Mr. FULLER. About 60 miles over.

Mr. RANKIN. You are in sight of the "promised land" from the power standpoint?

Mr. FULLER. We have not seen a rainbow, but it may be promised.

Mr. RANKIN. It may be a rainbow, but there is gold at the end of it.

Mr. FULLER. Yes, sir.

Mr. RANKIN. Let me say with reference to the Tacoma situation, they have about \$24,000,000 invested, or they had that much, and some of their customers are a hundred miles from a town. They have the greatest overhead investment of any municipal plant that I know of, and the public power system of Cleveland not excepted. And they have paid that down to around three or four million dollars, and they have paid, as I say, they have paid taxes in the amount of a million dollars last year.

But let us go back to Ontario. If the people of Ohio received their electricity at the rates charged throughout Ontario last year, they would have saved \$67,400,000. That is on the present load. Now, if you could investigate, as I have, you will find that outside of the city of Cleveland, where you have cheap rates, that is compared to the

rest of the State, the higher rates compel a minimum of consumption, almost. And if you had these cheap rates, the consumption would probably double and treble in a great many communities, and therefore your saving would tremendously increase. And for that reason the same situation applies to the State of New York and the New England States, and for that reason my interest in this project centers around the development of the hydroelectric power in the St. Lawrence River.

Now, as I understand, our part of that would be around ninety to one hundred million dollars. If you could or should eliminate the transportation end of this project, would you be opposed to the development of that hydroelectric power for the benefit of the people of New York, New England, Pennsylvania, and that area?

Mr. FULLER. Well, I think your question, Mr. Rankin involves possibly a discussion of the philosophy of government and how far it would be intended that the Government should embark upon enterprises that differ somewhat from, well, I should say the history and theory of governments, whether you are an individualist or otherwise.

Mr. RANKIN. All right; now let us go back to that history—

Mr. FULLER. May I make just one further statement?

Mr. RANKIN. Oh, yes.

Mr. FULLER. And that is this: Now, gentlemen, I own no stock in any utility, and I speak—

Mr. RANKIN. Do you represent any of them as a lawyer?

Mr. FULLER. I beg your pardon?

Mr. RANKIN. You don't represent any of them as an attorney?

Mr. FULLER. No; I am sorry to say I do not.

Mr. RANKIN. So you and I are individualists, then?

Mr. FULLER. Yes, sir. I have followed or subscribed to this principle, that we in this country and every State so far as I know, have regulatory bodies or commissions that are variously named in various States; we call ours the Ohio Public Utilities Commission, which are charged with the determination of the reasonableness of rates. I say "reasonableness" with reference to the power companies, and I say "additional powers" with reference to railroads and motor carriers that go into other factors, such as discrimination. And it does not seem to me that it ought to be necessary; I am not saying it may not be—

Mr. RANKIN. I understand.

Mr. FULLER. But I am saying that I do not think that it ought to be necessary, in my modest philosophy of government, to expend over this country billions of dollars, and it does run into billions of dollars of course if we are going to develop power projects in the whole country, and cover the whole country as a blanket, in order to secure proper rates; if these various regulatory bodies and commissions are performing the functions for which they are created.

Mr. RANKIN. Yes.

Mr. FULLER. Now, I think, then, maybe you and I differ in our confidence in the performance of those functions or in our philosophy of government, I am not sure which; maybe both.

Mr. RANKIN. Well, it is my observation that where they claim to have the best regulatory bodies, they have the highest rates. That applies to practically every State in the Union. And I say this without offense, that the men who investigate it from an impartial standpoint,

it looks to me as if, instead of regulating, that these regulatory bodies get regulated by the crowd they are attempting to regulate or are supposed to regulate.

But, now, you are getting around to the point—I know what you are driving at—you are getting around to the point, although you did not say so, that this is the Government engaging in private enterprise. Is that your contention? If so, let us study that point now.

Mr. FULLER. Oh, I think there should be some reasonable limitation upon the degree to which the Government goes into private enterprise; yes, sir.

Mr. RANKIN. Many years ago a liberal party in this country—

Mr. FULLER. Mr. Rankin, would you permit me to say, gentlemen of this committee, that in this discussion which is now developing I am speaking only my personal views?

Mr. RANKIN. Yes, sir; all right.

Mr. FULLER. And I am not expressing any views which are intended to reflect those of the Cleveland Chamber of Commerce. Now, I am appearing here for the Cleveland Chamber of Commerce only in the statement which I have made.

Mr. RANKIN. Yes; I understand.

Mr. FULLER. And on these observations, I think the record ought to show that they are merely my personal views. I do not know what theirs are.

Mr. RANKIN. Yes; I am asking you because you impress me as being an intelligent lawyer.

Mr. FULLER. Thank you; I try to be.

Mr. RANKIN. I know the charge is made all over this country against me that I am a Socialist, and some of these fellows that are a little more highly paid than others even accuse me of being a Communist.

Mr. FULLER. If I used the word "Socialist" I did it without any ulterior implications.

Mr. RANKIN. Because I have stood for public power. Now, my platform of policy is this, that private property should be privately owned, but public property should be publicly owned. The power business is a public business, because electricity has now become a necessity of our modern life.

Mr. FULLER. Well, I think it is a natural monopoly.

Mr. RANKIN. And it is a natural monopoly.

Mr. FULLER. Yes, sir.

Mr. RANKIN. And half a dozen such enterprises cannot stay in the same community.

Mr. FULLER. Too much waste.

Mr. RANKIN. Now, again, all the power in our navigable streams and their tributaries are owned by the Federal Government, to begin with. So the Government is the only power, the only agency that can go in there and develop it without somebody else controlling it. Therefore I take the position that this power belongs to the Federal Government, and I pointed that out 10 years ago, and the Supreme Court has sustained me in every one of its decisions, that this is public property. The power in these streams belongs to the people of the United States. And it is our duty not to let it go to waste.

This power in the St. Lawrence River is worth more than the diamond mines in Golconda, and it is flowing absolutely to waste in

water going to the sea now. So it is my contention that we should develop this power and see that it is distributed to the American people at the lowest rates consistent with economic development and for that reason I have advocated public ownership of the power facilities.

Now, do you agree with that?

Mr. PITTENGER. Well, now, Mr. Chairman—

Mr. RANKIN. I want to ask these questions of the witness, and you can do it later. I gave you fellows the whole week last week, and this is along the question of the transportation proposition.

Mr. CARTER. If you gave me anything, I did not get it.

Mr. RANKIN. Will you answer that question, please?

Mr. FULLER. Yes; Mr. Rankin; I am going to answer it. I do think this, and I am not intimating that the question is unfair—

Mr. RANKIN. I know.

Mr. FULLER. I would say as a snapshot opinion that I would not change my fundamental philosophy of the functions of Government without making a much more prolonged study than I have ever made of water projects or hydroelectric developments. For, frankly, I have not had occasion to make one. I do not think I would permit you, Mr. Rankin, to change my philosophy of government in 5 minutes. I am not sure but what you could do it over a long period of time.

Mr. RANKIN. I would not try to.

Mr. FULLER. But I would not want to do it quickly.

Mr. RANKIN. I am not trying to change your philosophy, Mr. Fuller. But here we have this great wealth, and I want to ask you this: Since the Federal Government owns half of this power in this stream that is now going to waste unless we do something about it and it will go to waste for untold centuries to come, since the Federal Government owns it, if it were divorced from the transportation end of this project, would you be in favor of the Federal Government developing this power for the benefit of the people in New York, New England, Pennsylvania, and that section of the country?

Mr. FULLER. I think the most I would say on that, Mr. Rankin, would be that I think those who would enjoy the advantages of it, should pay for it.

Mr. RANKIN. They do pay for it.

Mr. FULLER. And not that we in Cleveland should be asked to contribute something to it.

Mr. RANKIN. I will say to the gentleman frankly that we had a brilliant engineer on the stand yesterday—

Mr. FULLER. Mr. Tallamy.

Mr. RANKIN. Yes. He is a brilliant engineer, who answered questions without reservation, just as I think you are attempting to do this morning, and he showed, at 1.77 mills per kilowatt-hour, with an 80 percent load factor, this power, so far as the power project is concerned, would amortize itself in 50 years. With that situation it means that the people who buy this power will pay for it and it won't cost you and me anything, so far as the power is concerned, and so far as Tennessee Valley is concerned, it does not cost the gentleman from Michigan anything, because they are paying for it in the purchase of power.

Under that situation would you be willing to go ahead and develop this power for the benefit of the people in that great area, or would you be content to let it run wanton to the sea, as has been done?

Mr. FULLER. Well, Mr. Rankin, it seems to me we have here before us a project that is predicated on three factors; sometimes it is referred to as two, but maybe three.

Mr. RANKIN. Power, navigation, and national defense—patriotism.

Mr. FULLER. Yes; power, navigation, and national defense.

Mr. RANKIN. Yes.

Mr. FULLER. Now, am I understanding you to say—and I realize that I am the witness and you are the court—that you are interested in this solely as a power project, and you are asking me if that was all that was involved would I be for it?

Mr. RANKIN. I didn't say I was interested solely for that purpose. If I did, I didn't mean to say it. I said my principal interest—

Mr. FULLER. I was drawing an inference.

Mr. RANKIN. My principal interest is in hydroelectric power for the people in that area.

Mr. FULLER. I think there are those three factors involved which we just mentioned, and at the immediate moment this is being stressed as a defense project. I have endeavored to discuss this somewhat briefly, and so far as I could without a technical training in such matters, as power development, and we fail to see the necessity for this project from any one of these three standpoints. But we do realize that by combining those who may advocate it from a power standpoint, and others who may not advocate it from a power standpoint but may be interested from the standpoint of navigation, and those who are interested in it from neither of those standpoints may advocate it from a national defense standpoint.

Mr. RANKIN. You want to say you are opposed to it on all three of those grounds?

Mr. FULLER. Yes, sir; I am.

Mr. RANKIN. All right. You spoke of the ice in the St. Lawrence River.

Mr. FULLER. Yes.

Mr. RANKIN. The ice would not materially interfere, of course, with the development of the power.

Mr. FULLER. I so understood from listening to the testimony that has been given here.

Mr. RANKIN. Let me ask you another question. You spoke about this treaty a minute ago. I have heard a great deal of contention that we ought not to pass on this proposition in this way, because it ought to be done by treaty, so that one-third of the Senate could block it. They don't say that, but everybody I hear who comes in here who demands it be done by treaty is opposed to the proposition.

Mr. FULLER. I assume so.

Mr. RANKIN. We have just made some deals with foreign governments—and I have thought about this a good deal. I am of the opinion, as an individual, according to the Constitution, the House ought to pass on treaties also. The House of Representatives represents all sections of the country, and you can't get into the House of Representatives except by election of the people. Senators can be appointed.

Mr. FULLER. For an unexpired term.

Mr. RANKIN. Yes, but the House goes back to the people. I don't say we would add to the average of the intelligence, but I do say we would not lower it any, if we left these matters to the Senate and the House. But the point I am making is this; we have just made several dealings for air bases in British and Canadian territory.

Mr. FULLER. Yes, sir.

Mr. RANKIN. We didn't do that by treaty.

Mr. FULLER. That is correct.

Mr. RANKIN. That was within the scope of the President's prerogatives, was it not?

Mr. FULLER. I assume so.

Mr. RANKIN. This does not change any boundary line at all, does it?

Mr. FULLER. It does this—

Mr. RANKIN. It does not extend—no; Cleveland is not going to secede. They wouldn't let me secede, and I am not going to let them secede.

Mr. FULLER. Mr. Rankin and I are having a nice interchange here. I hope he is enjoying it as much as I am.

Mr. RANKIN. What I am getting at is this. Everybody who is opposed to this thinks we ought to have a treaty, and they believe that for the reason that they think that would defeat it.

Mr. FULLER. That is doubtless so, but I still believe in the Constitution. I have not abandoned that.

Mr. RANKIN. Listen. I say there is room in the framework of the Constitution to do everything this agreement wants to do. I contend this agreement is within the Constitution for the reason that we do not extend the boundaries of the United States, we are ceding no territory, we are taking in no additional territory, we are giving no other flag any jurisdiction over our territory, but we are merely providing for the development of a joint property. Why should that be submitted to a treaty any more than to a resolution to be passed by both Houses?

Mr. FULLER. Mr. Rankin, isn't the answer to that, from the standpoint only that I have discussed it in my brief remarks, if your statement is correct—and I am not here asserting positively that it is not correct—assuming it is correct, why then was this project first set up as a treaty and sent to the Senate for ratification?

Mr. RANKIN. That was a former administration, and, to be perfectly frank with you, I didn't raise any objection, but when I found this was a border proposition, that we owned one bank of the river—in other words, we own to the thread of the stream where this project is to be built, do we not?

Mr. FULLER. Yes, sir.

Mr. RANKIN. And I could not see even then why it was necessary to have a treaty, although I will be frank with you and say I used what influence I had to forward that, because I thought we ought to use what water power we have in the St. Lawrence development and take our half of it.

Mr. FULLER. What I have said in my discussion, the impression I intended to convey, was this; that there must be those, presumably in the Executive branch of the Government, who feel that a treaty is the method of handling this situation. Whether because it involved a continued relationship over a long period of years or not, I do not know.

Mr. RANKIN. Can you tell—

Mr. FULLER. Would you let me just finish this sentence?

Mr. RANKIN. Yes.

Mr. FULLER. And they submitted it to the Senate in this form for ratification under the constitutional provisions for ratification of treaties, and it was not ratified.

The CHAIRMAN. Gentlemen, will you permit me to say one thing right there?

Mr. RANKIN. Yes.

The CHAIRMAN. In the treaty of 1909, article XIII, we find:

In all cases where special agreements between the high contracting parties thereto are referred to in the foregoing articles, such agreements are understood and intended to include not only direct agreements between the high contracting parties, but also any mutual arrangement between the United States and the Dominion of Canada expressed by concurrent or reciprocal legislation on the part of Congress and the Parliament of the Dominion.

That is the way this treaty provides for this thing to be settled, and there is no use whipping the devil around the stump about it.

Mr. RANKIN. Is it your understanding that we have a perfect right by this legislation to do what the treaty proposed?

The CHAIRMAN. It is the only legal way to do it; it is pursuant to the treaty of 1909, which was ratified.

Mr. FULLER. Gentlemen, I think I ought to be permitted to say, then, at this point, that I have not made the assertion to this committee that this is not the proper way to do this. I don't think any gentleman who has come in since I made my statement ought to be given that impression from the subsequent discussion. I merely said, that having been submitted in that manner some years ago, and it having failed, there exists in the country—and I think Mr. Pittenger, or you, sir [Mr. Dondero] were inclined to agree with me—that there exists in the country an unfortunate impression that not having been able to procure at that time, and presumably now, that two-thirds majority required for the ratification of treaties—

Mr. PITTENGER. Mr. Dondero agreed with you, I didn't—

Mr. FULLER. That that unfortunate impression prevails.

Mr. RANKIN. One other question, having virtually settled that issue to my entire satisfaction. You spoke a while ago about this project being destroyed from the air, bombed from the air. Now, as a matter of fact, these dams are almost impregnable, aren't they?

Mr. FULLER. I heard you say so yesterday, sir. I am not an engineer and my opinion on that would not be worth even expressing.

Mr. RANKIN. Let me call your attention to this fact in that connection. These steam plants are not only much more vulnerable from that standpoint, but invariably they are built up and down the coast, and they can be destroyed more easily with incendiary bombs, and the incendiary bombs would have no effect at all on this project. So I think, from my viewpoint, those two arguments absolutely fail: The argument that it should be done by treaty, or this argument that it would be vulnerable.

Mr. FULLER. As to that I would have to qualify only as a hearsay witness. It has been my understanding that these steam plants possess certain merits, such as, they can be built quickly and much more promptly than this project could be completed, and that they would be distributed here, there and elsewhere in small units, and to

use a very trite expression, we would not be putting all our eggs in one basket, so that if we had one accident, we would not lose them all.

Mr. RANKIN. Your opposition to it, though, is mainly because of the transportation feature?

Mr. FULLER. I wouldn't want you to gather the impression, sir, that my opposition based on the other things was negligible.

Mr. RANKIN. In comparison. It looks to me as though Cleveland is a little fearful that we may put them on the Atlantic seaboard, so to speak. In other words, you are afraid you would have an inland waterway that would bring ocean transportation into the Great Lakes.

Mr. BENDER. Mr. Chairman, as far as Cleveland is concerned, Buffalo has been here, New York has been represented, other places have been represented. I don't think that is a fair statement.

Mr. RANKIN. Well, that is my impression, I will say to the gentleman, that the opposition coming from Cleveland, so far as I can see, is against an inland waterway which would bring ocean vessels into the Great Lakes.

Mr. FULLER. We anticipate no advantage from that, sir, and we do anticipate some disadvantage, on which I think Mr. Brown will make a very illuminating discussion.

Mr. RANKIN. So you are not in position to state that disadvantage?

Mr. FULLER. I could state it as a generalization, but I think you should have a careful analysis of it, such as he would give you.

Mr. RANKIN. Fine. That is all.

Mr. CULKIN. I will be very brief. I think you made a very illuminating statement from your standpoint—

Mr. FULLER. Judge, I can't quite hear you. I think it was very pleasant, what you said.

Mr. CULKIN. I said I think you made a very illuminating statement, and I think you are trying to be fair.

Mr. FULLER. I try to be fair. I represent no interests which would made me otherwise.

Mr. CULKIN. And I will try to be fair, and brief, also.

Mr. FULLER. I am sure you will be; the first, at least.

Mr. CULKIN. Now, Ohio has been for the seaway up until recently.

Mr. FULLER. I don't know as to that.

Mr. CULKIN. Let me ask you questions. Probably that would be much quicker.

Mr. FULLER. That is right.

Mr. CULKIN. You said you were secretary to Senator Burton.

Mr. FULLER. I was secretary to Theodore Burton from 1909 to 1915, during which time he was in the United States Senate. My service terminated at that time. It was during that time that he made a very deep and prolonged study of a various number of waterways in connection with waterway bills, river and harbor bills in the Senate.

Mr. CULKIN. At that time, during the period of his service here, both in the House and the Senate—and I understand he was chairman of this committee for some time.

Mr. FULLER. Many years; yes, sir.

Mr. CULKIN. He was an advocate of the seaway.

Mr. FULLER. I was surprised to hear Mr. Mansfield, I think it was, make that statement.

Mr. CULKIN. The Judge was a colleague of Senator Burton at that time. You don't question that?

Mr. FULLER. Of course, I do not. But may I say this—will you please permit me to make this statement?

Mr. CULKIN. Yes.

Mr. FULLER. I was associated with Senator Burton during those years I have referred to, in the Senate; thereafter—and I live in Cleveland, as I have said, and he did—thereafter we were very close personal friends for many years. That friendship continued until the date of his death. I was associated quite closely with him in his final campaign and was one of the pallbearers at his funeral. I spent many, many evenings with him; I have traveled all over the country with him, and I want to say to you frankly that I just do not recall ever having heard him say anything about the St. Lawrence waterway, although I did a great deal of work in the investigation of waterways when I was with him in the 6 years when he was in the Senate.

Mr. CULKIN. But you are willing to accept the chairman's statement that he was an advocate at that point?

Mr. FULLER. I understood the judge to say he had made such statements. And if Judge Mansfield says so, I accept it. I am surprised that I had not heard of it.

Mr. CULKIN. In 1934 when the former treaty was up for discussion, both Ohio Senators, Bulkley, and Fess, voted for the treaty; they voted for the seaway.

Mr. FULLER. I don't know, sir.

Mr. CULKIN. That is the record.

Mr. FULLER. If the record shows it, it is so.

Mr. BENDER. Will my good friend yield at that point? Isn't it a fact that both were subsequently later defeated?

Mr. FULLER. Very decisively.

Mr. RANKIN. Practically all the Senators who voted against it were defeated.

Mr. CULKIN. At that time I suppose those gentlemen honestly attempted to interpret the wishes of the people of Ohio.

Mr. FULLER. Well, I don't know. I assume they did. It is not always done.

Mr. CULKIN. If you will answer yes or no, it will save a lot of time. If you say no, I will accept it. Do you question the honesty of their intentions in representing the people of the state of Ohio?

Mr. FULLER. I will say their vote did not represent the present considered opinion of the people who are capable of expressing an opinion in Ohio, on a subject they have studied enough to know something about it.

Mr. CULKIN. You mean at that time or now.

Mr. FULLER. The present opinion in Ohio.

Mr. CULKIN. The present opinion?

Mr. FULLER. Yes, sir.

Mr. CULKIN. You do not extend your judicial determination back to the time when that vote was taken?

Mr. FULLER. I extend the statement for our own group back that far and further. We get too many horseback opinions, I think, on matters of that sort.

Mr. CULKIN. I think that is true, and we are getting a lot of discussion here that is holding us up. If you don't understand my questions, tell me. I am trying to make them simple.

Mr. FULLER. I understand your questions, Judge.

Mr. CULKIN. May I make this observation? I don't wish to tie the present with the past.

Mr. FULLER. No, sir.

Mr. CULKIN. We are facing new times and new conditions, but I just want to get the historic background of the attitude of Ohio.

Mr. FULLER. Yes.

Mr. CULKIN. And my information was that Ohio up to recently was for the seaway. Now has there been some different impact on that in recent years?

Mr. FULLER. Well, I think in more recent years there has been a more careful investigation and study of this project than had been made before. I don't know of any organizations down the State, and I am down the State a good deal in the day-to-day run of my law business—I don't know any organization down there that has made a study of it that is qualified to have passed upon it in the manner in which you speak—to advocate it in 1934.

Mr. CULKIN. Had the apprehensions of the Steel Trust, so-called—and I don't use the term in any invidious sense, but purely by way of description—has that had anything to do with the change of opinion in Cleveland?

Mr. FULLER. I hadn't heard of it.

Mr. CULKIN. Or the shipping interests? You appear here representing, as I understand it, the Cleveland Chamber of Commerce.

Mr. FULLER. That is right, sir; both Mr. Brown and I.

Mr. CULKIN. And they have a transportation committee.

Mr. FULLER. Of which I am chairman.

Mr. CULKIN. And the carrying industry, the lake shipping group are represented?

Mr. FULLER. Mr. Sabin is a member of that committee.

Mr. CULKIN. And the railroads are represented?

Mr. FULLER. Each railroad operating in Cleveland has one representative from the operating department; the motor carriers are represented; and we try to have on that committee a representative who is an executive of a plant in every kind of business in Cleveland. We are a city of diversified industries. That committee, Judge Culkin, is composed, I think, of 25 to 27 members, of which the railroads have either 4 or 5, and Mr. Sabin and one other vessel man, the Great Lakes Towing Co., by Vice President Hobart, are 2 representatives of the—shall I say water carriers? We have representatives of the water carriers and all other industries on the committee, which would be about 20. They are representatives of industry. The president of the stockyards company, for instance, whose interest are, possibly, divergent from those of the shipping interests; that is to say, they are interested in lower rates, reasonable rates, and non-discriminatory rates, regulations, practices, and so forth, and of that committee I happen to be chairman and have been for many years. I am neither a shipper nor a railroad man, and I am not conscious that my views on this or any other subject have been contaminated by my association with the railroad representatives on that committee.

Mr. CULKIN. Judging from your appearance and testimony here, I would concur in that. Just one brief comment. Of course, you have observed the passing scene nationally, so far as political events have been concerned.

Mr. FULLER. Yes, sir; I have.

Mr. CULKIN. This occurs to me, Mr. Witness—

Mr. FULLER. Fuller is the name; sir.

Mr. CULKIN. Don't you think there was in the nature of a referendum on this question in the last Presidential campaign?

Mr. FULLER. No; I would not agree to that. I would think there was a referendum, possibly, on the National Labor Relations Board, but not on the St. Lawrence waterway. I don't believe you do either, Judge.

Mr. CULKIN. Let me suggest this to you. The President of the United States, prior to the election, a month or more prior to the election, courageously, I think—and I opposed him pretty vigorously—stated he was for this seaway, and at that time he allocated \$1,000,000 to the engineers for the purpose of making proper surveys. Then there was a meeting in Detroit, sometime prior to election, as I remember it, in which the President came all-out for the seaway. Don't you think it was in the nature of a referendum on that question in places where it was highly controversial?

Mr. FULLER. Judge, you won't consider me discourteous if I say I do not, and I don't believe you do. With all of the issues that were of paramount importance in the last campaign, I do not think, gentlemen, that anybody would seriously say that the campaign was fought on the St. Lawrence waterway project. If it was, I didn't hear about it.

Mr. CULKIN. You don't think it turned more or less States for or against the President in the resulting election?

Mr. FULLER. President Roosevelt was reelected, as I analyze the situation—

Mr. CULKIN. You don't have to—

Mr. FULLER. I will answer it, if you will permit me. President Roosevelt was reelected by the vote of the industrial centers, and Cleveland was typical. Cleveland gave Roosevelt a very substantial vote, which represented, I think, within one or two thousand of the majority by which he carried the State of Ohio. And there was conducted in the city of Cleveland—and, gentlemen, I don't profess to be a politician, but I have been around a little in the last 30 or 40 years in politics—there was conducted in the county, and especially in the city of Cleveland, the most amazing organization campaign that I have ever seen in my experience in politics.

Mr. CULKIN. I don't want you to review—

Mr. FULLER. Just let me have one more sentence, please. And that was by the combined Democratic political organizations and a group of labor politicians or organizers, and, gentlemen, I want to say to you they put on the most marvelous organization campaign I have ever seen. They didn't organize by wards and precincts; they organized it in every city block, and they had a campaign down there in which no one ever mentioned the St. Lawrence waterway and to my mind it was not a referendum on that project.

Mr. CULKIN. You said a moment ago that the people as a whole in Ohio were not informed on it.

Mr. FULLER. I am talking of back in years before; yes.

Mr. CULKIN. I am talking of now, after the President pronounced himself for the seaway.

Mr. FULLER. Yes.

Mr. CULKIN. In other words, you must give him credit for, at least, not pulling a rabbit out of the hat.

Mr. FULLER. Yes; I understand he has always been for it.

Mr. BELL. Will the gentleman from New York yield?

Mr. CULKIN. Yes.

Mr. BELL. The gentleman from New York has been in Congress a lot longer than some of the rest of us, and we feel like following his leadership in some matters. May I inquire whether the gentleman from New York would be willing to follow President Roosevelt on all of the matters on which there was a referendum in the last election?

Mr. CULKIN. It was not evidenced by my conduct in the last campaign.

Mr. SMITH (presiding as chairman). I think the gentleman from New York made a few exceptions.

Mr. CULKIN. Yes, I made a few exceptions. You do not think it affected any of the States in the lake area, his avowed attitude or advocacy of the St. Lawrence waterway?

Mr. FULLER. No, sir; I do not think it did. I would be surprised, as I have tried to analyze public sentiment, political elections, I would be surprised if it influenced 10 votes in the United States.

Mr. CULKIN. You do agree with me, and I think you said so, in this instance, that he was all out for it before the election, and an avowed advocate of it?

Mr. FULLER. Quite so.

Mr. CULKIN. So that it was one of the factors in the election, and the matter was thoroughly before the people.

Mr. FULLER. That is right.

Mr. CULKIN. That is all.

Mr. FULLER. I do not think it was considered as a factor.

Mr. SMITH. I was interested in the reference made to the opinion that was held by Senator Burton.

Mr. FULLER. Yes.

Mr. SMITH. In regard to this project.

Mr. FULLER. Yes.

Mr. SMITH. I have always been a great admirer of Senator Theodore E. Burton.

Mr. FULLER. He was a wonderful man.

Mr. SMITH. He was probably one of the greatest authorities on the subject of waterways and navigation that we have ever had in this country.

Mr. FULLER. He was, sir.

Mr. SMITH. I think the only Member of Congress in recent years who approaches him in his knowledge of waterways of the United States and of the world is the present chairman of this committee, Judge Mansfield.

Mr. FULLER. I have been very much impressed with his knowledge of them as I sat here and listened.

Mr. SMITH. I want to ask you whether, during the years you served as his secretary, and he was a Member of the United States Senate, whether this project was pending before the Senate during that period?

Mr. FULLER. No, sir; it was not.

Mr. SMITH. And Senator Burton was, as I recall it, a member of the Commerce Committee of the Senate?

Mr. FULLER. During his entire time in the Senate, he was a member of the Commerce Committee.

Mr. SMITH. But this matter never came before the Commerce Committee of the Senate during that time?

Mr. FULLER. That is right, it never did.

Mr. SMITH. And it is your impression that you have never heard of his expressing an opinion either for or against it?

Mr. FULLER. That is correct; I never heard him mention it.

Mr. SMITH. Does any other member of the committee desire to question the witness?

Mr. BELL. I have some questions, but it is not my turn.

Mr. SMITH. I think Mr. Dondero is next.

Mr. FULLER. We have had a pleasant interchange.

Mr. SMITH. Mr. Rodgers.

Mr. RODGERS. I will pass for the time being.

Mr. SMITH. Judge Bell is recognized.

Mr. BELL. Mr. Fuller, while the gentleman from Mississippi, Mr. Rankin, was questioning you, I think he said something about the project being liquidated after the \$93,000,000, which was to be New York's share, was paid off, and the basis is given upon the assumption that the liquidation of that \$93,000,000 would pay the electric lighting bill. Is that your opinion?

Mr. FULLER. Well, I didn't think that was so, but, frankly, Judge Bell, I have come before this committee without any pretense at all of any knowledge of hydroelectric matters, and I have not followed that feature of the argument here.

Mr. BELL. What is your understanding the entire project will cost?

Mr. FULLER. Well, in my discussion, I have talked about \$250,000,000, or something like that, because I thought that was a figure that nobody would criticize.

Mr. BELL. You mean as allocated to power?

Mr. FULLER. No, I mean as a whole project, although I have heard here figures as high as, well, astronomical figures, over a billion dollars. That figure, of course, instantly evoked criticism. I would not consider myself qualified to break-down costs, Judge Bell.

Mr. BELL. You heard the testimony of the witness yesterday afternoon, the engineer?

Mr. FULLER. I heard some parts of it.

Mr. BELL. What?

Mr. FULLER. I heard some parts of it.

Mr. BELL. The testimony in which he stated that, in his opinion, by taking a period of 50 years in which to retire that debt of \$93,000,000, which the State of New York would assume that it would cost 1.77 mills, I believe, to produce a kilowatt of electricity. I think that was the figure he used, was it not?

Mr. FULLER. I think so; that is my recollection.

Mr. BELL. His testimony, as I understood it, was based upon the theory that the total cost of the project, that is, the part allocated to the production of power, was \$93,000,000; was that your understanding of the testimony?

Mr. FULLER. Yes, sir; although I want to say, Judge Bell, I did not follow it closely. Some parts of it I could not hear, and as to other parts, I was not here when he was testifying.

Mr. BELL. You are not an expert on rates, or anything of that kind, and you are not here to testify on that line?

Mr. FULLER. No, sir; I am not. I do not think it is fair for me to give this committee any horseback opinions because they would not be worth the time it would take to express them.

Mr. BELL. I do not have any further questions.

Mr. SMITH. Mr. Angell.

Mr. ANGELL. No questions at present

Mr. SMITH. Mr. Bender.

Mr. BENDER. Mr. Chairman, I want to say in regard to Mr. Fuller, apart from his being a good lawyer and the chairman of the chamber of commerce committee, that he is one of our most public-spirited citizens who gives much of his time to public affairs without thought of any benefit to himself personally—financially or otherwise. I have known him for many years, and he is, I would say, one of our leading citizens.

Mr. FULLER. Thank you, sir.

Mr. BENDER. This Seaway for Defense News came to my attention this morning, put out by the Seaway for Defense Committee, with no names used, with offices on West Forty-second Street, New York, N. Y., in which the defense thought is emphasized here, and which is honeycombed with power arguments, emphasizing the power angle here.

Mr. DONDERO. I do not want to interrupt the gentleman from Ohio, but, apparently, you rate higher than the rest of us, because apparently I have not seen that, and I do not know of any other member of the committee who has received a copy of it.

Mr. BENDER. I received it from someone back home who sent it to me, but I want to call attention to the defense angle here, for the purpose of the record.

Our State Department talks about a long war and gives us an estimate of 4 years for completing the seaway. But a press release issued by the Department of State itself, bearing the date March 21, 1941, tells us that under the agreement signed by our Government and Canada more than 7 years of work is contemplated by our Government.

Article II of this agreement provides, and I quote the words of the press release, that

the Government of Canada agrees to construct the works in the International Rapids section allocated to Canada by the Commission * * * and to complete, not later than December 31, 1948, the essential Canadian links in the deep waterway.

But that is not all. The same article provides that changed conditions may lead to other time arrangements. The release goes on to say—

there is a proviso that the period within which the waterway links are to be completed may be changed by mutual agreement to meet the requirements of continuance of war conditions or of defense.

Now, the reason I call that to your attention is to ask you what you think about this defense argument, whether you, in your opinion, think that it is a valid argument in connection with this project?

Mr. FULLER. No, sir; I do not think so, Mr. Bender. That argument is of such recent development or origin that its forcefulness is not persuasive to me.

Mr. BENDER. Is it your opinion that this project would retard rather than augment our defense effort?

Mr. FULLER. It seems to me you are going to, if not dissipate, you are going to at least direct your energies into undesirable channels when we ought to be building, as I have said here, everything that we can as fast as we can, and be getting it over there to England and to other points of strategic importance. I do not think that we ought to be spending effort or embarking on a project that seems to be of no immediate material advantage. Things are moving with kaleidoscopic rapidity over there, and these long-range projects had better be postponed until times when we are not in such a hurry. I would not stop to do unrelated things if I had a mad dog at my heels.

Mr. BENDER. From what you know of Ohio sentiment, you do not know of any great part of the population in Ohio that is for this project?

Mr. FULLER. I do not know of a single organization out there anywhere in the State, and if there is, I have not heard of it, and, as I have said, my professional obligations carry me a good deal around the State, and I have not heard of any organization favoring it.

Mr. ANGELL. I move we recess until 2 o'clock.

Mr. SMITH. Mr. Fuller, will that be agreeable to you, to resume your testimony for further questioning at 2 o'clock, or would you prefer to conclude now?

Mr. FULLER. I am glad to defer to the wishes of the committee, whatever they are.

Mr. MACIEJEWSKI. I understand Mr. Bender has only a few more questions.

Mr. BENDER. I will wait.

Mr. SMITH. Some other members of the committee desire to interrogate the witness, so we will recess until 2 o'clock, if there is no objection.

Mr. FULLER. Since you are recessing, I would like to have the record show that there appeared here 2 or 3 days ago, in connection with this project, Mr. Charles Stillwell, who is president of the Cleveland Chamber of Commerce and also president of the Warner-Swasey Co., one of the largest manufacturers of machine tools in the United States, who desired to say a few words in opposition to the St. Lawrence Waterway, but because the committee was so engaged with other witnesses, and because of the demands upon his time by his defense contracts, he was not permitted to remain. I would like to have the record so show.

Mr. SMITH. The record will show that.

(Thereupon, at 12:15 p. m., the committee adjourned until 2 p. m. of the same day.)

AFTER RECESS

(The committee reassembled, pursuant to the taking of a recess, at 2 p. m., Hon. Alfred F. Beiter presiding.)

Mr. BETTER. The committee will come to order.

The gentleman from Minnesota, Mr. Pittenger, wants to be recognized.

Mr. PITTINGER. I want to make this comment for the record, that the statement made by the last witness was a very valuable statement, and a very fine statement. I do not agree with it, but that is beside the point.

I want to say that a lot of it was repetition, and one of the things the committee has to do here is to work out some arrangement so that we can speed up matters a little. I do not object to this repetition, but I hope that the committee will not have to go into all those matters which apparently a lot of different localities and organizations bring up.

I was talking with my colleague, down at the end, Mr. Maciejewski, this noon. He suggested that probably in the interest of time the committee should hear a witness, let him proceed without interruption, and then let each member of the committee take either 5 minutes or 10 minutes, following the procedure we have been following, to develop whatever questions he wants to develop and at the end of that 5 or 10 minutes go on to the next member of the committee, because my friend from Chicago (Mr. Maciejewski) does not get many chances to ask questions, and neither do I. I do not want to ask many questions, but it does seem to me that something ought to be worked out so that some one member of the committee will not need to ask so many questions, or take 1 hour and 45 minutes in cross-examination. If we do that, as I told one of the men interested here this morning—he has charge of the time of the opponents—if we are going to do that, some of these days, in my opinion, we are going to reach the end of the hearings and all of the interested persons will not have a chance to appear and testify.

I am not saying this in criticism of any witnesses who have appeared. Most of them have indicated a desire to cooperate and be as brief as they could. I think most of the members of the committee know the issues.

I think the utilities the other day, through various people that must be friendly to them—at least they talk their language, so far as I am concerned—I think they made a very fine presentation, and I think we wasted a lot of time this morning with the witness, Mr. Fuller, in having him talk about the utility problem when he said when he started that he was not familiar with it.

That is all of the statement that I want to make. I see that the witness has come in.

Mr. MACIEJEWSKI. Mr. Chairman, I want to add to that, I believe next week's program is going to be pretty heavy. We are going to have the opponents here and also those for the bill, and I think if we continue on the way we are going, we are not going to get anywhere. There are witnesses here who have been here 3 or 4 days and cannot get on.

Mr. PITTINGER. Some of them have been here for a week.

Mr. MACIEJEWSKI. Yes, some of them have been here for a week.

I think that we should organize ourselves so that we can get these people on and hear them.

Mr. BEITER. I am fully in accord with the gentleman from Minnesota, Mr. Pittenger, when he says that we should permit the witnesses to make a full statement and then have, as was arranged at the beginning of the hearings, the members ask questions, alternate first to the right and then to the left, and permit the members of the committee to ask whatever questions they want to to clear anything up in their minds in connection with the statement made by the witness. I think we can organize ourselves to do that.

Mr. DONDERO. I think it is unwise to ask a lawyer questions on transportation or questions on power, about which he admits that he

knows nothing. It is not fair to the witness, and it is not fair to the committee.

Mr. MACIEJEWSKI. That is right.

Mr. PITTINGER. That is my stand exactly.

Mr. DONDERO. I think it is an imposition on the witness to ask him questions on a subject about which he knows nothing and has had no training. I think too that the witnesses usually in their opening remarks state whether they are attorneys or whether they are engineers, and from their opening remarks we can ascertain whether they are capable of answering questions of an engineering nature. When they are attorneys they usually indicate that.

Mr. BEITER. We will permit the witness to proceed.

Mr. BENDER. Mr. Chairman, I was questioning the witness at the time of adjournment.

STATEMENT OF HUBERT B. FULLER—Resumed

Mr. FULLER. Mr. Bender, would you permit me to make one observation before you proceed?

Mr. BENDER. Yes.

Mr. FULLER. I regret that the chairman, Judge Mansfield, is not here.

During the recess, in a brief discussion, he made some reference to the attitude of Senator Theodore Burton, with whom I was associated, as I have said, regarding the St. Lawrence waterway, and if I correctly express what Judge Mansfield said to me during the recess, it was in effect this, that he did not understand that Senator Theodore Burton made any statement of unqualified approval of the St. Lawrence waterway; that the matter came up in somewhat this manner: That Mr. Dempsey, who had formerly been chairman of the Rivers and Harbors Committee, was very much in favor of an inland all-American development from the Lakes to the sea. I assume, maybe, some enlargement of the Barge Canal. And, the extent of Senator Burton's observation was that he was opposed to that kind of development and if there were to be a development, the St. Lawrence was the natural course to follow.

Mr. PITTINGER. That is beside the point. We are not particularly interested in what Senator Burton said or did—at least I am not. I am glad to have the record show that.

Mr. FULLER. I was asked, however, whether it was not a fact that Senator Burton advocated this waterway, and I think in fairness it ought to be explained in that manner.

Mr. BENDER. This morning you were being questioned by Mr. Dondero who questioned you about this business of being visionary; we are regarded as having no vision.

You are familiar with the Patent Office down here.

Mr. FULLER. Yes, sir.

Mr. BENDER. You are familiar with the thousands of patents that are submitted?

Mr. FULLER. Yes, sir.

Mr. BENDER. And the percentage of them that are practical and useful?

Mr. FULLER. It is so trivial as to be practically negligible from a percentage standpoint.

Mr. BENDER. Now, occasionally a worth-while project does develop out of the mass of ideas and suggestions that are presented.

Mr. FULLER. Yes, sir.

Mr. BENDER. That is worth while?

Mr. FULLER. Yes, sir.

Mr. BENDER. And from your viewpoint as a practical man, knowing the practical problems that we are faced with in a community like ours, as it affects not one industry, but all industries, it is your considered judgment that this would be a very grave mistake to proceed with this matter at this time?

Mr. FULLER. That was the basis upon which the Chamber of Commerce approached the subject.

Mr. BENDER. Now, this morning, Mr. Rankin when questioning you said that Mr. Tallamy indicated that this project would pay for itself in 50 years; that is, be amortized in a period of 50 years.

Is it not a fact that Mr. Rankin himself put the question to Mr. Tallamy and Mr. Tallamy in the absence of having the time to check and get all of the information, and for the sake of ending the inquisition agreed?

Mr. FULLER. That was what I understood from where I was sitting. I was not able to follow the entire dialogue, but that is the impression I got.

Mr. BENDER. Mr. Rankin this morning referred to the overcharge of Ohio taxpayers to the extent of \$50,000,000; overcharge in rates, by comparison with T. V. A. Do you agree with that?

Mr. FULLER. Well, Mr. Bender, frankly I do not believe I am qualified to express an opinion on that.

I think witnesses probably would do better to stick to the things that they are qualified to discuss.

Mr. BENDER. In connection with this overcharge to the taxpayers of Ohio to the extent of \$57,000,000 by the power companies, you have nothing to substantiate such a statement; you are not familiar with or aware of such an overcharge?

Mr. FULLER. No, sir; I am not. I never hear that statement made outside of Mr. Rankin's statement. I assume that it is predicated upon some figures he has discovered.

Mr. BENDER. You are familiar with the Ohio Public Utilities Commission, as it is now constituted?

Mr. FULLER. Yes, sir.

Mr. BENDER. Does this commission enjoy the confidence of the people of Ohio?

Mr. FULLER. It seems to.

Mr. BENDER. Are they elected or appointed?

Mr. FULLER. Appointed by the Governor.

Mr. SMITH. How long a term do they serve?

Mr. FULLER. Six years, and the appointments are rotated, so that their terms will not expire simultaneously.

Mr. SMITH. Is it on a nonpartisan basis?

Mr. FULLER. Not more than two from any one party.

Mr. SMITH. Not more than two from any one party?

Mr. FULLER. That is correct.

Mr. BENDER. Now, this morning, in questioning you, Mr. Rankin inquired about this power and he indicated that this power ought to

be distributed in the East, Pennsylvania and other eastern States, in addition to New York.

Is it your understanding that this power is limited to New York State?

Mr. FULLER. I do not know, Mr. Bender, really, anything about that; but I gathered from the gentlemen who appeared here from New York State that they seemed to be of the impression that the distribution would be within the State of New York, being under the control of the regulatory body of that State; but that is an aspect of the question that I have not studied, sir.

Mr. BENDER. For the purpose of the record, there was some question raised about the two Senators from Ohio in 1934 voting for the treaty.

Mr. FULLER. That was Senator Fess and Senator Pomerene?

Mr. BENDER. Fess and Bulkley.

Mr. FULLER. Fess and Bulkley; yes, sir.

Mr. BENDER. And it was later stated that a majority of the Senators who voted against it were subsequently defeated. For the purpose of the record, I merely want to say that this is not borne out by the record.

Mr. CULKIN. I did not understand what that had reference to.

Mr. BENDER. I say, the record does not bear out that contention.

Mr. CULKIN. What contention?

Mr. PITTINGER. Mr. Rankin was the author of that.

Mr. RANKIN. I asked the question, but he has not called the roll yet. I think if you will call the roll that he will find that a bigger proportion of those who were defeated than of those who voted for it.

Mr. BENDER. I think that the record will speak for itself and is the best answer to that statement.

Mr. PITTINGER. And the St. Lawrence issue may not have been important one way or the other in connection with their defeat.

Mr. CULKIN. The gentleman does not contend, does he—

Mr. BENDER (interposing). It does not make much difference one way or the other.

Mr. CULKIN. I am speaking now about the Senators. They were not necessarily defeated on this issue.

Mr. BENDER. I agree with you.

Mr. CULKIN. It was a changing period then.

Mr. BENDER. Yes.

Mr. CULKIN. Changing conditions.

Mr. BENDER. I agree with you, that this issue had very little to do with their defeat.

Mr. RANKIN. Will the gentleman yield?

Mr. BENDER. Yes.

Mr. RANKIN. If you will search the record you will find that that same little group of willful Senators opposed to this were opposed to the T. V. A., rural electrification, and all of the other problems. They were in the minority. There were only about a third of them. They just had one or two votes to spare.

Mr. DONDERO. I question, gentlemen, whether this discussion is germane to the issue.

Mr. PITTINGER. Let us not make a mountain out of a mole hill here.

Mr. BENDER. The only thing is—I am admitting that it is not germane—however, since it was raised and since it is a matter of record, I think it is well that some of us should get the record straight.

Mr. RANKIN. The issue was raised on your side by the opponents of the proposition.

Mr. BENDER. No; it was raised by the proponents first. The question was raised or the issue, I think, by my very good friend, the gentleman from New York, Mr. Culkin.

It is your opinion that these public power advocates are attempting to put a defense front on this project and a navigation front on it rather than labeling it what it should be labeled, an effort to create another T. V. A. in this area.

Mr. FULLER. Well, Mr. Bender, I think I would be the last man, in all fairness, to question the motives of honorable gentlemen; but I have no doubt that those who advocate this as a power project are quite glad to have the support of the gentlemen who are not interested in it as a power project, but are advocating it as a navigation project; and also the support of gentlemen who advocate it as a military project; and similarly, those who advocate it for some other reason are glad to have the support of the gentlemen who are for it because it is in line with Federal hydroelectric development.

I would not question anybody's sincerity any more than I would want any one to question mine.

Mr. RANKIN. Will the gentleman yield?

Mr. BENDER. Yes.

Mr. RANKIN. In that connection, let me just say that I am going along with the navigation issue and you can cut off all other fronts and make this strictly a power development so far as I am concerned.

Mr. FULLER. Yes, sir; that is what I meant to say, Mr. Rankin, but you do not repudiate the support of those who may be interested in it for other purposes.

Mr. RANKIN. Certainly not. If these gentlemen in the far West want it as a navigation project, they have the same right to advocate it for that reason as I have to advocate it for a power project.

Mr. BENDER. I want to say at this point that Mr. Rankin's statement is entirely fair and consistent with his position, and I respect him for it.

Mr. RANKIN. Thank you.

Mr. BENDER. That is all.

Mr. CULKIN. Mr. Chairman, might I ask a question?

Mr. PITTINGER. I want to ask some questions before the witness is excused.

Mr. CULKIN. This just follows Mr. Bender's statement.

Mr. PITTINGER. I will yield to Mr. Culkin, but I have not had my chance.

Mr. CULKIN. Mr. Chairman.

Mr. BENDER. Mr. Culkin.

Mr. CULKIN. I have a copy of *The Cleveland*. That is your monthly publication, for February 1941.

Mr. BENDER. Oh; yes, sir. That is the chamber's publication.

Mr. CULKIN. I do not know the source of this. I sort of suspect that it is the proponents, but it says in regard to certain members of the chamber of commerce—for example, it has Donald B. Gillis, vice president of the Republic Steel Corporation down as not being opposed to the St. Lawrence and being for it.

Mr. FULLER. Would you mind reading the entire statement that you refer to? I assume it is short. I am not familiar with it.

Mr. CULKIN. Well, it is just a statement that is marked in red pencil that Mr. Gillis is for the seaway, or is not against the seaway. You know Mr. Gillis?

Mr. FULLER. Yes; I know Mr. Gillis.

Mr. CULKIN. Vice president of the Republic Steel?

Mr. FULLER. That is right.

Mr. CULKIN. Is that true?

Mr. FULLER. Well, I am certain that he has not been an advocate of it, sir.

Mr. CULKIN. Now, I mean, is Mr. Gillis a member of the board of governors of the chamber of commerce?

Mr. FULLER. He was at that time or had been. I do not think he is at the present time, but he has been within the year and he has been a director for a period of time.

Mr. CULKIN. Well, is he for the seaway; that is the only question I am asking you, was he for it?

Mr. FULLER. I do not think so. I think he has been neutral on it. I think that that is his position.

Mr. CULKIN. Mr. C. F. Wood, president of the American Steel Wire Co.?

Mr. FULLER. No; I do not think he is an advocate of it, and he was a member of the board of directors at the time the board adopted the resolution opposing it.

Mr. CULKIN. All right; W. A. Stinchcomb, director of the Metropolitan Park Board. Is he for it?

Mr. FULLER. He was on the fence, is about a fair way to express it.

Mr. CULKIN. How about Samuel W. Emerson, president of the Samuel W. Emerson Co.?

Mr. FULLER. Mr. Brown tells me that he voted against the project.

Mr. CULKIN. How about Reynolds, vice president of the chamber of commerce?

Mr. FULLER. He is not a director.

Mr. CULKIN. He is an officer; vice president.

Mr. FULLER. He has no vote. He is an employed official of the chamber in the same manner as Mr. Brown.

Mr. CULKIN. You do not answer my question. I say that he is an officer; he is vice president. Is he opposed to it or is he for the seaway?

Mr. FULLER. I have never discussed it with Mr. Reynolds, and he does not have a vote in the chamber.

Mr. CULKIN. This morning, Mr. Bender called your attention to a circular publication entitled "Seaway For Defense News", and at that time it was entirely anonymous. Since then, I have learned who are the publishers of it. If there is no objection I would like to give each member a copy of this.

Mr. CARTER. Has it to do with the testimony?

Mr. CULKIN. It is something that Mr. Bender brought out this morning with regard to this. I understand that he has no objection to it.

Mr. CARTER. Mr. Bender is not the only member here. I thought that there were others who were members, one or two around here. What is the length of this?

Mr. SMITH. This is not going into the record.

Mr. CARTER. Then, I withdraw everything.

Mr. CULKIN. Now, I state the Seaway for Defense Committee is circulating it. It is sent out by the organizing committee for the Seaway for Defense Committee, and includes the following:

Edward J. Noble, chairman, former under secretary of commerce, under whose direction the St. Lawrence survey was started.

Gen. George Pillsbury, former Assistant Chief of the Corps of Engineers. He was one of the joint board in 1926.

James P. Warburg, New York, president of the Bank of Manhattan.

Marshall Field, of Chicago, businessman and philanthropist and owner of PM.

Mr. F. A. Seiberling, president of the Seiberling Rubber Co., Akron, Ohio.

William M. Scripps, publisher of the Detroit News.

Julius H. Barnes, president of the Erie & St. Lawrence Transportation Co.

Bernard Ritter, publisher of Journal of Commerce, New York, and other publications.

Herbert Bayard Swope, journalist and businessman, and director of numerous New York business concerns.

Seth Marshall, president, Marshall-Wells Co., Duluth, largest hard-ware manufacturing company and distributor in the world.

David Dubinsky, president of the International Ladies Garment Workers' Union.

I just wanted to say that they prepared and circulated that circular, so that it would not appear anonymous.

Mr. RANKIN. Who did you say owned that PM.

Mr. CULKIN. Marshall Field.

Mr. RANKIN. I have been wondering who published that propaganda sheet and how it was broadcast and has been sent over the country without any advertisements or contributions. Please do not read me any such stuff as that. I have been friendly toward the thing up to right now.

Mr. CULKIN. I am always anxious to please the gentleman. I am sorry that this does not. I understand that Marshall Field is the owner of that publication.

Mr. BETTER. Are there any further questions?

Mr. SMITH. I want to ask one question.

Mr. BENDER. Have you gone all of the way around? Go ahead, but I want to ask some questions before you close.

Mr. SMITH. There has been so much discussion before the committee during these hearings with regard to the vulnerability or invulnerability to aerial attack of power stations, that I think we will all be interested in a dispatch which is contained in the city edition of the Washington Star, of today's issue, which has just been handed to me, and I take it that it is true that we should not suppress—and of course, no member of the committee wants to suppress—any information that might be pertinent to this discussion, and therefore I will read this dispatch.

R. A. F. BLASTS POWER STATION NEAR LILLE—DAYLIGHT RAID FOLLOWS 17TH-STRAIGHT NIGHT OF AIR ASSAULTS

LONDON, June 28 [by Associated Press].—Royal Air Force bombers sweeping across the channel in a new daylight foray after their seventeenth successive night assault on German targets, today attacked a power station at Comines, near Lille, authoritative sources said.

Preliminary reports said the target was bombed heavily and that all bombers had returned safely from the morning raid, in which many fighters were said to have participated.

I think that is pertinent.

Mr. RANKIN. That is a steam plant?

Mr. SMITH. Is that a steam plant?

Mr. RANKIN. Yes.

Mr. CARTER. It does not say that it was hit.

Mr. RANKIN. It does not say that it was hit.

Mr. SMITH. I read it for what it is worth.

Mr. CARTER. It may have some pertinency to the investigation here, but I must confess I am so dumb I cannot see it. I do not know what it is. I think that we are wasting time in reading newspaper articles and reports. I read them for information, but here I want to ask some questions.

Mr. SMITH. We had a discussion based on the newspaper articles earlier.

Mr. CARTER. I appreciate that, and I appreciate those articles.

Mr. SMITH. I consider that the Associated Press is a reputable source of news.

Mr. CARTER. Of course.

Mr. SMITH. Will the gentleman from California [Mr. Carter] agree with that statement?

Mr. CARTER. I certainly do. There is a lot of news every day that we do not need to enter into the record here.

Mr. SMITH. This is information in connection with the discussions we have had, whether any power stations have been bombed.

Mr. CARTER. It does not say whether the power station was injured or was not.

Mr. SMITH. It says that it was bombed.

Mr. CARTER. But it does not say whether it was destroyed or even that it was hit.

Mr. SMITH. It says that it was bombed heavily.

Mr. CARTER. But it does not say whether it was destroyed. Does that throw any light on the question we have for consideration?

Mr. RANKIN. It might have been bombed and not hit.

Mr. SMITH. It shows that they are trying to bomb power stations.

Mr. PITTENGER. Mr. Chairman, I am interested in the witness' testimony. As I said, when you were out of the room, Mr. Carter, there is a lot of repetition, because the utility interests, while the people who appeared the other day will probably deny that they were fronting for them, were very ably represented and at least so far as their argument was concerned, in talking about the New York utilities.

Now, your presentation was a very able presentation, even though we do not agree with it.

I want particularly to get into the record the fact, if it is true, that Cleveland is one of the cities that does not want to become an ocean port.

Mr. FULLER. Yes, sir.

Mr. PITTINGER. That is correct?

Mr. FULLER. We do not see any advantage to be derived from the measure.

Mr. PITTINGER. You would rather be bottled up than to have equal advantages, if possible, with Boston, New York, and Philadelphia, and some of the other eastern seaport cities?

Mr. FULLER. Well, Mr. Pittenger, I trust that you are not intending to make me use the expression "bottled up." We do not so regard it. We believe, after study of it, that the disadvantages to Cleveland would more than offset any small advantages which might accrue from making this a seaway for ocean-going vessels. I think that is the way I ought to answer that question.

Mr. PITTINGER. I think you did that this morning, and I am not going to haggle with you about it, because that is a fair answer.

This next comment I make is in the nature of an observation, which I think modesty will not permit my colleague, Mr. Dondero, to make, so I make it with pleasure, and you do not need to make any comment on it unless you want to; but in 1900, the census figures show that the population of Cleveland was 381,768. In 1940, 40 years after that, the population of Cleveland was 878,385. I think it doubled its population. That is a rough statement—during the 40 years.

The same figures available for Detroit, Mich., are as follows:

In 1900 Detroit, Mich., had a population of 285,704 people. In 1940 Detroit had a population of 1,618,549 people.

And, if my lead pencil works correctly, Detroit has increased its population fivefold during the same period of time that Cleveland has doubled its population and I understand that Cleveland is very much opposed to the waterway for reasons I cannot figure out, and that Detroit is very much in favor of it, and I make this observation that probably some of the folks in Cleveland are standing in their own light in viewing this situation.

Mr. BENDER. Will the gentleman yield?

Mr. PITTINGER. Yes.

Mr. BENDER. We did not, unfortunately, have Henry Ford. Henry Ford decided to move to Detroit rather than Cleveland.

Mr. PITTINGER. Well, I still say that probably the attitude has something to do with it.

Mr. RANKIN. Will the gentleman yield?

Mr. PITTINGER. Yes.

Mr. RANKIN. The difference between the two cities is that Detroit had Ty Cobb and D. F. Ferry.

Mr. FULLER. I think Mr. Bender has anticipated my response to that, Mr. Pittenger. I think that the marvelous growth of Detroit was predicated upon it having become the center of the automobile industry.

Mr. BENDER. I have no further questions.

Mr. BEITER. Do you have any further questions, Mr. Dondero?

Mr. DONDERO. No, sir.

Mr. MACIEJEWSKI. Mr. Chairman, of course, you are going to come down to this end. I think that my friend has stated pretty well what I had in mind.

One of the thoughts that I was going to bring out was the fact that you are representing the Chamber of Commerce of Cleveland; is that right?

Mr. FULLER. Yes, sir; that is right.

Mr. MACIEJEWSKI. Of course, they feel that that is not going to benefit the city of Cleveland, that is, the development of this seaway project.

Mr. FULLER. That is correct, sir.

Mr. MACIEJEWSKI. That is all.

Mr. RODGERS. Mr. Chairman.

Mr. BEITER. Mr. Rodgers.

Mr. RODGERS. The city of Buffalo and the city of Cleveland, has in between them about equal distant, the city of Erie.

Mr. FULLER. That is right.

Mr. RODGERS. Three different cities in three different States.

Mr. FULLER. That is right.

Mr. RODGERS. The cities are much alike in their industries.

Mr. FULLER. That is correct.

Mr. RODGERS. They are much alike in the surrounding areas; the agricultural areas.

Mr. FULLER. Very similar.

Mr. RODGERS. All similar.

Mr. FULLER. Very similar.

Mr. RODGERS. Very closely paralleling each other in that respect.

Mr. FULLER. Yes, sir.

Mr. RODGERS. Now, this has been considered by these three cities in these three States, and we receive some certain response from the people back home.

Now, would it not be apparent to a fellow on the outside looking in, trying to get the real slant, would it not be supposed that if there were some real reasons for the development that it would show up in the communications which we receive from the people around those three cities and those three areas, and if they were for it, would you not think that it would manifest itself through the hundreds and thousands of telegrams and letters and resolutions, and petitions, and so forth? Does it not seem as though that ought to be taken into consideration in reaching a decision and in connection with our discussions? That is, the fact that we are not getting any pressure, as we might say, any communications, from our constituents interested back home, and in these areas, in support of the project.

Mr. FULLER. Well, as illustrating that, it should be obvious, and I think it is, that the Cleveland Chamber of Commerce is interested in anything which, after a study, it believes would be of advantage to the community.

As I said earlier in my remarks, by way of introduction, we would withdraw our objection—as a patriotic duty—if we were persuaded that this was essential to our national defense.

I think it ought to be accepted that the Cleveland Chamber of Commerce, which is an outstanding commercial body in the United States, is approaching this question from a thoroughly unselfish and disinterested standpoint, so far as the community is concerned which it represents. I think that that is correct.

Mr. BEITER. Mr. Dondero.

Mr. DONDERO. No questions.

Mr. PITTENGER. Let us call the next witness, then.

Mr. MACIEJEWSKI. Before the next witness is called, Mr. Kirwan said he had some questions.

Mr. KIRWAN. I want to tell this story, if I may.

Mr. BEITER. I did not mean to cut you off.

Mr. KIRWAN. I am going to tell it anyway.

There used to be a circus which every year folded up. One of the men traveling with that circus was named Zeno. Every year before the paymaster ever got down to him, they ran out of money. So, the next spring, when the circus went on the road, being a good circus man, he showed up and started off. As he was going across the lot, he met the paymaster, and the paymaster said, "Mr. Zeno." He said, "No, Mr. Ajax."

Everybody in this committee, except the gentleman over there and myself were heard this morning. All agreed that this gentleman would come back this afternoon in order that the gentleman (Mr. Maciejewski) and myself might ask him some questions, and you started in again and called on everybody but "Zeno."

Mr. MACIEJEWSKI. When they get through, we do not have anything to say.

Mr. KIRWAN. And, we were the only members of the committee that did not say anything, and it was agreed that he would come back after lunch, and then the others started in right away.

Mr. BEITER. We will recognize you.

Mr. BELL. Will the gentleman yield?

Mr. KIRWAN. Yes.

Mr. BELL. In view of what has been said, I am reminded of another story which illustrates this general situation.

The colored folks were having a baptizing. Samantha could see what was going on from where she was standing in the rear of the line, and as the applicants for baptism preceded her, as they would come out of the water, each one would say something appropriate such as "Bless, bless the Lord," or "Hallelujah," or something of that sort. Every time that Samantha fixed in her mind some appropriate expression, hoping to use it when her time would come up, somebody stole her thunder, so finally when her time came and she was baptized, she came out of the water, she had just had her thunder stolen, and just before she went off, so when she came up she was a little bit out of breath, but she said, "Christmas gift."

Mr. KIRWAN. Mr. Fuller, this morning you stated that you were secretary to former Senator Burton.

Mr. FULLER. That is right.

Mr. KIRWAN. And that you made an extensive study of waterways.

Mr. FULLER. I did at that time. I have had no contact with them for about 25 years.

Mr. KIRWAN. And you found, after study, that what they were asking for or calling for was not needed, that is, inland waterways.

Mr. FULLER. No; I said, Mr. Kirwan, or what I intended to say was that I thought that the anticipations of the advocates of most of the inland waterways were not realized.

I cited the Hennepin Canal as probably an outstanding example.

Mr. KIRWAN. Do you know of an inland waterway that has been constructed in the United States, any one that has been harmful to the railroads as a result of its construction?

Mr. FULLER. Do I know of any that has been harmful to the railroads?

Mr. KIRWAN. Yes.

Mr. FULLER. I think many of them have.

Mr. KIRWAN. Have been harmful to the railroads?

Mr. FULLER. I think many of them have.

Mr. KIRWAN. Will you name one?

Mr. FULLER. Well, I know that the railroads have been forced to reduce rates in many instances, I think possibly below compensatory figures, by the Mississippi River expenditures; and possibly by the expenditures on the Missouri River between Kansas City and St. Louis.

Mr. KIRWAN. The reduction of rates is not harmful to railroads, is it?

Mr. FULLER. It is in some instances, I think.

Mr. KIRWAN. To any successful railroad? It is only 2 or 3 years ago here that the Interstate Commerce Commission had the railroad fares reduced to 2 cents a mile. The reports showed that they made money. And then, they turned around and raised the rates to 3 cents a mile, and they lost money. They are now down to 2 cents a mile, and you cannot get on the trains. So, the reductions have not hurt the railroads.

Mr. FULLER. Of course, you would agree, I think, Mr. Kirwan, that there is a limit to the amount to which rates can be reduced and have the traffic move.

I would say that the railroads continue to exist.

Mr. KIRWAN. Let us consider the conditions that existed along the Ohio, before the Ohio River was canalized. Before it was canalized, the railroads in that area handled 50,000,000 tons of freight a year. Now, they handle 150,000,000 tons, so that their business is greater than it was before the Ohio River was canalized.

Mr. PITTENGER. You say they started with 50,000,000 tons?

Mr. KIRWAN. Yes; and now the railroads are handling 150,000,000 tons, and how they fought that.

Mr. PITTENGER. You mean after they developed the waterway?

Mr. KIRWAN. After they developed the waterway.

Mr. Pittenger, or somebody over there, asked you a question as to why Cleveland did not stay abreast of Detroit. I think it is because the other cities have not been progressive. For instance, Warren, Ohio, is where the Packard automobiles were first built. In fact, they built thousands of them there.

Mr. FULLER. Warren?

Mr. KIRWAN. That is where the Packard was first developed and they were built there until the city literally ran Mr. Packard out of town and chased him up to Detroit. Now, they would be glad to have Packard come back.

Detroit was open to any development like the waterways, or anything that will develop and make this country.

I am for the development of the railroads or anything else.

Now, if we bring up something new today, it is attacked. Here is an illustration. Just some 4 weeks ago the newspapers in this country said that Mussolini or Hitler came out and told the housewives to donate their aluminum pots and pans for defense. Every columnist said that they have not got far to go now.

Now, here in great America—and we are not even in war—we read articles in every paper asking the housewives to donate their pots and pans, and aluminum to save the United States.

Now, I think it is time that we let this country go ahead and develop. I do not think that we should be placing obstacles in its way. I will repeat what I said the other day, every improvement that has been brought up, people have fought against it, and yet after it was developed, the country has gone forward and has been better, and everything has been fine.

Again I say that we only have one highway in the United States; just one. That is the new turnpike in Pennsylvania. Will you point out another one? It is true that we have some 20 miles with six or eight lanes, or something like that, but there is just one highway in the whole Nation, and yet when we started in developing that highway, why, they started in hollering against it. Now, we are slaughtering people in this country by the thousands. We are probably killing more in America by automobiles today than are being killed in the war; but yet, people do not want to develop the highways. They say that we have got too much transportation now. That is why I say that I would like to see this thing developed. We will not lose much money if this thing is developed and is not a success. We can turn around and fill it up again and will not be out very much money, when you compare it with other money we are spending. But, we should develop something without opposition some time. It would surely be a surprise to me if something was suggested which is good for the country if there was no opposition to it.

Mr. BENDER. Will my good friend, Mr. Kirwan, yield?

Mr. KIRWAN. Yes.

Mr. BENDER. Detroit gained in population, in spite of the fact that it was not on the ocean.

Mr. KIRWAN. Detroit is open to all developments and improvements, and that is how the Packard automobile factory got up there. They were chased out of Warren, Ohio; simply put out of town and there was nowhere else to go.

Mr. PITTINGER. Did the chamber of commerce do that?

Mr. KIRWAN. I would not say that they did, but they were welcomed to Detroit.

Now, all of the towns in the country would give half of their assets to have Packard in their town, whether it be Warren or any other town in America.

Mr. MACIEJEWSKI. We cannot stand still; we must continue forward.

Mr. KIRWAN. If we cannot keep abreast of the times, we cannot succeed. I read an article in the Washington Post about 4 weeks ago from the Pottsville Miners' Journal—and this was taken from the Pottsville Journal of 100 years ago—where they were complaining that Wales and Russia were selling coal in Philadelphia, New York, and Boston cheaper than we could sell it. Now, that was 100 years ago.

Now long ago we had witnesses appear in front of this committee, as head of the miners' interests, and they were complaining that Wales and Russia were shipping coal to Philadelphia, Boston, and

New York cheaper than we could ship it. Now, that condition existed 100 years after that article.

Have we progressed very much?

You go up along the Susquehanna, and as you go on up, you will see thousands of empty cars there, in normal times, yet they cannot ship coal. There is a river flowing down to the sea that we could ship on 10 times cheaper than Russia or Wales if we only canalized the river and let the people work; but we are placing all of these obstacles in their way and will not let them work.

Mr. FULLER. Of course, you are transferring from the shoulders of the shippers—I am referring to your last comment—to the taxpayers generally, the cost of transportation.

Opinions may differ, of course, as to the desirability of that theory. I appreciate the spirit of your remarks, Mr. Kirwan, and I recall seeing a quotation from the minutes of the common council of the city of Lancaster, Ohio, something like 100 years ago, a resolution adopted by the city council refusing to permit the use of the town hall for the purpose of a debate on the railroads, on the ground that they were an invention of the devil and were not mentioned in the Bible, and for that reason were undesirable; but I still do not regard that as a justification for some ventures I think you would admit.

Mr. KIRWAN. I would not either.

Mr. FULLER. As unprofitable and undesirable.

Mr. KIRWAN. But, we have a record of that as to all things that have been of benefit to the country. I think that you will admit that.

Mr. RANKIN. Will the gentleman from Ohio [Mr. Kirwan] yield for a suggestion?

Mr. KIRWAN. Yes.

Mr. RANKIN. Let me say to the gentleman from Ohio that when the rest of the country catches up with us on this power issue, all homes in America will be heated with electricity. We are doing it now in a great many sections in the Tennessee Valley. This power can be generated at the mines, according to the testimony which was brought out here yesterday, and distributed all over Pennsylvania and all over Ohio too, to heat the homes of the people of Ohio cheaper than you can haul the coal there by any kind of transportation and heat them the way you are now heating them, when about nine-tenths of the heat goes up the chimney.

Mr. MACIEJEWSKI. And use up all of the coal, too.

Mr. RANKIN. Use just as much coal as we are using now.

The time is not far off, I will say to you fellows who are trying to fight water power—this is not personal, you understand—the time is not far distant when electric heat will be the principal method of heating houses and homes and business establishments all over the country, just as surely as night follows the day.

Mr. MACIEJEWSKI. I want to ask about one more thing. They have just gotten down to straightening out that river up at the city of Cleveland, and my good friend to my right, Mr. Bender, has introduced a resolution here to carry it further up toward the Republic Iron & Steel Co. plant. That is for the city of Cleveland.

Mr. KIRWAN. Yes.

Mr. MACIEJEWSKI. They must realize that water transportation means something to get it up to that Republic Iron & Steel Co. plant.

They can see that right in the city of Cleveland. Why not let us do it for the rest of the country. Let us all share in it. If Cleveland realizes that it is right now in their own backyard to take the Cuyahoga and develop it up to the region of the Republic Iron & Steel plant, let us show here that we do not want to hold any city or any town back.

Mr. FULLER. Well, I assume that the resources of the United States, of the Treasury, do have an ultimate limit.

Mr. KIRWAN. Our resources are so vast. We have 60 percent more in our resources, more than all the rest of the world, and what are we doing about it? When nations like Italy and Russia and Wales can undersell us right at home, there must be something wrong.

Mr. FULLER. It might be the living and wage conditions, among others.

Mr. KIRWAN. Surely we cannot get out of that. Look at our standard of living. When we can go in any county and find on every road it is a "tobacco road," and right in my district, that I think it is the most prosperous district in the United States, you can get off of the main road and you will find "tobacco roads" in every county in the State. They do not have to holler about the South.

Mr. RANKIN. We are electrifying all our farms.

Mr. FULLER. You see, Mr. Kirwan, I do not quite admit your premise that unless the St. Lawrence Waterway is developed the country will stand still.

Mr. KIRWAN. Oh, no.

Mr. FULLER. Or retrograde.

Mr. KIRWAN. It is just bad. I am not saying without the St. Lawrence we are going to be lost. But there was a man here testifying yesterday, and I shudder when I think about the children when he said, what are we going to do when this war is over, and what is this world coming to and what is this Nation coming to, and what is going to become of us when the war is over and the boys come home? We might as well fold up now if we are going to wonder what is going to become of us after the war.

Mr. FULLER. I am sure I am interested in the economic problem that is presented.

Mr. MACIEJEWSKI. Who is the next witness?

Mr. BEITER (acting chairman). Mr. Brown is the next witness.

Mr. MACIEJEWSKI. Before the next witness, Mr. Chairman, and gentlemen of this committee, I would like to insert into the record a resolution that was adopted by the city council of the city of Chicago in favor of this St. Lawrence seaway project, and also an editorial of the Chicago Daily News of June 16, 1941, on the seaway.

Mr. CARTER. Have we been putting any editorials into the hearings? Who put one in?

Mr. MACIEJEWSKI. There have been quite a few.

Mr. RANKIN. Mr. Davis put in one yesterday from the Boston Post, I think it was.

Mr. DONDERO. I think we are going to clutter up the record if we are going to put in editorials.

Mr. CARTER. I am not going to object, because others have been extended that privilege. But the members of the committee know that is not the place for material of that kind.

Mr. BEITER. Without objection, it will be entered.

Mr. DONDERO. From now on, as long as I am here, I am going to object to any future editorials being put in.

Mr. RANKIN. I think the editorials and stories should be put in a separate volume.

(The resolution and editorial are in full as follows:)

ST. LAWRENCE SEAWAY

Extension of remarks of Hon. Anton F. Maciejewski, of Illinois, in the House of Representatives, Friday, June 27, 1941

[From the Chicago Daily News of June 16, 1941]

KELLY FOR THE SEAWAY

Mayor Edward J. Kelly's forthright support of the St. Lawrence seaway puts an end to an anomalous political line-up that has made Chicago ridiculous. To have the economic capital of the Great Lakes Basin apparently opposed to the canal has been a terrific handicap in Congress to the seaway cause.

Representatives and Senators from the East, far West, and South could not help but be perplexed to find that former Mayor Hoan, of Milwaukee, had led the fight, while the greatest city on all the inland seas either sulked in its tent or actually tried to cut its own economic throat.

We congratulate Mayor Kelly on his frank avowal. We do not recall that he ever did publicly make a statement opposed to the seaway. After 8 years' service in the mayor's chair, it would be very difficult indeed for any man of sense to oppose what is so patently a primary interest of the city. Kelly's engineering career and his connection with the existing canal and drainage systems of the Chicago region were other factors that made his present stand inevitable. We hope and believe that the mayor's statement will not only have a good effect in Congress but will abate the sniping at the seaway project that has so long come from the sanitary board and its political affiliates.

Governor Green should now come to the aid of the State, the city, and the seaway. Illinois is a lake State. Its metropolis is a lake city. Illinois needs the seaway.

CITY COUNCIL OF THE CITY OF CHICAGO URGES ILLINOIS SENATORS AND CONGRESSMEN TO SUPPORT GREAT LAKES-ST. LAWRENCE SEAWAY PROJECT

(Adopted by a unanimous vote June 26, 1941)

Whereas an agreement has been signed by the Dominion of Canada and the United States of America in the Great Lakes-St. Lawrence seaway project; and Whereas the President of the United States has affirmed his support of this project as a necessary part of our national defense program; and

Whereas the ratification of this project would make Chicago a world port and a shipping center of the Western Hemisphere; and

Whereas the completion of this project will expedite the transport of industrial and agricultural goods from the Middle West to all ports of the world; and

Whereas besides its transportation facilities, this project will make available a new source of electric power for our rapidly expanding national industry; and

Whereas a vast program of shipbuilding will be stimulated by the construction of this seaway; and

Whereas this program of shipbuilding will include not only the largest cargo vessels but also every type of naval vessels, with the exception of battleships and aircraft carriers, which are vital to national defense; and

Whereas not only Middle West industry but also the large agricultural population of the Middle West will profit through the establishment of this project, which will provide a new outlet for farm commodities; and

Whereas a provision of this agreement allows the Sanitary District of Chicago to utilize all the water necessary for the performance of its municipal functions; and

Whereas Mayor Edward J. Kelly has signified his endorsement of this project as a stimulus to Chicago shipbuilding and transportation and a significant addition to our national-defense program: Now, therefore, be it

Resolved, That the City Council of Chicago does hereby urge all Illinois Senators and Congressmen in the United States Congress to support the Great Lakes-St. Lawrence seaway project for the best interests of the United States and the

continued growth and progress of the State of Illinois, and that a copy of this resolution be sent by the city clerk to every Illinois Representative in the Congress and Senate of the United States.

STATE OF ILLINOIS,
County of Cook, ss.:

I, Ludwig D. Schreiber, city clerk of the city of Chicago, do hereby certify that the above and foregoing is a true and correct copy of the certain resolution adopted by the City Council of the City of Chicago at a regular meeting held on Thursday, June 26, 1941, and approved by Hon. Edward J. Kelly, major, on June 26, 1941.

Witness my hand and the corporate seal of the said city of Chicago this 26th day of June, A. D. 1941.

[SEAL]

LUDWIG D. SCHREIBER,
City Clerk.

Mr. FULLER. Gentlemen, may I express to you my personal appreciation of your courtesy. Even those of you who have been so unfortunate as to disagree with me have been personally very courteous.

Mr. RANKIN. Mr. Fuller, we appreciate your courtesy; you have been very kind, I will say that, even though I do not agree with you.

Mr. FULLER. I have sat here for several days, and I wish Judge Mansfield was here, because I would like to say to him that I have rarely seen any body where I thought the presiding officer has been so gracious and so courteous as he has been. I think you gentlemen appreciate that on both sides.

STATEMENT OF ANDREW H. BROWN, TRANSPORTATION COMMISSIONER, CLEVELAND CHAMBER OF COMMERCE

Mr. BEITER (acting chairman.) Mr. Brown—Andrew H. Brown.

Mr. BROWN. I was just about to announce that, Mr. Chairman; my name is Andrew H. Brown. I am transportation commissioner and commerce counsel of the Cleveland Chamber of Commerce. I have been with that organization for 22 years next Wednesday. Prior to that time I was in railroad service for about 7 years. I have been something of a student of transportation since 1907. I am speaking now solely for the Cleveland Chamber of Commerce.

I may as well say now that the Cleveland Chamber of Commerce is a member of the National St. Lawrence Project Conference. And I happen to be the chairman of the Ohio Transportation Conference, which is composed of the representatives of the nine major cities of Ohio who have traffic representatives. I am not speaking for them, but I am giving this information so as to indicate that I know something about the opinion of that area. I am vice chairman of the Central Territory Rates Conference, and again I am not speaking for that group but I do know something about the sentiments and the general reasoning of practical traffic men throughout the central and eastern territory.

Late in 1932 the board of directors of the Cleveland Chamber of Commerce instructed five of its most important committees—manufacturers, river and harbor, transportation, foreign trade, and American merchant marine—to study the problems raised by the then-pending treaty to provide for the construction of the Great Lakes-St. Lawrence project and to present recommendations thereon. These five committees together constituted an excellent cross-section of our

entire membership. The result was a series of recommendations from all five committees that the treaty be opposed. In the total membership of nearly a hundred there were not more than four or five dissenting votes. I made that a little generous; I think it ought to be three or four. The board of directors on May 17, 1933, adopted resolutions in accord with the committee reports.

In 1938, upon the publication of the then-proposed revised treaty, our board again called for reports from five committees—transportation, shippers', river and harbor, foreign trade, and manufacturers. The American merchant marine committee had been discontinued in about 1935, and the shippers' committee had become of much greater importance beginning in 1937 than it was previously. This accounts for the disappearance of one committee and the appearance of another. The subject was reexamined, with the same result as in 1933. On January 20, 1939, the board approved reports from all five committees urging opposition to the treaty. So far as I know, there was no dissenting view presented by any member of any of the committees.

Our position has been widely publicized among our members and to the general public in Cleveland and elsewhere. Such adverse criticism as has been called to my attention has come from only a very few individuals and up to the present time has never come from anyone who would say that the navigation features of the proposal would be of net benefit to him or his company.

Our executives some months ago reexamined our previous commitments in the light of the national-defense emergency, and the conclusion was reached that, if anything, there is even less justification for this project today than there was 3 or 8 years ago.

One of the difficulties which has faced us in our studies and expressions of opposition has been the occasional rapid shift in emphasis by the supporters of the proposition. In 1932 and for years prior thereto, it was proposed as a facility of transportation—at least in our locality. In 1938, it appeared to have become primarily a power project, with navigation as a sort of side line, so much so that it was even suggested that the power features be fully developed and that the deep waterway be allowed to follow at some possible future time. Now, both navigation and power are urged on the ground of the national-defense emergency. I shall touch upon these in the reverse order.

First, let me say that we in Cleveland yield to no one in patriotism. If it could be demonstrated that this undertaking were a necessary factor in our national-defense effort, we would support it wholeheartedly, regardless of the economic injuries which it would ultimately visit upon our city and our State. However, its necessity has not been demonstrated.

At the very best—with the best of luck in fact—we are told that the channel could be navigated late in 1944. Presumably that means that the lower St. Lawrence canals would be finished at the same time as the work in the International Rapids section. Its substantial use would begin with the opening of navigation in 1945. In the meantime, American industry is doing more and more toward production in 1941, 1942, and 1943. It is going to be called on for still more. We do not believe that a further great burden should be imposed for a 1945 possibility.

It is obvious that even if the channel were fully available today, it would not be used for through-lake and ocean movements. There is no reason to suppose that its mere existence would have created ships which the salt-water shipyards were not called upon to build, so that the shortage of carriers would be just what it now is. The turn-around of ocean ships is a vital factor in overseas service today and we simply could not allow ocean carriers to spend additional time to come inland. Even now there is a greater and greater use of overland transportation from the Pacific coast to reduce the time of ship operations. Thus, the channel cannot be considered a vital part of national defense.

Nor can the power features be considered in that light. If there is a shortage of power in the area which can be served from the International Rapids section of the St. Lawrence River, or if such a shortage should develop, it is simply unthinkable that the people of this country, the Congress, or the administration will sit down and wait until 1945 before that shortage is met. We just don't do things that way.

As to the use of the channel for the egress of ocean ships built in Great Lakes yards: Likewise here we do not have a facility which could possibly meet the present need of national defense. I don't know a great deal about shipbuilding, but it seems to me that even if we had the channel, the present demands on our steel producing capacity would at least make our ability to produce additional steel for an additional consuming industry questionable.

So much for the national defense aspect of the proposal. The emphasis in support of the project as set out in 1938 was on power production. A real discussion of that must be given by an engineer. However, and I am now talking apart from an emergency program, we have been urged to view this entire undertaking from a national rather than a sectional position. With that we are in complete accord.

The support of the Great Lakes-St. Lawrence project as an adventure in power production is entirely sectional and very narrowly so.

The CHAIRMAN. Will you give us the right-of-way for just a minute?

Mr. BROWN. Gladly, Mr. Chairman.

(After a short discussion concerning future hearings, the committee proceeded as follows:)

Mr. BERTR (acting chairman). Are you ready to continue?

Mr. BROWN. Yes. In fact, part VI of the St. Lawrence survey—The Economic Effects of the St. Lawrence Power Project—is largely devoted to the proposition that the construction is necessary to offset a downward trend of industrial production in New York State. Whether that be true or not, the rest of the country can hardly be charged with sectionalism in being critical of the expenditure of national funds for a very local benefit. The project would certainly tend to injure Cleveland, the State of Ohio, and our entire surrounding area.

Of course, our direct interest in the project is in the waterway. Our primary attention has been directed to it throughout. The thought of becoming a seaport with all that is supposed to mean is intriguing. It would have been much easier for us to have followed the lead of the supporters of the project and adopted their generalizations as to its benefits, rather than to ask questions and attempt to work out just how it would benefit the country or us and specifically

why we should urge its adoption. We did raise the questions and found the answers to be utterly inadequate to reasonable business men. I shall now try to outline as specifically as I can just why we oppose its construction.

To get some sort of basis for consideration, the attempt was made to arrive at some satisfactory estimate of the costs. Out of the very great number of such estimates with the most astonishing variations the conclusion was reached that the navigation works would cost approximately a quarter of a billion dollars and that annual costs would be from 10 to 15 millions. Those figures are not very far out of line with those which have been introduced at this hearing. If they are too low our arguments are strengthened, and if they are too high their weight is accordingly reduced—but the arguments are still valid.

If this sum, whatever it is, should be appropriated, it is just the beginning. Every American harbor will call for Federal appropriations so that they may be made adequate to the new channels. It won't help navigation very much to have channel depths of 27 feet, if the ships can't dock. What that expense would be seems never to have been calculated. Possibly a good deal of the enthusiasm for the proposal would be dissipated if these costs were known and if it could also be known that many of the smaller localities on the lakes would not be equipped to accommodate the ships.

Still further costs are involved in the construction of land terminal facilities. I have never seen an estimate on that point, but the total would certainly be very large.

Now, before there can be any real economy in the use of the waterway, all of these various expenditures would have to be offset by lower transportation costs and then we would have the problem of who would get the benefit, not of reduced transportation costs, but of possible lower transportation charges; a very different thing. At any rate, it appears quite certain that the Public Treasury would be called upon for from 10 to 15 millions a year as annual charges, plus some uncertain but large sums in addition, and some users of the project would save uncertain amounts.

We gave particular attention to the alleged advantages which would accrue to the farmers of the Northwest. The claims made were obviously exaggerated. All of the saving in costs must accrue on the inland haul and for relatively recent and authoritative figures I turned to a decision by the Interstate Commerce Commission (*Ex-Lake Grain to North Atlantic Ports*, 235 I. C. C. 415, decided November 25, 1939), which quotes from testimony submitted in that case average all-water rates direct from the head-of-the lakes to Montreal of 4.382 cents per bushel in 1936, 3.94 cents in 1937, and 5.825 cents in 1938. Savings to the farmers by reason of through movements to Europe of 5 to 10 cents a bushel, as so often claimed, just can't be made.

Whatever the saving in cost might be, the question next arises as to who would benefit from it, that is, whether it would be passed to the shipper in charges on whatever basis is forced upon them by their lowest rated competition, which is the present all-water route. It is fair to assume that their charges under normal conditions will be slightly lower, but that the American farmer will benefit even to that extent is highly questionable. In a buyer's market such as we have experienced for years, that effect of reduced transportation charges from great grain producing areas is to depress the market for the

benefit of the purchaser. Some wheat would doubtless move by the waterway. How much only future world conditions can tell. The net advantage to American farmers would be very small indeed.

Of late years it appears that the early emphasis on grain exports by advocates of the project has been largely abandoned. It then becomes necessary to give attention to other commodities, the movement of which depends quite heavily upon the sort of service which would be available.

The 27-foot fresh-water channel would not accommodate vessels loaded to more than 24 feet and while there are, or at least were, a substantial number of ships of that draft, they are not in line with recent tendencies. For example, the Engineering News-Record for May 22 last contains a table showing the ships under contract or construction under the Maritime Commission program, which I have here, but will not read in full.

Design	Draft	Number of ships
C1-A, cargo	23 feet 7½ inches	4
C2-S1, cargo, Alcoa	25 feet 1½ inches	3
C-2, cargo	25 feet 10½ inches	26
C2-SU, Sun	26 feet 7½ inches	8
C2-S-A1, cargo, American Export	27 feet 1½ inches	4
C-2, Seas Shipping Co.	27 feet 1½ inches	5
C-3, passenger and cargo	27 feet 7½ inches	14
Passenger and cargo, Mississippi Ship Co.	27 feet 7½ inches	3
C1-B, cargo	27 feet 7½ inches	23
C-3E, American Export Lines	27 feet 9½ inches	1
C-3, cargo	28 feet 7½ inches	15
Tankers	29 feet 13¾ inches	11
Total		117
PROJECTED PROGRAM		
Emergency ships	27 feet 7¾ inches	312
Tankers	29 feet 11¾ inches	72
Total		384

Only 4 ships are of a lesser draft than 24 feet and only 7 are less than 25 feet 10 inches. All of the boats in what is termed "the projected program" are of 27 feet 7 inches or 29 feet 11 inches draft. Only the 4 first-mentioned ships of a total of 384 could use the channel when loaded to capacity. In other words, fast modern liner service could not be expected. The annual interruption of service in winter would further restrict the usefulness of the waterway as an agency of transportation for general merchandise which must move throughout the year, and the absence of sufficient tonnage to maintain services direct to and from numerous world markets would be a final bar to its general availability.

This last consideration should be developed a little further. Cleveland is a producing center of a great number of different products by an even greater number of relatively small manufacturers. Our exports, while great in aggregate value and in importance to the community, are largely composed of finished products of relatively high value which do not move in anything like cargo lots for large ocean vessels. During the past 9 or 10 years I have talked this proposition over with the executive heads and traffic managers of a large number of manufacturers in Cleveland and our immediate vicinity, and the

almost universal opinion is that their products must move rapidly in relatively small lots to ports from which services are maintained to widespread points of consumption.

We export such commodities as refrigerators, stoves, machinery, machine tools, electrical appliances, and so on, to points scattered throughout the world. As to most of these shipments, it is vital that they be dispatched to parts where services are available. The economy of possible freight rate reductions is not sufficient to offset that of service.

In general, the same situation exists as to imports of general merchandise. Only by a complete revolution in the handling, storage, and sales and purchase methods surrounding our export and import business could we make a substantial and regular use of large ocean vessels, and the limitations of the proposed channel and seasonal operation make that revolution appear quite impossible.

That leaves us with a possible commerce in commodities which can move in very large quantities as to which time is no very great element in the economics of their transportation. This commerce would in my opinion be limited to such raw materials as grain, to which I have already referred, oil, coal, ore, and the heavier and generally semi-finished, low-grade, manufactured products, such as pig iron, steel, billets, bars, wire rods, bolts, and nuts, cast-iron pipe, newsprint paper, and so forth. The glamor of a general world commerce is distinctly not in the picture. A little later, I shall revert to this aspect of the problem.

We have not been favored with an opportunity to examine the most recent economic study of possible waterway tonnages and anticipated savings in transportation charges, but we have reviewed earlier studies, including the interdepartmental report of 1933. As a practical matter, studies of this sort strike me as of extremely doubtful worth under the best of circumstances, and we have never yet seen one which was not open to vital objections. However, it may be that there is no other way to make a statistical analysis of future possibilities of St. Lawrence waterway navigation. The Niagara Frontier Planning Board took substantially that position in its study of the project, and for my present purpose, I agree with that board, although I am convinced that it was ultraconservative in its criticism of the interdepartmental report.

The recalculation of possible transportation savings by the Niagara group indicated a possible total of \$8,822,000 a year. That sum is substantially less than the project's annual charge seems certain to be, even before any consideration is given to the cost of necessary harbor improvements and shore terminal facilities.

To look at it another way—if 5,000,000 additional tons of strictly American freight use the enlarged channel, an annual cost of \$10,000,000 would amount to \$2 per ton. If the annual cost is \$15,000,000, the cost per ton would be \$3. If the added American freight should amount to 10,000,000 tons, the cost per ton would be \$1 and \$1.50, respectively. Now \$2 per ton is 6 cents per bushel on wheat and \$1 per ton is 3 cents per bushel. At the all-water costs of 1938, a vessel would have to make the entire trip from Montreal to the head of the Lakes for less than nothing before a cost of \$2 per ton could be offset. In 1937, that same vessel could have charged 0.94 of a cent and someone would have saved enough to offset a cost of \$1 per ton.

It is generally popular to condemn the railroads as though they were simply some puffy old gentlemen of unvarying selfishness. Nevertheless, the railroads are one of Cleveland's largest business interests; and they are an essential element in our matchless transportation facilities. They must operate 12 months in every year, though the waterway would take business from them for some 7 months. They must provide service to and from the entire country, while a valuable part of their traffic would be taken by foreign ocean ships through the St. Lawrence. They pay just about \$2,000,000 a year in local taxes. They employ approximately 7,450 men, about half of them home owners, in Cleveland, who are paid about \$14,500,000 a year. These men are just as much "the railroads" as the rails, locomotives, cars, or those vague and unapproachable figures, "the financial interests."

Cleveland is the largest city of Ohio. The business lives of the city and State are inextricably bound together and injury to any great industry of Ohio casts a burden on Cleveland through loss of markets, increased taxation, and so forth. The most immediate effect of the St. Lawrence project would be a reduction in the movement of coal to Canada, followed by reductions in its use in the United States for power production and lake vessel and railroad fuel. Over 25,000 Ohio miners would be directly injured through reduced employment and Cleveland could not avoid feeling the blow, both through reduced markets for its products, and injury to our financial interests throughout the hard and soft coal producing regions. I understand that those directly connected with the coal industry will develop details on this point.

Earlier I suggested that the probable use of the waterway would be in the movement of raw materials, bulk commodities, and relatively low-valued products. Obviously, whatever movement developments must be a two-way proposition. Even as to grain, I am informed that there have been import movements through the present St. Lawrence canals. In 1934 rye was delivered in Chicago from the Baltic region; in 1935 import wheat, rye, oats, and corn were all unloaded at the port of Chicago and, in 1936 corn from the Argentine was imported.

The coastal areas of our country have for years been the scene of sharp competition between foreign and domestic iron and steel products, and some relatively small amounts have come into the Great Lakes area. Now, we produce as fine grades of iron and steel as anywhere in the world, and our methods of operation are second to none. Only through the maintenance of sub-American wages and working conditions could such competition exist. Every ton of cast-iron pipe, wire rods, pig iron, and so forth, which is imported into this country displaces American labor in mines, on railroads and ships, and in the steel mills. While no one can foresee conditions of world competition after this war, it is a fair guess that it will be no less violent than before the war. The construction of the proposed channel will have the effect of opening the middle steel-producing district to the same and probably more severe competition than has been formerly met by the eastern district. If it be urged that this would tend to reduce the price of steel products, it must also be recognized that it will reduce employment in American industry and transportation and reduce our domestic market for all of our products.

Cleveland's largest single industry is the production of iron and steel. We would be right on the waterway and some of our best customers are also so located. We would be immediately adversely affected. Such inland producers as the Youngstown, Pittsburgh-Wheeling, and Cincinnati areas would be even more seriously injured.

We would be further injured by the Government-created urge for disproportionate industrial development in the vicinity of the power project. It is perfectly proper and laudable for those in northeastern New York to do everything in their power to add to the attractions they extend to industry. We do that and so does every other industrial center. But we do not believe that the Federal Government should provide a low-cost base for a power project through the assignment of the major part of the expense to a toll-free waterway.

We are thus convinced that this project would be of no substantial advantage to Cleveland, or, in fact, any of the area presumed to be benefited, and that the disadvantages far more than offset even the most optimistic reasonable expectations of its proponents. Special and sectional interests may gain, but only at the expense of American labor and capital throughout the country.

That, gentlemen, completes my statement.

Mr. BEITER (acting chairman). Mr. Kirwan, having in mind the story you were developing a few minutes ago, I am going to call on you first.

Mr. KIRWAN. Yes; I will ask a question. I am glad to see that you were saying you worked on the railroads, because I worked for 25 years for the railroads, myself.

Mr. BROWN. I am aware of that.

Mr. KIRWAN. And naturally I think more of railroads than possibly of any industry. And I again ask this question: Why do you want to take this away from the railroads by developing on the river?

Mr. BROWN. I don't know much about the development. To answer you—

Mr. KIRWAN. They are shipping steel right out of the same place that is a part of the railroads, right in Cleveland, and if we all think so much of the railroads, why do they do that with one of the biggest industries right in the heart of Cleveland?

Mr. BROWN. As I say, I do not know a great deal about the development of the Cuyahoga River, because that is out of my line. But I am going to answer you: Because I do not think taking away the switch tonnage that it seems to me to do, will very seriously injure any railroads anywhere.

Mr. KIRWAN. But if they can take that rate for the Republic Iron & Steel and load that sheet and ship it to Detroit, what is going to become of the railroads?

Mr. BROWN. The railroads are only getting a switch rate on that, now, the same as we are of in-bound ore.

Mr. KIRWAN. If they don't get in right now, what are they going to do?

Mr. BROWN. If you put them out of business, it would be a very serious injury; but I do not think you will.

Mr. KIRWAN. That is what you are offering to do now, by the language, and when you get to the railroads, I say they are their own biggest enemy. About 3 years ago the Republic Steel purchased ore deposits up in northern New York, in Mr. Beiter's district, or beyond,

it might be in Judge Culkin's; and when they purchased that they immediately reduced the rail rates to Buffalo by half a dollar a ton, because they had water competition. And on down at the rest of the steel plants, at Pittsburgh and Youngstown they did not reduce it. Is that fair to the railroads?

Mr. BROWN. I don't know; I don't know much about it. I know of the ore you say, but I do not know much about that circumstance.

Mr. KIRWAN. It was 50 cents a ton competition, but let us go down in the valley and the sheet and tube company at Youngstown, they get their limestone from Hillstown, Pa.; and they are charged 45 cents a ton to move that lime only 11 miles of railroad. And Jones & Laughlin, which is 45 miles from that same limestone plant and use the same 11 miles of track, they get the lime for 35 cents a ton. Now, they haul it 45 miles and over part of the same railroad.

Now, if you can prove to me there is even common or good sense in that, to haul limestone 45 miles for 35 cents, and haul it 11 miles for 45 cents, both using the same track out of the same limestone place, and paying the same price for that—who is to blame?

Mr. BROWN. I was just going to say, I could not justify that, and a good part of my life is spent in trying to persuade railroads to straighten out idiotic situations of the sort. I am taking the facts as you give them, without any further consideration.

Mr. CARTER. Will the gentleman yield to me there?

Mr. KIRWAN. Yes.

Mr. CARTER. Is not that a rate established by the Interstate Commerce Commission?

Mr. KIRWAN. Yes; but the same rate was established to Buffalo.

Mr. CARTER. Do I understand that you criticize this gentleman for it?

Mr. KIRWAN. No; not this gentleman.

Mr. CARTER. You are asking him to explain why it was established?

Mr. KIRWAN. Yes.

Mr. CARTER. Why don't you ask the Interstate Commerce Commission, that establishes the rate?

Mr. KIRWAN. No; they are not sitting here, and according to his testimony here he went on to state about how great the railroads are. Now, if the Interstate Commerce Commission was testifying here, like he is, I would ask them; but they are not.

Mr. CARTER. They are the ones who are responsible for the establishment of the rate.

Mr. KIRWAN. Of the rate we are talking about?

Mr. CARTER. Yes.

Mr. KIRWAN. Yes; and all the rest of the rates.

Mr. CARTER. Yes.

Mr. KIRWAN. But he is testifying from a statement and telling how great the railroads are, and I say there is something wrong with them.

You take in my town, and let us see why the railroads cannot go forward. Eight miles from Youngstown to Coalburg—

Mr. BROWN. Eight miles to where?

Mr. KIRWAN. To Coalburg.

Mr. BROWN. Coalburg; yes, I know where it is. Go ahead.

Mr. KIRWAN. Now, in the year of 1864 the New York Central leased that 8 miles, instead of buying the 8 miles of track, they leased it, and for probably 75 years every ton of freight that passes over that

8 miles of track is paid to four families. Now, you ask in the stock exchange and you will see that New York Central is listed at \$9 a share; but that little 8 miles is listed at \$700 a share.

Mr. BROWN. Is that the Mahoning Coal Railroad?

Mr. KIRWAN. That is the Mahoning Railroad. Now, if they pay 40 percent of the revenues to four families, how is the railroad going to compete with a waterway?

Mr. BROWN. I cannot discuss with you the financial conditions of the railroads; I don't care what they are.

Mr. KIRWAN. There is no use coming in here and reading from a paper unless you read the facts that are back of the railroads. Put that in the paper you just read, and I would say to you—

Mr. BROWN. No; I would have to write a treatise on rail transportation, and you don't want that.

Mr. KIRWAN. When you are talking about the railroads, let us tell the facts on the railroads, why they are losing money and the stockholders are losing money.

Mr. BROWN. I do not worry a great deal about the stockholders, either, Mr. Kirwan.

Mr. KIRWAN. The men who invest their money in anything, I think they should be compensated, I don't care what it is; and the same for the employees, that is why he is not getting that work. But when four or five families turn around and get all the revenues of the railroad, you cannot give the work to the railroad men and you cannot give any return to the stockholders. And that is the point I see in the railroad end of it, that we should have more water transportation, and when we get that it will not take the railroads long to put their house in order and not be fearful of any St. Lawrence seaway or any seaway we try to develop.

Mr. BEITER (Acting Chairman). Have you finished?

Mr. BENDER. I have a little question to ask my good friend.

Mr. CARTER. Very reluctantly I will let you proceed. I think we should hear from the gentleman on the end here.

Mr. BEITER (Acting Chairman). Mr. Carter made a concession to Mr. Kirwan.

Mr. CARTER. Let him ask it.

Mr. BENDER. Don't you think, Mr. Kirwan, by and large, the railroads have been a great help to the growth of our economy?

Mr. KIRWAN. No.

Mr. BENDER. You think they have hampered our growth?

Mr. KIRWAN. Surely. I was asleep here one day and I opened a book, and I happened to open a book which showed that the Government gave to the railroads 55,000,000 acres and lots of money; they were supposed to loan the money but they really gave them the money and did not loan it and they sold bonds and stocks and warehouses and everything along the right-of-way.

Mr. BENDER. You do not think the railroads have been helpful?

Mr. KIRWAN. No. Who owns that vast area around up in the Northwest? The fellow that got that railroad grant quit railroading and took that area. No; I do not think the railroads have been a benefit.

Mr. BENDER. We would have been better off without them?

Mr. KIRWAN. No; we would not be. We had to have railroads, but the men that developed the railroads are saying that it was with

their own money. It was the Government's, but they claimed it was them that developed it. No; we needed the railroads and they have been of good service, but the gentlemen that developed them, the Fiskes and the Harrimans and all the others, said it was out of their own money, and they sold a railroad over night and took all the stockholders' money. But it was the Government that built them. No; the railroads have not been a benefit.

Mr. PITTENGER. I still would like to hear from the forgotten man on the end.

Mr. MACIEJEWSKI. You represent the chamber of commerce out in Cleveland?

Mr. BROWN. Yes.

Mr. MACIEJEWSKI. And you have the same opinion as the previous speaker, or the man that preceded you?

Mr. BROWN. Yes.

Mr. MACIEJEWSKI. This would be harmful to the city of Cleveland; am I right?

Mr. BROWN. I think there would be no advantage; yes.

Mr. MACIEJEWSKI. Following out the thought of my friend across there, Mr. Kirwan: Don't you think that the railroads are really their own enemy? By that I mean, let us go back to this bus fight. When the bus started to go out on these roads, that they were opposing them and trying to stop them, instead of cooperating and helping and advancing transportation along the highways. Don't you think maybe that has been the basis of putting some roads under?

Mr. BROWN. I think and I have thought since about 1923, that the railroads overlooked a bet when they started; yes, and I still think so.

Mr. MACIEJEWSKI. In other words, they are their own enemies?

Mr. BROWN. Many times; yes.

Mr. MACIEJEWSKI. So I say here I do not think that the railroads would be hurt in this project, the seaway project; probably they would gain by this.

Mr. BROWN. I think they would be hurt. That is where we differ. I agree with you up to that point, and then I differ.

Mr. MACIEJEWSKI. That is all.

Mr. BEITER (acting chairman). Mr. Carter?

Mr. CARTER. I have no questions.

Mr. BEITER. Mr. Bell?

Mr. BELL. No questions.

Mr. BEITER. Mr. Dondero?

Mr. DONDERO. Mr. Brown, I was rather intrigued at some of the allegations you made.

Mr. BROWN. I thought you would be.

Mr. DONDERO. And since we are such close neighbors out there in the Middle West, there are one or two questions I want to ask you: One of the subjects that challenged my attention in your statement was that you questioned the value of this proposal as a nation-defense project?

Mr. BROWN. Yes, sir.

Mr. DONDERO. Standing against that statement is the testimony here of high officials of this Government, particularly those charged with the responsibility for the safety and defense of this Nation, who have testified that it is very important for the Nation's defense. You know of that testimony, I am sure?

Mr. BROWN. Exactly as you quote it; yes, sir.

Mr. DONDERO. Without naming them, of course. There is quite an array. You take the position that the small harbors on the Great Lakes—

Mr. BROWN. So are you leaving that right away, with just that statement?

Mr. DONDERO. I have not the time to read that long list of witnesses.

Mr. BROWN. Have you finished your question on national defense? Because I want to add something there.

Mr. DONDERO. I would be glad to have you do it.

Mr. BROWN. I do not question their testimony. You quoted it entirely correctly, as I remember it. But the thing which looks important to us right now, and not something which may be important 4 or 5 years from now. As my president left this room he said to me, "Andy, I wish you would impress upon these gentlemen that we are in the war emergency effort now." And that is our position on that.

Mr. DONDERO. Mr. Brown, if the advice on this proposal had been heeded in 1934, you would not be here testifying today along that line?

Mr. BROWN. Of course, if it had been heeded, we would not.

Mr. DONDERO. And if we take your advice now, 5 years from now we may be in a position of vain regret in our effort to defend ourselves particularly from the last of shipbuilding facilities in the Great Lakes area, which we need so vitally today.

Mr. BROWN. In my statement, as you know, I pointed out very clearly, and there is not any question about it in the world, that if we had this channel in full operation today or full availability today, it would not be used for through-lake and ocean traffic, war or anything else.

Within the last month, certain traffic which has consistently come from the Dutch East Indies through the Panama Canal to New York and moved westward, has been diverted through the Pacific Coast for every location west of Pennsylvania, and all trade which used to move that way through the Panama Canal is now moving overland. And if we cannot afford the use of ships to move through the Panama Canal to New York, we certainly could not afford the use of ships to move up the coast and into that water water section and out again. In other words we would not use it for commerce if it were here.

Mr. DONDERO. The answer to that is, Mr. Brown, that undoubtedly it is done in the interest of time and speed?

Mr. BROWN. Yes.

Mr. DONDERO. There is no question about that?

Mr. BROWN. No, sir.

Mr. DONDERO. Are you against water transportation?

Mr. BROWN. Not at all. It is one of our "king bees."

Mr. DONDERO. I was just going to ask you whether or not you would be opposed to water transportation, being a Representative from Cleveland which is on the Great Lakes?

Mr. BROWN. You do not think I am completely foolish, Mr. Dondero?

Mr. DONDERO. All right; can you explain, why it is that the St. Lawrence seaway has been deepened on three different occasions?

Mr. BROWN. Because the people who attempted it thought it would be useful, and it has been useful for the kind of traffic which moves through it.

Mr. DONDERO. And we are using it as a Nation, today.

Mr. BROWN. To some extent.

Mr. DONDERO. Even though it has a limited draft of 14 feet?

Mr. BROWN. I do not think we are, right at this moment; but we could use it, yes.

Mr. DONDERO. Do you know that one of the steamship companies contemplated building a fleet of ships for the use of the St. Lawrence seaway, until this war broke out?

Mr. BROWN. I do not doubt it, and I think it would have worked out.

Mr. DONDERO. Do you know we have had a sailing every 10 days from the Great Lakes area to foreign ports of goods manufactured in the Great Lakes area?

Mr. BROWN. Yes.

Mr. DONDERO. Through the St. Lawrence?

Mr. BROWN. Yes.

Mr. DONDERO. Even with its limited draft of 14 feet?

Mr. BROWN. Yes. Even with that limited draft, yes, and that is the reason you have it.

Mr. DONDERO. And if it were deepened to 27 feet, we would have access to ships, 75 percent of the ships of the world, in the Great Lakes area; which we cannot have now?

Mr. BROWN. Practically none of the important ships, and we would not use the large ships much, but we would use the little ships. That is my judgment on this point.

Mr. DONDERO. You made one statement that if this canal is built and the power incidental to it is established, you felt it would be a continuing Government subsidy for the benefit of a very restricted number of our people?

Mr. BROWN. Would you leave out the word "continually"? I do not want to get into this.

Mr. DONDERO. Well, we will—

Mr. BROWN. I did say "custody."

Mr. DONDERO. Is it not a fact that the Government of the United States has expended millions of dollars to develop the canal at the Soo and the locks?

Mr. BROWN. Yes, sir.

Mr. DONDERO. And through those locks and that canal today, Cleveland, which you represent, gets ore that meets coal from West Virginia, to make steel for your industries; isn't that correct?

Mr. BROWN. That is correct.

Mr. DONDERO. And you pay about one-fourth of the freight rates of the railroad on that ore?

Mr. BROWN. The railroads could never have handled that traffic for us.

Mr. DONDERO. And they could not haul it for the rate you are getting it now.

Mr. BROWN. Oh, no; they could not haul it down there at the rate which we could afford to pay to them.

Mr. DONDERO. In the face of the fact no tolls are charged, is not that a Government subsidy and anything but harmful to Cleveland?

Mr. BROWN. It happens to be, sir; for the benefit of Cleveland and Detroit and Chicago, and Pittsburgh, and Canton, and Youngstown, and Cincinnati, and Wheeling, and the entire industry is built on it.

Mr. DONDERO. Certainly, and it has been obtained by deepening the channels to permit these great ore ships to pass down through that deepened channel.

Mr. BROWN. I think so.

Mr. DONDERO. That is exactly what we propose doing with the St. Lawrence River; maybe not to carry the same type of goods, but it will permit greater transportation facilities.

Mr. BROWN. Oh, yes.

Mr. DONDERO. I am like the gentleman, I am not so much interested in the power-development feature of this project except its aid to national defense. We are like you; we cannot receive the benefit of the power in Michigan, but I am interested in the statement you made that from the Baltic states came wheat and rye and oats to the port of Chicago.

Mr. BROWN. I didn't say all of that. I used this as information which I received from the Mississippi Valley Association, published some years ago. It was rye from the Baltic, but the other grains came from elsewhere.

Mr. DONDERO. I was just trying to make that statement consistent with the fact that my colleague from Illinois just read into the record a resolution from the Chamber of Commerce of Chicago—

Mr. MACIEJEWSKI. No. The City Council of the City of Chicago.

Mr. BROWN. And the Chicago Association of Commerce has adopted a resolution against it.

Mr. DONDERO. I hope the Chamber of Commerce of Chicago are not backward people.

Mr. MACIEJEWSKI. I hadn't heard of that.

Mr. BROWN. I assure you the Association of Commerce has adopted a resolution against the St. Lawrence waterway.

Mr. MACIEJEWSKI. I do know this, Chicago is behind this project.

Mr. BROWN. The Chicago Association isn't. That I know.

Mr. MACIEJEWSKI. With the exception of one or two organizations that probably have been organized to defeat the project. But the city council, which consists of 50 aldermen from all over the city of Chicago, have gone on record endorsing the seaway, and the mayor of the city has also.

Mr. BROWN. I don't question that at all.

Mr. DONDERO. There was one subject you rather detoured me on, and that is the question as to the small harbors on the Great Lakes not being able to use these ships. Isn't it true the Government has spent millions of dollars on New York Harbor for the admission of such ships as the *Queen Mary*?

Mr. BROWN. That is right.

Mr. DONDERO. True they cannot go to the smaller harbors, but they can go to the large harbors, yours included. Do you know of any instance where water transportation has ever been detrimental to the people?

Mr. BROWN. That is too broad a question. If you had asked me if I knew a single instance where it has been detrimental to this or that, or some specific thing, I could give you my opinion.

Mr. DONDERO. I will reframe the question, you are so courteous. Do you think, as a general proposition, that water transportation is detrimental to our people?

Mr. BROWN. Taking all the leeway in the world, as to particular things, I will say, in general, no. I have said "in general," so don't try to pin me down when you ask me as to this particular thing do I think it hurt it or not, because I am likely to say it did.

Mr. DONDERO. You stated that there was no benefit to the people of the Middle West; or that if there was any benefit to them, it would have to be on the in-bound cargoes.

Mr. BROWN. Oh, no; I didn't say that.

Mr. DONDERO. I thought I heard you say that.

Mr. BROWN. No; I didn't say that.

Mr. DONDERO. If you did say that, you want to change it now?

Mr. BROWN. Oh, you could have benefit on out-bound cargo, sure; and in-bound.

Mr. DONDERO. That would apply to the city of Cleveland, as well as any other port on the Great Lakes?

Mr. BROWN. To the extent you could load out-bound cargo, yes.

Mr. PITTINGER. During the last Congress we passed a bill known as the Wheeler-Lee bill, Senate 2009, which bill, in my opinion, had for its purpose the conferring of jurisdiction over waterways on the Interstate Commerce Commission, a railroad-controlled body. What is the fact about the attitude of the Cleveland Chamber of Commerce about that legislation, which is now law? Didn't the Cleveland Chamber of Commerce support the Wheeler-Lee bill?

Mr. BROWN. In the first place, may I say I cannot agree that the Interstate Commerce Commission is a railroad-controlled body?

Mr. PITTINGER. You don't have to agree on that.

Mr. MACIEJEWSKI. Will the gentleman yield?

Mr. PITTINGER. I want him to answer my question first. Did the Chamber of Commerce of the city of Cleveland support the Wheeler-Lee bill, Senate 2009?

Mr. BROWN. The Wheeler-Lee bill was a very extensive bill, which we did not support in detail or in full, nor did we oppose it in full. We did support the provisions of the bill, which did this—the principle of the bill. I wouldn't support the wording of that bill on a bet. We did support the principle of the bill that applied regulation by the Interstate Commerce Commission to common carriers by water. We supported that principle.

Mr. PITTINGER. In other words, the waterways of the country, under that bill, become subject to the Interstate Commerce Commission.

Mr. BROWN. With very great limitations.

Mr. PITTINGER. I think it is the worst bill that Congress ever passed. I don't want to argue with you about it—

Mr. BROWN. It may not work out so very well.

Mr. PITTINGER. I agree with you that every line of that bill was loaded with dynamite, and it was so worded as to put under the domination of the railroads and the Interstate Commerce Commission every waterway transportation.

Mr. BROWN. No; we don't agree. As to the reasoning for that, we do not agree, but I think there are a lot of holes in that bill, and a lot of foolish ones.

Mr. PITTINGER. Of course, my question has not as yet been answered directly. That is, as to whether the Cleveland Chamber of Commerce is on record for and gave active support to that legislation.

Mr. BROWN. I don't see how I can answer that yes or no. We did communicate with the members of the committees of both House and Senate, Interstate Commerce Committees, supporting certain general principles, but not any detailed specific provision.

Mr. PITTINGER. Did you take action on the conference report; that was the final ending of the thing, when the roll was called on the adoption of the report of the conferees?

Mr. BROWN. It is my recollection we did not specifically approve the conference report, as such. That is my recollection.

Mr. PITTINGER. That is all.

Mr. BROWN. We may possibly have done that, but I don't think so. I personally would not have.

Mr. BENDER. I think Mr. Brown has covered the subject fully in his statement. It is as fine a statement as I have ever read on the subject, and I trust every member of the committee will read and reread it, because it contains as valuable information as has been presented by anyone.

Mr. BEITER. Mr. Culkin?

Mr. CULKIN. I apologize for not being present, and I regret exceedingly not having heard your statement. I certainly cannot ask any questions, not having read the statement. That may be a blessing or otherwise.

Mr. BROWN. Well, we may be even up on that.

Mr. BEITER. Are there any other witnesses?

I have a statement from Mrs. Molloy, who has been waiting here all this week to testify, which I would like to insert in the record.

STATEMENT OF MRS. JOSEPH J. MOLLOY, BUFFALO, N. Y.

Mrs. MOLLOY. My name is Mrs. Joseph J. Molloy. As secretary of the Fourth Assembly District Democratic Club of the city of Buffalo, N. Y., I represent that group here today. I have been an active civic worker as well as a staunch worker in the Democratic Party for years.

I am not an expert and I do not intend to make a speech or argue. I believe, however, this committee will want to hear from those who know some social facts, not theories, about those whose living depends on Buffalo's water-front transportation business.

The fourth assembly district includes all of the south portion of the city of Buffalo and it is this area in which most of the railroads and railroad terminals are located. This is also true of the grain elevators, the flour mills, and the steel mills. It is in this district that the rails of the East actually meet the Great Lakes waterways system. Vast networks of steel are to be found in this district. Switching yards and terminals employing thousands of men are to be found in this district. Here also are the docks to which come the boats from the West, laden with ore and grain and package freight. Here they load with coal and many other commodities for the West.

Thousands of men work in the great grain elevators and flour mills and steel mills. The railroads too employ other thousands. As it is not only men who are employed, but hundreds of women as well in the offices of the railroads, flour mills, steel mills, shipping companies and all of the vast marine and shipping interests of Buffalo. The very nature of the work is such that in most instances a large percentage

of the male workers are married, have families, and own their own homes in this district.

It may be charged that these people are selfish in their opposition to the St. Lawrence seaway and power project. This is partly true. The completion of the project, they know, will mean the dislocation of the entire economic fabric in the fourth assembly district. Literally hundreds of jobs will be wiped out and good citizens who have spent the greater part of their lives in constructive, conscientious effort along lines of undisputed value to their community will find it difficult or next to impossible to readjust their lives and find other means of earning a living and supporting their families.

The men and women in this field of endeavor have worked hard to obtain the social gains which have made their living in our beloved city so worth while. Our city has become known as a city of homes, of good neighbors. Our streets are well paved and lined with beautiful trees. Our city is noted for its splendid public and parochial schools. But if this project is permitted to be completed, our harbor and our water front, which has been teeming with activity for more than a century, will be certain to become a blighted area and its importance in the community and in the State a mere shadow of its present position.

If the St. Lawrence seaway is built, commodities from the upper Great Lakes will never appear in Buffalo. Foreign ships with cheap foreign labor will reap the benefit, carrying goods in and out of the Great Lakes and the port of Buffalo will become a maritime center and a rail center of minor importance. The western end of New York State Barge Canal, upon which our State has spent hundreds of millions of dollars, will be little short of useless.

May I call your attention to the resolution of the Railroad Switchmen's Union, unanimously adopted at their international convention held in our city this month? This union represents all men in yard service on all the railroads in the United States of America. Examination of this resolution will show you what harm and damage the St. Lawrence would do to their jobs and the work they give their lives to.

We have just gone through a terrible depression. Deprivation and poverty resulted from the widespread loss of jobs. Despite relief efforts, there has been a great toll in the lives and morale of our people.

I beseech this committee not to approve this project, which is certain to mean a great economic burden upon a city and people only just recovering from the tragedies of a major economic difficulty.

(The resolution referred to follows:)

RESOLUTION No. 9—To the Twenty-first Regular and Second Quadrennial Convention of the Switchmen's Union of North America

Whereas the contemplated St. Lawrence waterway deepening project is considered detrimental to labor, commerce, and industry in general, the following findings are offered as reasons therefor:

Whereas the greatest portion of the cost of the seaway is to be borne by the United States. Most of its construction will be outside of this country and by foreign labor; and

Whereas there is no lack of hydroelectric power available in the Great Lakes region and for emergency defense purposes steam power can be provided much more quickly and eminent authorities say at less cost than anything the St. Lawrence development can produce; and

Whereas no one claims that it could be done under 4 years. The probability is that it will take 7 years. In any case, the war would probably be over first; and

Whereas the operation of the seaway will result in the loss of a coal market for American coal mines amounting to 17,000,000 tons annually—a very serious matter for American labor; and

Whereas it will admit cheap, foreign coal into the Great Lakes region; and

Whereas it will not benefit the American farmer. On the other hand, it will be beneficial to the competitors of the American farmer; and

Whereas it will not benefit American industry, and

Whereas, because foreign tramp steamers could use the seaway it may make the mid-continent area a dumping ground for cheap products of foreign countries; therefore, be it

Resolved, That every effort should be made on the part of labor to discourage the proposed project and that the Switchmens Union of North America go on record as being opposed to the St. Lawrence waterway project, with especial reference to the transportation portion included therein.

(The above resolution is dated Buffalo, N. Y., June 9-16, 1941.)

Mr. BEITER. There being no further witnesses, the committee will stand adjourned until Wednesday morning at 10 o'clock.

(Whereupon, at 3:50 p. m., the committee adjourned to 10 a. m. Wednesday, July 2, 1941.)

GREAT LAKES-ST. LAWRENCE BASIN

TUESDAY, JULY 1, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 2 p. m., pursuant to notice, for further consideration of H. R. 4927, Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will please come to order.

There is a general rule prevailing in committees of Congress, and that is, you never hear a chairman call upon a member of the opposite party to preside. Now, I am going to break that rule. I am going to call upon our distinguished colleague, Mr. Dondero, to come over and preside and introduce the mayor of his home city, Detroit.

Mr. DONDERO (presiding). Mr. Chairman and gentlemen of the committee, I appreciate very much the action of our distinguished chairman of this committee, Judge Mansfield, of Texas. It is not very often that a member of the minority party is privileged to preside over a committee of the House.

It so happens that I am a Representative of the State of Michigan, and that a part of the city of Detroit is within my congressional district, the northwestern portion of it. We are privileged to have today before the committee the distinguished and able mayor of Detroit, and I consider it a very distinct privilege to present to this Committee on Rivers and Harbors of the House of Representatives the mayor of Detroit, the Honorable Edward J. Jeffries.

Mayor JEFFRIES. Thank you.

STATEMENT OF HON. EDWARD J. JEFFRIES, MAYOR OF THE CITY OF DETROIT, MICH.

Mr. DONDERO. You may be seated, Mr. Mayor.

Mayor JEFFRIES. All right, sir.

I have a prepared statement that I would like to present to the committee, and then I would be glad to answer any questions, or discuss it in any way that you gentlemen would care to.

My name is Edward J. Jeffries, mayor of the city of Detroit. I am authorized to appear here on behalf of the City Council of the City of Detroit in support of the St. Lawrence seaway and power project legislation now before you.

Pursuant to a resolution adopted by the Detroit City Council, I appointed a committee consisting of a cross-section of Detroit industrial and civic life to assist in every way possible in the furtherance of the St. Lawrence project. With your permission, I would like

at this time to submit for the record a list of the personnel of this advisory committee with identification as to their business and other connections. The members of this committee will see upon examination of the list that it comprises all groups in the city of Detroit, business, labor, civic, and professional, attesting to the unanimity of opinion in support of the project in the city of Detroit.

(The list referred to is as follows:)

DETROIT GREAT LAKES-ST. LAWRENCE SEAWAY COMMITTEE

Committee of Citizens Appointed by Hon. Edward J. Jeffries, Jr., Mayor of Detroit, to Support Creation of the St. Lawrence Waterway. The Committee was Appointed Pursuant to Resolution Adopted by the Common Council of Detroit, February 5, 1941

EXECUTIVE COMMITTEE

W. C. Cowling, chairman, publisher Automobile Topics, 622 New Center Building.

C. W. Avery, president, Murray Corporation of America, 7700 Russell Street; president, Detroit Board of Commerce, 320 West Lafayette Avenue.

J. Lee Barrett, Detroit Convention and Tourist Bureau, 1005 Stroh Building.
George Carter, president, Detroit Insurance Agency, 510 Fisher Building.
Rev. Raymond Clancy, St. Boniface Parish, Vernor Highway and Vermont.
Tracy Doll, president, Wayne County Industrial Union Council (C. I. O.), 801 Hoffman Building.

E. S. Evans, president, Evans Products Co., Fullerton & Greenfield.

William P. Fisher, president-general manager, Fisher Boat Works, Inc., 9666 East Jefferson Avenue.

Henry N. Johnson, president, Detroit Real Estate Board, 300 Penobscot Building.

Oscar Kaufman, vice president, Equitable Trust Co., 600 Griswold Building.

John L. Lovett, general manager, Michigan Manufacturers' Association, 1001 National Bank Building.

William P. Lovett, executive secretary, Detroit Citizens' League, 1022 Dime Bank Building.

George W. McCordic, manager, Port of Detroit Commission, 2333 Barlum Tower.

R. J. Maclean, president, Detroit Commercial College, 602 Book Building.

Frank X. Martel, American Federation of Labor, 274 East Vernor Highway.

Fred C. Matthaei, president, American Metal Products Co., 5959 Linsdale Avenue.

H. Lynn Pierson, Jr., president, Detroit Harvester Co., 5450 West Jefferson.

T. Mel Rinehart, president, Highland Oil Corporation, 15093 LaSalle Boulevard.

H. M. Robins, president, H. M. Robins Co., 120 Madison Avenue.

Mrs. George V. Rowe, president, Detroit Federation of Women's Clubs, 13550 Wark.

W. Colburn Standish, president, Adcraft Club of Detroit, 88 Custer Avenue.

John Super, president, Service Clubs Council of Wayne County, care of Truscon Laboratories, Caniff & Grand Trunk Railway.

Henry S. Sweeny, councilman, city of Detroit, City Hall.

Eugene I. Van Antwerp, councilman, city of Detroit, City Hall.

Arthur P. Zirkaloso, attorney, 3800 Fort Street, Lincoln Park, Mich.

Allen Dean, secretary, manager, Transportation Bureau, Detroit Board of Commerce, 320 West Lafayette Avenue.

Mrs. Margaret Abernathy, Fourteenth Democratic Congressional Committee, 666 Coplin.

William E. Anderman, publisher, the Detroit Times, 1370 Cass Avenue.

Mrs. W. B. Bachman, lawyer, 1130 West Boston Boulevard.

Martin W. Baginski, care of Wayne County Probate Court, County Building.

Barney Bartkowiak, clerk; Judge Arthur Webster, circuit court, 6584 Gladys.

John Lord Booth, president, WJLB broadcasting station, Eaton Tower.

Charles W. Burton, president, Burton Abstract Co., 1734 Dime Bank Building.

James V. Butler, attorney, 3456 Penobscott Building.

M. G. Campbell, president, CKLW broadcasting station, Windsor, Ont.

- Milton P. Christa, commander of Detroit district, American Legion, 401 West Lafayette Avenue.
 Rev. Charles H. Cloud, S. J., president, University of Detroit, McNichols and Livernois.
 Al. Conrad, pharmacist, 8560 West Jefferson Avenue.
 William M. Cornelius, president, Parker Rust-Proof Co., 2177 East Milwaukee.
 Rt. Rev. Frank W. Creighton, bishop of Episcopal diocese, 18240 Fairway Drive.
 Valentine Feliks, 8130 Michigan Avenue.
 Hugh J. Ferry, secretary-treasurer, Packard Motor Car Co., 1580 East Grand Boulevard.
 Leo Fitzpatrick, president, WJR, the Goodwill Station, Fisher Building.
 Rabbi Leon Fram, director, religious education, Temple Beth El, Belcrest Hotel.
 Dr. Clarence Hill Frank, executive secretary, Detroit Council of Churches, 404 Park Avenue Building.
 Dr. Leo M. Franklin, rabbi, Temple Beth El, 26 Edison Avenue.
 Harvey C. Fruehauf, president, Fruehauf Trailer Co., 10940 Harper Avenue.
 Hazen Funk, Strathmoor Businessmen's Association, 14832 Grand River Avenue.
 Frederick J. Gartner, Member of Michigan Legislature, 516 Emmons Boulevard, Wyandotte, Mich.
 Charles E. Hansell, secretary, Down River Chamber of Commerce, Wyandotte, Mich.
 Judge G. B. Hartrick, president, WEXL radio station, 212 West Sixth Street, Royal Oak, Mich.
 John Hennigar (retired), 9585 Monica Avenue.
 James F. Hopkins, president, WJBK broadcasting station, 6559 Hamilton Avenue.
 John S. Knight, publisher, the Detroit Free Press, 321 West Lafayette Avenue.
 Samuel W. Leib, attorney, 2057 Union Guardian Building.
 A. L. Lott, president-general manager, Motor Products Corporation, 11801 Mack Avenue.
 H. A. McDonald, president, H. A. McDonald Creamery Co., 9700 Oakland.
 Rev. Harold J. Markey, director, Catholic Youth Organization, 2040 Fourteenth.
 Stanley J. Mirus, attorney-at-law, 8575 West Jefferson Avenue.
 S. Charles Novak, Tivoli Brewing Co., Wesbter Hall, Putnam & Cass.
 Joseph M. O'Laughlin, American Federation of Labor Teamsters' Union, 1500 West Fort Street.
 Joseph F. Pagano, treasurer, Wayne County Industrial Union Council (Congress of Industrial Organizations), 801 Hoffman Building.
 Rev. William H. Peck, pastor, Bethel A. M. E. Church, 571 Frederick Ave.
 Ray J. Peters, city clerk, River Rouge, Mich.
 Dr. Alfred Radgens, physician, 5419 Michigan Avenue.
 Harold Sadowski, United States Internal Revenue Department, 4619 Meldrum Avenue.
 William E. Scripps, publisher, the Detroit News, Second and Lafayette.
 Nate S. Shapero, president, Cunningham Drug Stores, 1927 Twelfth.
 Otto Silvers, Department commander for Michigan, Veterans of Foreign Wars, 16595 Braile.
 Stephen Sudek, president, National Polish-American Council, 5170 Lumley.
 Paul W. Tara, attorney, 1306 Dime Bank Building.
 R. J. Thomas, president, United Automobile Workers (Congress of Industrial Organizations), 801 Hoffman Building.
 Thomas Trainor, caterer, 11110 East Warren Avenue.
 George Trendle, president, WXYZ, King-Trendle Broadcasting Corporation, seventeenth floor Stroh Building.
 W. F. Von Moll, supervisor, Mongaugon Township, Trenton, Mich.
 Oscar Webber, vice president-general manager, the J. L. Hudson Co., 1206 Woodward Avenue.

Major JEFFRIES. All of you know the importance of Detroit to the entire world in an industrial way. In no boasting sense, I think it is true to say that Detroit has done much to build the great industrial economy of this country. Detroit is the homeland of mass production.

Today, for the second time in our history, we are called upon to turn our great factories to the manufacture of the tools of war. We are doing it rapidly, and I think we are doing it well. To a very great extent it will be the Detroit factories which will mechanize our armies and those of the nations with which we are associated. We are making tanks, trucks, armored cars, airplane engines, and dozens of other machines vital in our effort to save civilization. We manufacture these products faster and in larger quantities than in any other community in the world. And because these items are so vital to the defense of western civilization, it is fair to say that that defense depends in large measure upon Detroit.

The internal combustion engine is the hardest hitting piece of mechanism known to modern warfare, whether fitted with wings, placed in the hull of a ship, harnessed to caterpillar treads or mounted on rubber tires, that engine has supplied the power to topple great nations into servitude. Supremacy in that same power may well furnish the margin of superiority in the restoration of the liberties of those nations now in servitude.

I think we have solved the problem of mass production in Detroit. But I do not think we have solved the problem of transportation. For 35 years Detroit people have foreseen the day when equipment manufactured in our area could be loaded aboard a ship in our own harbor and sent, in one operation, to any port of the world. To do so, it is necessary to have free access to the ocean and the most practical route is through the St. Lawrence River. But for 35 years the people of Detroit, and of the whole Middle West, have continued to be bottled up in the interior of the continent.

We have, it is true, a system of railroads from the Middle West, and they have served the Middle West well. Since the beginning of the industrial development of the Middle West, transportation facilities have undergone a slow revolution. Highways have been built, railroad service has improved, the airplane has become an important part of the transportation picture. During these 35 years channels have been opened in the Great Lakes and the St. Lawrence River; Canada has eliminated the largest single obstacle to deep-water transportation through the Great Lakes by building the Welland Canal, bypassing Niagara Falls, where the waters in the Great Lakes take their largest drop. Despite all these improvements, the Middle West has continued to be production rich and transportation poor. It suffers from a disadvantage because of high transportation costs, a disadvantage that we have had to offset by superiority in production methods in order to continue to compete with sections of the country more favored by cheap transportation.

Today there is but a small section of the St. Lawrence River which limits the complete usefulness of the Great Lakes' waters as a transportation system. To us in Detroit, it seems rather ridiculous that this obstacle was not removed at the same time Canada built the enlarged Welland Canal

As a peacetime project to facilitate ordinary commerce, the completion of the St. Lawrence seaway has always seemed to us a necessity. Today, with most of the world at war, the seaway is a vital need. If we are going to keep this war from our own shores, we must open up this bottleneck so that products of the factories of all industrial

cities in the Great Lakes can be shipped directly to the scene of action, no matter where that may be.

We believe it would be a tragic thing at this time if private or local interests were allowed to continue to bottle up the Middle West. We believe it would be tragic to allow the tremendous shipbuilding resources of the Lakes to remain idle. And we believe that it would be foolhardy to throw away the 2,200,000 horsepower of badly needed electrical energy that can be generated in the International Rapids of the St. Lawrence River.

I think I am qualified to speak about the desperate efforts of the opponents of this legislation to block it. In my capacity as mayor of the city of Detroit, I have been besieged by representatives of such interests to throw my weight against this project. I have listened to the arguments of opponents of this project, and I have neither been convinced of their validity, nor, at this time, of their soundness from the point of view of our national-defense effort.

I regret to say that I think they have placed special interest above public interest.

The United States Army today is establishing one of the strongest fortresses of the world on the island of Newfoundland, which guards the mouth of the St. Lawrence. After the completion of our base there, the St. Lawrence will be strategically as nearly impregnable as it is possible to make it so. Thus, the route into the heart of the north continent will be secure from attack. If the St. Lawrence seaway is built, affording ocean traffic into the mid-continent, we will have a route to Europe which will cut at least a thousand miles off the hazards of ocean navigation in wartime.

Detroit people see this picture clearly, because Detroit long has been accustomed to foreign trade, which we have developed despite the lack of deep-water transportation. Detroit people realize more keenly perhaps than do others that war today is a war of industrial production. Victory will go to the people who can produce the most and best tools of war, and land them at the scene of action most quickly, and in largest quantities. This is the kind of job which the Detroit area is especially equipped to do—with men, with machines, and with skill. But, no matter how well equipped we are in terms of production, we are ill equipped in terms of transportation. Because of this, we cannot too strongly urge, in the interests of development of our normal economy, that you give early favorable consideration to the St. Lawrence legislation before you now.

In my brief remarks I have spoken mainly of the contribution which I am certain the St. Lawrence seaway will enable us in Detroit to make to the defense program. I would like now to touch briefly on the long-range benefits which we in the Middle West have always known would flow from putting our industries on the main street of world commerce. As a boon to the foreign trade of Michigan and her sister States on the Lakes, it is hardly necessary to go into detail at this time.

In Detroit, for example, 15 percent of our income is from sales in world markets. There are over 300 industries in Detroit alone that are engaged in foreign trade. They have entered the world market through a genius for production that has partially offset the handicap of being hundreds of miles from deep-water transportation.

I think it is a matter of history that nowhere in the world has there ever been a great industrial development that was not on tide-water, before the advent of the Great Lakes manufacturing area. This departure from historical fact has in large part been possible because of the presence of a great fresh water ocean known as the Great Lakes chain.

The exploitation of the Lakes by inland carriers has made possible the growth of our steel industry, and of the industries allied to it. By not establishing a deep-water outlet, we have tapped only a small part of the wealth of our inland waterway. I think it is only good economic sense to recognize that we ought to build the St. Lawrence Seaway to open up the midcontinent to ocean shipping. I think, at the same time, it is bad economic thinking to continue to cut off access to the ocean from the Lake cities.

No civilization that seeks to restrict commerce and the facilities for transportation can continue to be a great civilization.

I think, because we are now in a period of grave national emergency, that it is necessary that we face the fact that we must utilize all our resources and utilize them to the fullest. To think otherwise, at this time is to think dangerously and in terms of defeat, rather than in terms of victory and progress.

Several months ago I wrote to a number of mayors of other American cities, asking that they join with me in support of the St. Lawrence project. A number of the responses are most heartening, and I would like permission of the committee to insert in the record of this hearing the replies received from Mayor Rossi, of San Francisco; Mayor Slippy, of Waterloo, Iowa; Mayor Swann, of Huntington, W. Va.; Mayor Putnam, of Springfield, Mass.; Mayor Boyer, of St. Petersburg, Fla.; Mayor Pfeifle, of Bethlehem, Pa.; and Mayor Thourot, of Union City, N. J. They represent an interesting cross section of sentiment, and come from widely scattered areas.

I trust that your committee, at an early date, will favorably report this legislation to the House.

Mr. PITTINGER. I make a motion that he be permitted to insert those letters that he referred to into the record at this point.

Mr. DONDERO. Without objection, it is so ordered.

(The letters referred to are as follows:)

OFFICE OF THE MAYOR,
San Francisco, March 27, 1941.

MAYOR EDWARD J. JEFFRIES, JR.,
Detroit, Mich.

DEAR MAYOR JEFFRIES: I have for acknowledgment your letter of March 14 asking assistance in support of the St. Lawrence waterway.

You may rest assured that I shall be happy to cooperate in any way possible.
Yours sincerely,

ANGELO J. ROSSI, *Mayor.*

CITY OF WATERLOO, STATE OF IOWA,
March 19, 1941.

HON. EDWARD J. JEFFRIES, JR.,
Mayor, Detroit, Mich.

DEAR MAYOR: Your letter of March 14 relative to the St. Lawrence seaway was received. I feel that this would be of great benefit to the Middle West, and I am writing to Senators Gillette and Herring and Congressman Gwynne urging them to support the measure.

Very truly yours,

RALPH B. SLIPPY, *Mayor.*

CITY OF HUNTINGTON, WEST VIRGINIA,
March 21, 1941.

HON. EDWARD J. JEFFRIES, JR.,
Mayor, Detroit, Mich.

DEAR MR. JEFFRIES: I have your letter of March 14 relative to the creation of a Detroit Great Lakes-St. Lawrence seaway committee to work for the completion of the seaway as a national defense project.

The city of Huntington, largest in West Virginia, has always had a deep interest in the affairs and problems of Detroit and other Great Lakes' cities and States, since the areas you serve are the best customers for West Virginia coal.

Your letter asks us to assist you in working for the completion of the seaway project. Just what do you want us to do?

Yours very truly,

CLAUDE V. SWANN.

THE CITY OF SPRINGFIELD, MASS.,
Springfield, Mass., March 19, 1941.

HON. EDWARD J. JEFFRIES, JR.,
Mayor of Detroit, Detroit, Mich.

DEAR MR. MAYOR: After reading your letter, and particularly after seeing you in New York last autumn, it is hard not to go along with you. But you mustn't expect the mayor of a Massachusetts city and one who is associated with the port of Boston, to take up the cudgels loudly in your behalf.

Sincerely yours,

ROGER L. PUTNAM, *Mayor.*

CITY OF ST. PETERSBURG,
St. Petersburg, Fla., March 20, 1941.

HON. EDWARD J. JEFFRIES, JR.,
Mayor of the city of Detroit, Mich.

DEAR MR. MAYOR: As I view the situation, there should be no jealous disposition on the part of one section of our glorious country to disparage or attempt to prevent other cities or States from obtaining economic assets which they need or that may improve their status. Eventually, or so it seems to me the whole country benefits from anything that benefits any portion of it.

For those reasons, I heartily endorse the efforts of Michigan and her neighboring States in the Great Lakes region to promote the St. Lawrence seaway. Obviously, also, that project is pertinent to the future defense of the whole Nation.

So I shall bring your proposal for a special resolution, urging congressional approval of the plan, to the attention of the local council at the earliest opportunity.

Sincerely yours,

IAN V. BOYER, *Mayor.*

CITY OF BETHLEHEM,
Bethlehem, Pa., March 19, 1941.

MAYOR EDWARD J. JEFFRIES, JR.
Detroit, Mich.

DEAR MAYOR JEFFRIES: This is to acknowledge receipt of your letter of March 14, together with a copy of the resolution adopted by the Detroit-Great Lakes-St. Lawrence seaway committee appointed by you, requesting Congress to improve the transportation facilities in the Great Lakes area by removing the 48-mile bottleneck.

For your information, I have already expressed my opinion relative to this project. I am heartily in accord with and fully realize that the United States needs the said improvement for defense and will continue to do everything within my power to assist you in this most worthy cause.

Very truly yours,

ROBERT PFEIFLE, *Mayor.*

OFFICE OF THE MAYOR,
Union City, N. J., March 21, 1941.

Mr. EDWARD JEFFRIES, JR.,
Mayor, City of Detroit, Mich.

DEAR MAYOR: I am in receipt of your letter of March 14 requesting the endorsement of the St. Lawrence seaway, which requires congressional approval, before this great seaway can be developed.

It will be a pleasure for me to endorse this movement, because not only will it affect the city of Detroit, but the entire eastern seaboard of our Nation. I am heartily in accord with your thought, that the St. Lawrence seaway will be a great inland waterway, which will greatly enhance our national defense.

Please let me know what I can do to further the interest of this great project, and I will be happy to do my small part toward the full completion of this great project. The resolution enclosed by you will be brought before our board of commissioners for reading and adoption at the next regular meeting which will be held on April 3, 1941.

Sincerely yours,

HARRY J. THOUROT, Mayor.

Mr. DONDERO. Mr. Chairman, I will deny myself the right to ask the mayor any questions at this time, and defer to other members of the committee.

The CHAIRMAN. I believe I have no questions.

Mr. DONDERO. Mr. Culkin?

Mr. CULKIN. I have no questions.

Mr. DONDERO. Mr. Rankin.

Mr. RANKIN. Yes, sir.

As I understand it, your sole interest in this project is that of transportation?

Mayor JEFFRIES. Well, hardly, sir. In the first place, I could think of a book of reasons why I, as a citizen of the United States, and as mayor of Detroit, and as a resident of this area, might be in favor of this project. I think that it has tremendous underlying potential forces for the good of the whole of the United States, because it seems to me that we are not only in a state of emergency now, but in looking at the future it seems to me that we are probably going to be in a state of emergency, of either actual physical combat or a war of economy, for, perhaps, a generation, or even longer than that, and in planning to make the fullest use of our natural resources, it seems to me that, in order to preserve a standard of living based upon the industrial economy that this country is certainly contributing to world culture, it is going to be necessary for us to have everything that makes for efficiency and effectiveness in the production of mechanical contrivances of one type or another and the manufacture of raw materials into finished products, so that we can compete against low pay and long hours, and I think that that is a very integral part of the plan.

Mr. RANKIN. In your statement, you leave out entirely the benefits of hydroelectric power.

Mr. PITTENGER. Oh, no; he does not.

Mr. DONDERO. Yes; the mayor touched upon that.

Mr. RANKIN. That is what I am trying to find out.

Mayor JEFFRIES. Of course, I am just a little sour. You see, Canada runs Niagara hydroelectric power to Windsor, Canada, which is just across the river from us, but we do not get the use of that power from Niagara in our country. So I am a little discouraged about the eventual possibilities of it ever getting to Detroit, and that is one reason why I did not stress it particularly, although the use of

power and the availability of power is of tremendous advantage to an industrial nation, such as is the United States.

Mr. RANKIN. I do not blame you for being sour, because I have the record right here before me, and if the State of Michigan got her electricity at the same rate that they get it in Windsor, the people of Michigan would have saved \$55,157,000 on their electric light and power bills last year. That is according to the Ontario rates.

Mayor JEFFRIES. Yes, sir.

Mr. RANKIN. And \$48,000,000, according to the Tennessee Valley Authority rates.

Mayor JEFFRIES. Yes, sir.

Mr. RANKIN. And \$53,000,000, according to the Tacoma, Wash., rates.

So, I do not blame you for being sour. I used to be sour myself, because we were just in the same boat, before the Tennessee Valley Authority was created, and we got relief.

Mr. DONDERO. May I comment there to say that I think Michigan is the lowest State in the Union, so far as domestic rates are concerned, in the use of electricity.

Mayor JEFFRIES. I am sure Detroit is not. I am not sure about the State, but the Detroit Edison Co. ranks all the way from twenty-fifth or twenty-sixth to about fifty-sixth or fifty-seventh, and I am sorry that I do not have the exact figures on this matter, between the rates of local community or municipal plants throughout the country, and in every instance ranks above, in cheapness of power, so that we are not relatively low, Mr. Dondero, in our power rates, city to city.

Mr. RANKIN. My distinguished friend from Michigan is wrong, and some time when we have time I will go into detail and explain it to him.

The cheapest rates prevail in Tennessee, as a State. The northern part of Michigan is on a parity with them, and probably the next cheapest rate would be in the State of Washington.

Mayor JEFFRIES. I think Mr. Dondero meant in manufacturing power, and even in manufacturing power we are not cheapest.

Mr. DONDERO. No; you are not.

Mayor JEFFRIES. That is right.

Mr. RANKIN. Your industrial overcharges in Michigan, last year, and, if you will pardon me for just a moment, I will give them to you, your industrial overcharges were \$15,000,000, according to T. V. A. rates, and \$16,000,000, according to the Ontario rates, but, of course, the industries are not the only ones that use electricity. There are millions of homes in this country, and millions of business establishments that use electricity.

My chief interest in this project is the development of electric power, to give the people along the Great Lakes relief from the exorbitant overcharges they are now paying, not only industrially, but even to the very smallest householder.

If the committee will pardon me, I want to read just one short statement here, from Newton D. Baker, who was Secretary of War in the Cabinet of President Wilson, and at one time the mayor of Cleveland, Ohio. Secretary Baker is dead now, and we cannot have him here to testify, but he left a record, which I will read.

The CHAIRMAN. He was general counsel of the Lake Carriers Association.

Mr. RANKIN. I will say this for Newton Baker, that he was one of the ablest men I ever met, I think, and one of the finest characters.

Here is what Mr. Baker said, in testifying before this committee in 1926, and I want it to go into the record at this time:

The exhaustion of coal in this country, the exhaustion of petroleum, are already in sight; I mean in an economic way. We are being driven to less valuable and less accessible fuel sources all the time. This country faces, in the opinion of the most imaginative and gifted engineers, not very far in the future, a time when every horsepower of hydroelectric power in this country will be vital to the continuance of our economic prosperity, and for us not now to have that in mind is short-sighted on our part. Engineers are printing in the engineering journals proposals by which they hope to be able to impound the tide waters in the Bay of Fundy, and do all sorts of new and daring things to supply substitutes for our existing bodies of fuel, and I think a forward looking policy on the part of the Congress from now would be that every available horsepower waterpower that can be conserved in this country ought to be conserved as an economic proposition.

My views could hardly be stated more clearly than Mr. Baker has presented them in that statement.

Mr. BELL. Will the gentleman yield?

Mr. RANKIN. Yes, sir.

Mr. BELL. I want to know the date of that article.

Mr. RANKIN. 1926. It was not an article. It was testimony given before this committee.

Mr. BELL. In 1926?

Mr. RANKIN. Yes.

I know you are going to be told that you are too far from this project, but I have a bill pending before this committee for the creation of regional authorities that would also take in the power at Niagara Falls. You are 238 miles from Niagara Falls, are you not?

Mayor JEFFRIES. Yes, to go through Canada, but down through Ohio it would be longer. However, through Canada, it is that distance; yes, sir.

Mr. RANKIN. That is the distance given on the map, I notice, for the power line from Niagara Falls to Windsor.

Mayor JEFFRIES. Yes, sir.

Mr. RANKIN. That is what I am talking about.

Mayor JEFFRIES. Yes, sir.

Mr. RANKIN. 238 miles?

Mayor JEFFRIES. Yes, sir.

Mr. RANKIN. If this power is developed and this authority is created, and the power of the Niagara and St. Lawrence area is included in that authority, then it would place you easily within the distribution radius of this power, and would give you a yardstick, if not an actual supply of power, to reach all of the people of the area, it would at least give you a yardstick of public power that might crash those rates down to something like what they ought to be.

Mayor JEFFRIES. It would reach substantially all of the present industrial part of Michigan quite easily, because that lies within a relatively small radius of the metropolitan area of Detroit, and, of course, we know that Windsor presently has the power, so that we know that it could be just as strong across the river; it is just a half mile across the river.

Mr. RANKIN. Suppose we extend this line 300 miles from Niagara Falls, what part of the State of Michigan would it cover?

Mayor JEFFRIES. It would cover practically all of it, sir, because, as you see, as Michigan lays, it is not much farther from Niagara right up to the northern part of the State.

Mr. RANKIN. Yes.

Mayor JEFFRIES. Because you come south, instead of going directly west. I would say, if you extended it 300 miles, farther than it presently is—

Mr. RANKIN. I mean just a 300-mile radius from Niagara Falls.

Mayor JEFFRIES. I would think it would take in practically all of eastern Michigan.

Mr. RANKIN. All of eastern Michigan?

Mayor JEFFRIES. Yes.

Mr. RANKIN. And a radius of 350 miles would almost cover the State?

Mayor JEFFRIES. Yes, sir; very close to it.

Mr. RANKIN. Then, if we could do that, and give you this yardstick that would wipe out this \$48,000,000 a year overcharges, that would be equal to the entire investment in the St. Lawrence project, would it not?

Mayor JEFFRIES. We could certainly amortize it in a relatively short space of time.

Mr. RANKIN. At the rate of \$48,000,000 a year. Of course, it would not go into the same treasury that pays for the development.

Mayor JEFFRIES. But, of course, it would, sir, because, after all, it is Government money extracted from the people of the community, and to the ultimate payer it does not really make much difference whether he pays it to a utility, or whether he pays it to the Federal Government, because it is all for service rendered.

Mr. RANKIN. The utilities have now become an agency of indirect taxation or direct taxation.

Mayor JEFFRIES. I think direct taxation.

Mr. RANKIN. They turn those taxes in to the Federal Treasury, or, I should say, a treasury of their own, because this \$48,000,000 is nothing but an overcharge made by the utilities to the great power consumers of the State of Michigan.

Mayor JEFFRIES. Yes, sir; and it is becoming increasingly more so, all the time, because power is increasingly becoming an absolutely necessary element of everyday life.

Mr. RANKIN. Yes, sir. They jump on me and accuse me of being socialistic, because I am favorable to this development of public power, but I think that the power business is a public business, and, as you say, it is a necessity of life.

It must be handled by a monopoly, but invariably it is generated from a public source, navigable waters. Therefore, it is public business, and the Government has a perfect right—and the communities, cooperatives, municipalities, and associations—to engage in it. So, we are not attempting to infringe on private business, or to engage in private business, but we are being fought by private enterprises that are trying to monopolize this public business.

Where do you get your power there in Detroit?

Mayor JEFFRIES. From coal.

Mr. RANKIN. What do you pay for coal there, as a whole, wholesale?

Mayor JEFFRIES. They pay slightly in excess of \$4, from \$4 to \$5 a ton.

Mr. RANKIN. Slightly in excess of \$5 a ton?

Mayor JEFFRIES. Yes.

Mr. RANKIN. Your power, then, is generated with coal?

Mayor JEFFRIES. Yes, sir. In fact, I think the Detroit Edison Co., which supplies the power to the city of Detroit, and some of the surrounding territory there, paid dividends last year amounting to something like 11 percent of their total gross business. They have just very generously offered us a slight reduction in rates, and said they would give us more if they knew what the tax bill would be this year, but that we might have something to think of for the future.

Mr. RANKIN. Is the Detroit Edison Co. owned by the Electric Bond & Share?

Mayor JEFFRIES. I am not sure, sir. There are more local stockholders than usual, except that it is held by one of the big holding companies, but I am not sure which one of them.

Mr. RANKIN. It takes a lot of money to keep these big holding companies going when they spread out over the country and attempt to control all of the political affairs of the Nation. For instance, as down in Louisiana, and in Spokane, Wash., so it takes a great deal.

Now, as a matter of fact, according to the testimony of the best engineer I have heard—one of the best I have heard since I have been on this committee—this power, with \$4 coal, could be generated at about 4 mills per kilowatt hour, and if that power is generated at 4 mills per kilowatt-hour, it could be distributed at the T. V. A. yardstick rate, and pay ample returns on all legitimate investments. I bring that to your attention because I want the record to show that, if they are getting the coal at \$4 a ton in Detroit, Mich., they ought to be supplying electricity to every human being, every industry, and every commercial establishment in that area, at at least as low a rate as the standard T. V. A. yardstick rates. They could do that and make ample returns on legitimate investments, pay for their upkeep, depreciation, and pay as much taxes as they are paying now.

I believe that is all, Mr. Chairman.

Mr. DONDERO. Just before asking other members of the committee if they have any questions, I want to say to the gentleman from Mississippi that I agree with him in what he said about Newton D. Baker. It was my privilege to know him.

My authority for the statement about the electric rates in Michigan comes from the Federal Power Commission. Maybe I am mistaken on that.

The gentleman from California?

Mr. VOORHIS. No, sir; no questions, Mr. Chairman.

Mr. DONDERO. Mr. Bell?

Mr. BELL. No questions, Mr. Chairman.

Mr. DONDERO. Mr. Beiter?

Mr. BEITER. Yes. I would like to ask the Mayor one or two questions.

Mayor JEFFRIES. Yes, sir.

Mr. BEITER. Mr. Mayor, unfortunately, I was not able to hear your entire testimony, but do you think the seaway is important to national defense?

Mayor JEFFRIES. I think it would be of tremendous assistance to the defense program. It would add to it, I would think, tremendously.

I think there are 46 shipyards in the Great Lakes area. We have a firm that is called the Great Lakes Shipbuilding concern, just on the border of Detroit, that really is just outside of Detroit; it is right on the edge of it, and it is a first-rate shipyard. They have been building lake carriers for years, and their facilities would immediately be available for the building of ships up to at least 10,000 tons for ocean purposes.

The advantage to transportation facilities to the local area would be tremendous. The cost of shipping products out of Detroit, all this mechanized equipment that we are building, would be, well, almost one-third reduced. That is, your usual yardstick of water transportation is about two-thirds of rail transportation, and it would be reduced by almost one-third.

Mr. BEITER. Is not Detroit at the present time using the facilities of the Great Lakes for shipping through the St. Lawrence?

Mayor JEFFRIES. Yes, as far as they will go, except there is only a 14-foot channel, which makes it good for very small boats that are able to get to Detroit, but it causes a transshipment or extra handling of those goods. It is so limited in the capacity of the boats that it does not begin to tap all of the available shipping that is there to be handled.

Mr. BEITER. Detroit is principally an automobile-manufacturing city; is it not?

Mayor JEFFRIES. Yes, sir; about 50 percent of the industry.

Mr. BEITER. The bulk of your shipments out of Detroit consists of automobiles?

Mayor JEFFRIES. On the basis of dollar-and-cents value I presume that probably would be true.

Mr. CULKIN. I suggest, Mr. Chairman, that the gentleman permit the witness to finish his answer.

Mr. BEITER. I am sorry.

Mayor JEFFRIES. I was about to say that we have a lot of other industries there. As I said in my statement, there are 300 industries in Detroit of different types that actually export manufactured goods from Detroit to some other part of the world, exclusive of the United States.

I imagine that the bulk, in dollar value, would be the automobile industry, because, in the first place, automobiles are expensive, and, on a dollar and cent value, I imagine that is true, but 15 percent of all of the goods that are manufactured in the Detroit area are exported, and, incidentally, there are more goods per dollar value produced in Wayne County, the county that Detroit is located in, than in any other county in the world.

Mr. DONDERO. May I observe there, Mr. Mayor, that those 300 industries in Detroit receive material from more than 50 foreign nations of the world.

Mayor JEFFRIES. I presume, Mr. Chairman, that there are more than 300 industries that import raw materials of one type or another to go into the finished product. You see, in almost any large scale industry, the raw materials of some of the parts that go into the finished product are imported from some other place in the world.

Mr. BEITER. Let us take the largest industry, the automobile industry: What is imported from other countries that goes into the making of an automobile?

Mayor JEFFRIES. One of the big things, of course, is rubber.

It would save something like \$8 per long ton if we could ship it directly by boat. It would very materially affect the cost of production of an automobile, and the shipping of the automobile from Detroit around to New York, for instance, or some place like that, would probably reduce the cost of transportation of that automobile to the ultimate consumer more than Mr. Leon Henderson and the automobile companies are now arguing about in the rise in price right at the present time.

Mr. BEITER. Have any auto shippers indicated a desire to have this seaway constructed? So far, none have appeared before this committee.

Mayor JEFFRIES. Well, of course, you could just suspect, if the Mayor of Detroit was down here, that the automobile industry at least was, well—the worst you could suspect would be that they would be apathetic, because they are really a sizable part of the city of Detroit—and I think the automobile industry, yes, by and large, is in favor of it, quite distinctly in favor of it.

Mr. BEITER. You stated that if the seaway were completed you could compete with low pay and long hours. What did you mean by that?

Mayor JEFFRIES. If I am a judge of the future, and I can say right now that one man's guess is as good as another's, if I am any judge of the future, whether the United States gets into this war, whether the United States wins the war, or whether the United States loses the war, we will no doubt be engaged in an economic struggle for either the right to exploit the rest of the world, or for the right to live with the rest of the world.

Mr. BEITER. Well, do you not think then, by opening up the seaway, that you are opening up competition, that you are inviting competition to come in from abroad?

Mayor JEFFRIES. No; by no means.

Mr. BEITER. Why, surely, the low-cost materials and products of manufacturers in foreign countries will have a freer access to the city of Detroit if the seaway is constructed, will they not?

Mayor JEFFRIES. Let me remind you, sir, that the reason that we have a high standard of living in this country in comparison with the standards of living in other countries is because of the fact that we have more natural resources like that water power, and the transportation systems in the Great Lakes, plus the fact that we have developed them a little further, and because we have been able to create an industrial economy which was able to pay a return which is, in turn, translated into a high standard of living. I would think that very distinctly our future success depends upon our being able to maintain a high effective rate of industrial activity.

The fact of the matter is, I think, in the last generation, even in my time, that the United States has gone from an agricultural import country into an industrial export country, as a result almost exclusively of the mass-production program, which, incidentally, started in Detroit, and which still is quite effectively and efficiently operating there.

Mr. BEITER. And you did that without the St. Lawrence seaway, did you not?

Mayor JEFFRIES. In spite of not having it, but it would have been so much better if we had. It is like Mr. Ford, who sat down and reduced the price of his cars year after year, and while doing that he was making all of those millions. Here in the last few years he has not continued to reduce the price of his cars, and his competition has at least equalled him, but mass production and the cheapness with which you can manufacture and distribute is of the greatest importance to a high standard of living.

Mr. BEITER. You spoke about the high cost of transportation, and the splendid transportation system we now enjoy on the Great Lakes. Do you not believe, if the seaway is constructed and if foreign ships come in, manned by coolies, this would have a tendency to destroy the present high standards on the Great Lakes?

Mayor JEFFRIES. I do not think so, because, as I understand it, they now come into New York and all of the other coastal points. If I am not mistaken, they pay more on the ocean than they pay on the Great Lakes for their help, but I am not sure about that. I may be mistaken about that, but it has not ruined the situation in New York, San Francisco, or New Orleans, or any of those other coastal towns.

Mr. BEITER. You will admit, though, that there are shipping problems in New York City and on the Pacific coast, will you not?

Mayor JEFFRIES. Yes; and there are a few on the Great Lakes, too.

Mr. BEITER. Communists and what not have been raising particular Cain there, have they not?

Mayor JEFFRIES. Yes; and we have a few around our part of the country, too. They are not exclusive.

Mr. BEITER. But not in comparison with those on the Pacific coast or in New York.

Mayor JEFFRIES. I do not think they are coolies, though. They are not the boys that are causing the trouble.

Mr. DONDERO. I might suggest that foreign ships are not permitted to engage in domestic commerce, Mr. Beiter.

Mr. BEITER. I am not contending that they are. I contend that when these boats dock and land along the Great Lakes that these men will land and probably try to establish themselves as residents along in that area, and then that will have a tendency to destroy the situation.

Mayor JEFFRIES. It would not be so easy to walk off that boat and lose themselves in Buffalo or Detroit as it would be to walk across the Peace Bridge.

Mr. BEITER. No; they would not be able to get across the Peace Bridge.

Mayor JEFFRIES. I am not so sure about that; it is quite easy to get across it.

Mr. BEITER. You spoke about the Detroit Edison Co. paying 11 percent dividends.

Mayor JEFFRIES. I think that is the figure.

Mr. BEITER. Eleven percent?

Mayor JEFFRIES. Yes.

Mr. BEITER. What was the tax bill that they paid to the city of Detroit?

Mayor JEFFRIES. I cannot tell you that in dollars. I think it is, from memory, I think it is around about \$2,000,000.

Mr. BEITER. \$2,000,000 a year?

Mayor JEFFRIES. Something like that. I could be mistaken about that. They do not pay it direct to the city of Detroit. They pay it through the State.

Mr. VOORHIS. But the bigger the tax bill, the more significant the rate of profit.

Mayor JEFFRIES. Of course, we have a municipally operated plant in a community just contiguous to Detroit, called Wyandotte, and their rate is a little lower than that of the Edison Co.

Mr. BEITER. How much lower, do you know?

Mayor JEFFRIES. About 12 percent.

Mr. BEITER. Twelve percent lower?

Mayor JEFFRIES. Yes; in almost every category, a little less in some, or a little more in others. They are in the Federal Power Index. You see, the Federal Power Commission publishes these annual booklets showing the rates of these various communities, I think, and in that book they are about 12 percent, on the average, lower. They turned in quite a sizable amount of money to the State as a contribution of their being owned by the city, and if they had paid taxes, they would have paid a dividend on their gross income of about 15 percent.

Mr. BEITER. They paid 4 percent more, and paid quite a sizable sum in lieu of taxes in Wyandotte—you do not know what that amount was, do you?

Mayor JEFFRIES. On the same basis the Detroit Edison Co. operate, their rates were about 10 or 12 percent less.

Mr. BEITER. And they paid 4 percent more in dividends?

Mayor JEFFRIES. Yes, sir; to the city.

Mr. BEITER. You do not know what amount they paid to the State?

Mayor JEFFRIES. Yes; it was about a quarter of a million dollars to the State.

Mr. BEITER. A quarter of a million?

Mayor JEFFRIES. And then they also gave either a 4 or 5 percent rebate to the users, and they are building an addition to their power plant with the balance.

Mr. BEITER. So that the Detroit Edison Co. paid \$2,000,000 to the city of Detroit, and the municipally owned plant at Wyandotte paid a quarter of a million dollars?

Mayor JEFFRIES. Wyandotte has a population of about 30,000, and Detroit has a population of 1,700,000, plus the fact that the Detroit Edison Co. does business in all of that area except Wyandotte.

I can assure you this, they would not be able to do business in Wyandotte again on the same basis they used to or they do the rest of the State.

Mr. BEITER. And in addition to paying \$2,000,000 to the city of Detroit, do they also pay taxes to the State of Michigan?

Mayor JEFFRIES. No. I think that that is their tax bill. I think \$2,000,000 is their tax bill.

Mr. BEITER. That is their entire tax bill?

Mayor JEFFRIES. I think that is their entire tax bill. I could be mistaken on that figure, but I think that is about the figure.

Mr. DONDERO. May I say to the gentleman from Buffalo, I think you have said, Mr. Mayor, that you desire to catch the 3:45 plane?

Mayor JEFFRIES. Three-forty; yes, sir.

Mr. DONDERO. In view of the mayor's wishes, I trust that we may permit him to make his testimony as brief as possible.

Mr. BEITER. There are a number of members who have some questions.

Mayor JEFFRIES. I can send you those figures.

Mr. BEITER. I would appreciate it, Mr. Mayor, if you would send them to me.

Mayor JEFFRIES. I would be glad to. We have them.

Mr. BEITER. I assume that some of the other members of the committee would like to ask some questions, so I would be glad to yield in order to give each one an opportunity.

Mr. PITTINGER. I suggest that we start with the gentleman at the end, Mr. Chairman, so that I will yield to the gentleman from Chicago.

Mr. DONDERO. Yes.

Mr. MACIEJEWSKI. Mr. Mayor, testimony brought out here by Buffalo and Cleveland was with regard to the fact that it would hurt their cities if this deep seaway were to be constructed, as it would result in great losses to them. Are you of the same opinion?

Mayor JEFFRIES. I very distinctly am not, sir. The fact of the matter is that I cannot possibly see how it could be anything except a marvelous opportunity to Buffalo.

Mr. RANKIN. Will the gentleman yield?

Mr. BEITER. Yes.

Mr. RANKIN. I want to ask the gentleman from Buffalo (Mr. Beiter), if he does not think in view of the statements that have been made that it would be better to close the Erie Canal and relieve that fear?

Mr. BEITER. No. I will tell you what I would like to have done. I would like to have you improve the Erie Canal.

Mr. PITTINGER. Mr. Chairman, let the witness complete his testimony.

Mr. BEITER. I understand that he wants to catch a 3:40 plane, and there are others who want to ask some questions.

Mr. RANKIN. You say that it will not hurt your city if this deep seaway is constructed?

Mayor JEFFRIES. Sir; I believe that it would be the greatest thing that ever happened to the city of Detroit since Mr. Ford.

Mr. DONDERO. And also, Mr. Mayor, the entire Middle West and the State of Michigan.

Mayor JEFFRIES. I just cannot understand how the north, the east central portion of the United States could benefit without the whole United States benefiting from it. The greatest market that the United States has, agriculturally, industrially, and everything else, is associated with that section around the Lakes, right around that section. I think that the 1930 Federal Census indicated that the center of population was at Terre Haute, Ind.; and that is the center of the industrial section.

Why, we are the finest market the agricultural interests in the country have, and when we are in difficulties, they suffer immediately

as a result of it. Anything that is good for that area is bound to be good for all of the United States.

Mr. HALL. Mr. Chairman.

Mr. DONDERO. Mr. Hall.

Mr. HALL. Mr. Mayor, I think that you said awhile ago in answer to the question by the gentleman on my left, you did not think that it would hurt New York City either?

Mayor JEFFRIES. Why, anything that is good for business, sir, is good for everyone.

Mr. HALL. You said that from the city of Detroit about 15 percent of the manufactured goods was sent out in foreign commerce.

Mayor JEFFRIES. Yes, sir.

Mr. HALL. About how much is that 15 percent in tonnage, if you know?

Mayor JEFFRIES. Well, I think that actually it is in excess of 2,000,000 tons. I think in excess of 2,000,000 tons was shipped by boat into foreign countries last year.

Mr. HALL. Do you know what the tonnage is?

Mayor JEFFRIES. Now, what the over-all tonnage of that area is, and what the 15 percent is, I do not know, because most of it, of course, is shipped by rail.

Mr. HALL. Would most of it be shipped to New York City and then out into foreign commerce?

Mayor JEFFRIES. Well, not necessarily. It might be shipped to Chicago and down the Mississippi; it might be shipped West. For instance it cost \$165, I think, to ship an automobile out to the west coast, and by rail.

Mr. HALL. But, undoubtedly a great portion of your foreign commerce goes by rail to New York City and out into foreign commerce from that port.

Mayor JEFFRIES. Yes. I believe, or it would seem, that the bulk of our exports go to Europe, and, therefore, I presume that would be the way it would go.

Mr. HALL. And then if we have this seaway, you would be able to by-pass the city of New York, would you not?

Mayor JEFFRIES. Well, some of it might, but not necessarily. There will be the tremendous improvement in domestic trade, and I would presume that would be much more valuable and would supplement that. Some of it might by-pass and some of it might not. There would be 5 months out of the year, sir, when it would be frozen.

Mr. HALL. I think Governor Lehman mentioned the figures—I may not be correct on that—that he thought the losses would be 1,800,000 tons a year from New York City. Was not that figure used?

Mr. PITTINGER. I think that is correct, and I think also that he said the advantages would more than offset the disadvantages.

Mr. HALL. The advantages from the power.

Mr. PITTINGER. No; navigation.

Mayor JEFFRIES. Of course, there is another angle to it. The railroads might lose it, but the port of New York would gain it, because it would probably be cheaper, under at least existing rates, to ship by boat to Detroit up the St. Lawrence and down the coast to New York, than it will be to ship by rail, Detroit to New York.

Mr. HALL. I think I would disagree there.

Mr. PITTINGER. I do not think so.

Mayor JEFFRIES. I think that the figure would—

Mr. HALL (interposing). Let me get at it in another way. On the other hand—

Mayor JEFFRIES (interposing). Of course, I am not an expert on that.

Mr. HALL. You spoke about one shipyard already out there near Detroit and you said that it was available and could build ships for the ocean trade?

Mayor JEFFRIES. Yes, sir.

Mr. HALL. That shipyard is now equipped so that it could build small mosquito boats and so on for use in our national defense program, is it not, and could get those out today? That is, the smaller boats?

Mayor JEFFRIES. There, I think— this particular one is not building them, no, sir; at least, I am quite sure that it is not.

I think that there are 46 shipyards on the Lakes. It could be done, I presume it could be; yes, sir. It probably could be changed around so that it could do it.

Mr. HALL. In other words, whether or not you have this seaway then does not affect the possibilities of building that type of ship which we need right now, on the Great Lakes.

Mayor JEFFRIES. If we read the newspapers correctly, of course, we are going to have the ships and if we do not build them there, they are going to be built in some other place, but if we do not build them there we could not build them as quickly; would not have as many facilities for the building of them. I sincerely hope that it will be developed.

Mr. HALL. Whether we win or lose this war would not depend upon this St. Lawrence seaway.

Mayor JEFFRIES. I hope we win in spite of that.

Mr. HALL. You said in your opening remarks that the seaway was necessary for national defense and, I was wondering why they did not use those facilities today for those ships which we need today, which they can build there and get out today, with the present waterway.

Mayor JEFFRIES. Well, they are to a certain extent. You remember during the last war Mr. Ford built his Eagle boats out there and I presume that they probably are building some of these motorboats that run there. We have the Gar Wood, Cliff Smith, boat works there that are, together with two or three other less widely known than those, but those two, I think, that are building these fast speedboats and have for years, and I presume could build some of those.

Mr. HALL. I will ask you this question: The city of Detroit has been for this seaway for many years, has it not?

Mayor JEFFRIES. Yes, sir; ever since I can remember.

Mr. HALL. So that national defense from their standpoint does not have much to do with it. In other words, that is just an added cause coming along.

Mayor JEFFRIES. That is right.

Mr. HALL. That is all.

Mayor JEFFRIES. Except that we can prove very effectively that Detroit is in the picture. You see, we had this industry where on the industrial scene before the national defense came along. The fact of it is we are the boys who helped put the Army on wheels. We taught them something, gave them some ideas out there.

Mr. HALL. This war must last at least 5 years in order for the seaway to become effective, the proposed seaway.

Mayor JEFFRIES. Yes; but we can build the ships in about the same length of time, I understand. I do not know. You see, I am not a shipbuilder nor am I in the Army or Navy, but as far as I am able to tell from reading the newspapers it takes 3, 4, 5, 6, or 7 years to build some of these ships. We can build them in about the same length of time that it will take you to build the seaway. By the time you get through we will have the ships ready to sail out there in the opening.

Mr. DONDERO. I might say, Mayor, for your information, 52 months is considered the length of time required to build a battleship.

Mayor JEFFRIES. It would not take them that long to build the seaway.

Mr. HALL. May I say this, if the question of national defense were not up here today, you would still be here testifying in favor of the seaway?

Mayor JEFFRIES. Very decidedly, sir.

Mr. HALL. That is all.

Mayor JEFFRIES. Because this is a very definite part of our national planning, I hope.

Mr. DONDERO. If it is good for the city of Detroit, Mayor Jeffries, it will be good for every city on the Great Lakes and the Middle West, and some of them off of the Great Lakes.

Mayor JEFFRIES. Mr. Dondero, I do not even think that it ought to be that exclusive. I think it will be good for every city in the United States. Is that all?

Mr. RANKIN. Mr. Chairman, do not overlook the gentleman to my right, Mr. Voorhis.

Mr. DONDERO. We never overlook the gentleman from California.

Mr. RANKIN. You began at the lower end and worked up.

Mr. DONDERO. I never thought of the gentleman from California as being at the lower end.

Mr. VOORHIS. As long as "the lower end" is getting recognition from any standpoint, I am satisfied.

Mr. DONDERO. The "lower end" now has recognition.

Mr. VOORHIS. I am not trying to butt in, Mr. Chairman.

Mr. DONDERO. Not at all.

Mr. VOORHIS. Mr. Mayor, do you believe that there is just a certain amount of business that can be done in the country and that if one place gets some of it that other places necessarily lose a corresponding amount?

Mayor JEFFRIES. Well, no, sir. I think that the more business is done, the more that can be done. I think, as a matter of fact, we are demonstrating that more effectively today than at any time in many years.

Mr. VOORHIS. Of course, I agree with you.

Now, assuming that a certain amount of railroad traffic might be lost as a result of the construction of this seaway, in Detroit, to what extent do you believe that an increased amount of manufacturing business and an increased amount of production, as the result of this development and the consequent necessity of bringing materials into the Detroit area for such manufacturers would compensate for that loss of traffic?

Mayor JEFFRIES. Well, I would be very much surprised if a first-rate economist could not sit down and figure out where there would

be an increase in domestic transportation to the lake carriers and the railroads far in excess of any losses that might result from letting other ships come in, because if the cost of transportation is reduced, then those millions of people that have been made quite famous in later years, the so-called lower third, would immediately have available things that they never had available before because the prices would then be within the range that they could meet, and they are the largest single market we will ever be able to get.

Mr. VOORHIS. And that would inevitably increase the consumption to some extent?

Mayor JEFFRIES. To a large extent; yes.

Mr. VOORHIS. Whenever that is done.

Mayor JEFFRIES. Yes, sir; to a large extent.

Mr. VOORHIS. That is all.

Mr. DONDERO. The gentleman from Oregon is recognized.

Mr. ANGELL. I understand that Mr. Ford is running a line of ships to the west coast carrying automobiles knocked down to his assembly plants there. Is that true?

Mayor JEFFRIES. Yes.

Mr. ANGELL. Do those ships come into the Great Lakes and to his plants at Detroit now?

Mayor JEFFRIES. Yes, sir; but they are quite small in comparison to those that could come in. I am not sure, but I think that they are either 4 or 5 thousand tons, the largest boats.

At one place there is only a 14-foot channel and I am not sure exactly what size the boats are, but I think they are around 3 or 4 thousand tons.

Mr. ANGELL. They are coming in—

Mayor JEFFRIES. Pardon me, but I am told that they are 2,000 gross tons.

Mr. CULKIN. Will the gentleman yield?

Mr. ANGELL. Yes; I yield to the gentleman from New York.

Mr. CULKIN. I think the largest coming through the present St. Lawrence is about 2,500 tons.

Mayor JEFFRIES. The young man sitting back of me has just told me, over my shoulder, that those are 2,000 gross tons; that that is the largest boat that could go through. He also tells me that Ford uses the Barge Canal to go through.

Mr. ANGELL. Mr. Chairman, that is all of the questions that I have.

Mr. DONDERO. Does the gentleman from Georgia have any questions?

Mr. PETERSON. No questions.

Mr. DONDERO. The gentleman from Pennsylvania?

Mr. RODGERS. No questions.

Mr. DONDERO. The gentleman from Missouri, Judge Bell?

Mr. BELL. Yes, sir.

Mr. Mayor, what canal did you refer to a while ago when you said Mr. Ford used the Barge Canal.

Mayor JEFFRIES. The Barge Canal; New York State Barge Canal.

Mr. BELL. Which barge canal did you refer to; the New York State Barge Canal or the one leading down the Mississippi River?

Mayor JEFFRIES. The New York State Barge Canal.

Mr. BELL. I see.

Now, a few moments ago you were talking about vessels taking 4 or 5 years to complete. Is it your understanding that the Government plans to build big battleships that will take that length of time to complete, on the Great Lakes?

MAYOR JEFFRIES. No; I do not know, sir.

MR. BELL. In the event this project goes through?

MAYOR JEFFRIES. I do not know what the Government would want to build there, sir. I know that the steel, the machines, the management and labor, is all there available in that area. It is in a highly industrialized area. Now I do not know whether the Government would want to take advantage of it. I know that here about a year ago at the conference of mayors in New York Mr. Knutsen was the speaker, and as he finished speaking, I talked with him for a few minutes, and we talked to him something about this defense program and he suggested that the Army was drawing a circle around the country 300 miles in from the border and that, of course, Detroit being on the border would under that technically have to come out, but he said that they just could not get away from Detroit, because the management, the factories, the steel, the machinery, all of the things that we have are there.

Now, I just suspect that if it were possible to get these things out of the Great Lakes that the Navy just would not be able to completely ignore the facilities there. I do not know whether it is using them or not.

MR. BELL. You are familiar with the fact that the other day, I think, the Secretary of the Navy testified that they could not build anything there larger than nine or ten thousand tons.

MAYOR JEFFRIES. I think about 10,000 tons probably would be the limit.

MR. BELL. How long would it take to build a vessel of 10,000 tons?

MAYOR JEFFRIES. How long would it take?

MR. BELL. Yes.

MAYOR JEFFRIES. Two to three years, I presume, for ordinary freight purposes. If it were armored and had all of the modern contrivances on it of the cruiser class, I suppose it would take 3 years.

MR. BELL. Do you know how long it takes to lay down a ship way and get ready to build?

MAYOR JEFFRIES. Not exactly. I am not in the business.

MR. BELL. You are not familiar with that?

MAYOR JEFFRIES. Not particularly; only from hearsay and things I have read

MR. BELL. You are not actually familiar with how long it would take to build a 10,000-ton vessel?

MAYOR JEFFRIES. Only from what I have read. I am not in the business, if that is what you mean.

MR. BELL. I thought perhaps you had had a chance for observation, living there on the Lakes.

MAYOR JEFFRIES. Well, I have seen them; yes, sir. My best guess is a couple to 3 years; yes, sir.

MR. BELL. But you would not be able to give more than just a guess?

MAYOR JEFFRIES. That is right.

MR. BELL. You have no accurate knowledge?

Mayor JEFFRIES. No; I have no accurate knowledge, Congressman.

Mr. BELL. That is all.

Mr. DONDERO. The gentleman from New York, Judge Culkin.

Mr. CULKIN. The gentleman from New York, Mr. Beiter, was talking about the amount of taxes that the utilities in your section pay. Those taxes really go into their rate structure and are paid by the people, are they not?

Mayor JEFFRIES. Yes, sir; and guaranteed by the court system.

Mr. CULKIN. So they are guaranteed?

Mayor JEFFRIES. Guaranteed by the court system. The Supreme Court of the United States has guaranteed them and said that they have a right to 8 percent return from all the invested capital.

Mr. CULKIN. No matter what their taxes are, or what taxes are then imposed on the utilities, the people themselves pay them in the rate charge?

Mayor JEFFRIES. Without exception, sir.

Mr. CULKIN. There is no difficulty, or no need then in shedding any crocodile tears about the utilities in that respect, is there?

Mayor JEFFRIES. No.

Mr. CULKIN. That is all.

Mr. BELL. May I ask a question?

Mr. DONDERO. Mr. Bell.

Mr. BELL. Mr. Mayor, is it not also true that the people would pay for a project of this sort in taxes?

Mayor JEFFRIES. Yes, sir; but they will be repaid, sir, in reduced charges.

Mr. BELL. You mentioned shipping charges.

Mayor JEFFRIES. Yes, sir; the cost of all products, even agricultural products.

Mr. BELL. You think that that will be true all over the United States?

Mayor JEFFRIES. Yes, sir.

Mr. BELL. Are you familiar with the fact that this power is all to be turned over to the State of New York?

Mayor JEFFRIES. I do not mean only the power, sir.

Mr. BELL. I am talking about the power now. Is it not a fact that under this bill the power, all of the power generated, is to be turned over to New York?

Mayor JEFFRIES. If it all goes to the State of New York and they have cheap power, they will be able to reduce costs of manufactured goods and then they will be able to reduce the cost of living and fixed overhead in that State, and there will be an increment of return to every village and hamlet in the rest of the United States, sir. It will be a little abstract and hard to figure, but it is there just the same.

Mr. BELL. Is it not a fact, Mr. Mayor, that only \$93,000,000 of the vast cost of this project is to be allocated to power to be paid out of the power rates?

Mayor JEFFRIES. I am sorry, but I did not catch the first part of your question.

Mr. BELL. I say, is it not a fact, the way this bill is drawn, that only \$93,000,000 of all of the vast cost of this project is to be chargeable to power?

Mayor JEFFRIES. It may be, sir. I am not exactly familiar with the break-down.

Mr. BELL. That is what the bill provides.

Mayor JEFFRIES. All right, sir.

Mr. BELL. That the Government is to negotiate with the State of New York and that the power is to be turned over to the State of New York at a price of \$93,000,000.

Then, whatever cost there is over and above that is to be paid for out of the general taxes.

Mayor JEFFRIES. And it will be returned much more rapidly in reduced costs of all manufactured articles that are available in that area and all of the agricultural articles that are available in all of the rest of the United States in relation to the consumers.

Mr. BELL. Getting down to agriculture. There is a great wheat region all up around the Canadian border there north of the Lakes, is there not?

Mayor JEFFRIES. Yes, sir.

Mr. BELL. They produce millions of bushels of wheat up in that area?

Mayor JEFFRIES. Yes, sir.

Mr. BELL. Now, when this canal is completed, is it not a fact that all of that area will be practically on a seaboard and they will have open access to the markets of the world?

Mayor JEFFRIES. They will have half of it and we will have one-half of it.

Mr. BELL. Is it not a fact that the farmers down in Kansas, Missouri, Nebraska, and the Dakotas will have to ship by railroad before they can get to those ports on the Great Lakes? Is that not right?

Mayor JEFFRIES. Well; yes. They will not be on the ocean. The difference will be that they will not have to ship so far.

Mr. BELL. They will have to pay railroad rates to get their crops up to an ocean port?

Mayor JEFFRIES. That is right.

Mr. BELL. And is it not further a fact that the Canadian railroads are owned by the Government?

Mayor JEFFRIES. Well, one is and one is not.

Mr. BELL. Are they not both owned or largely controlled by the Government in Canada?

Mayor JEFFRIES. I thought one was and one was not.

Mr. BELL. Maybe you are right.

Mr. CULKIN. Will the gentleman yield?

Mr. BELL. Just a moment. Is it not also true that they have always and probably always will give preferential rates to farmers for their farm products; lower rates than American farmers have ever been able to get?

Mayor JEFFRIES. I do not know, sir.

Mr. CULKIN. Will the gentleman yield?

Mr. BELL. Assuming that with—

Mr. CULKIN. Will the gentleman yield?

Mr. BELL. Just a minute. Assuming that to be a fact, is it not true that the farmers in the Middle West would be comparably at a very great disadvantage as compared with the great number of wheat farmers of Canada?

Mayor JEFFRIES. No; I do not think so, because I take it for granted that our Government is as beneficent to the farmers as the Canadian Government is.

Mr. BELL. However beneficent the Government may be, it cannot overcome a great freight differential, or differential in freight costs or transportation.

Mayor JEFFRIES. Well, I do not—

Mr. BELL (continuing). The great differential between the Americans and Canadians.

Mayor JEFFRIES. I do not think they can, sir.

Mr. BELL. I do not think so either.

Mayor JEFFRIES. But if you put this Great Lakes-St. Lawrence waterway through, there will not be that great difference, because you will be able to increase industrial activities.

Mr. BELL. I know, but there is great industrial activity in New York—

Mayor JEFFRIES. You will be able to compensate for that, because in the first place they compete now, apparently, favorably enough. The only difference is that instead of having to ship from Kansas City to Chicago or Kansas City to New York by rail, they will be able to ship from Kansas City to Chicago and then by boat, which is about two-thirds less. Then, the so-called subsidization by the Federal Government in Canada will have less effect, because there is not so much difference in the comparison of the rail transportation.

Mr. BELL. Is it not a fact that the differential between what it cost the Canadian farmer to ship his wheat to Europe and the American farmer will be greatly widened?

Mayor JEFFRIES. No; it will be narrowed, sir, because there is less, in comparison, between the railroad tonnage.

For instance, at the present time the man in Kansas has to ship by rail to New York or Boston, or some other harbor and, therefore, he is, in comparison in competition with that subsidized rate all of the way across Canada, as against across the United States.

Mr. BELL. At the present time the Canadian has to do the same thing, either ship there, or reload in New York.

Mayor JEFFRIES. Well, their boat rates would not be any less on the Great Lakes than ours will.

Mr. CULKIN. May I interpose—

Mr. BELL. I appreciate that you want to catch your plane and I do not want to take much of your time.

Mr. CULKIN. May I say something, Mr. Chairman?

Mr. DONDERO. Mr. Culkin.

Mr. CULKIN. Is it not a correct statement that at the present time rail rates for farm products in Canada is about one-half of what they are in the United States?

Mr. PITTINGER. I think we would better let the witness go.

Mr. CULKIN. This has just been mentioned and this has been suggested by the witness. Now, the shipway will equalize that difference, because the American farmer will not have to go through a bottleneck at Buffalo, and New York, but can go direct overseas, so that will equalize it. It does not make it quite equal, but it will be more nearly equalized in the world markets.

Mr. BELL. I do not agree with that; but I will not take the witness' time, because I know he wants to get away.

Mr. DONDERO. Mayor Jeffries, I want to thank you on behalf of the members of this committee for your appearance here and your statement.

Mayor JEFFRIES. Thank you, Mr. Chairman, ever so much. I want to thank you for the privilege of appearing. I am sorry I have to rush away, but the only plane that we can get a seat on today was this one at 3:40, and I would like to get it.

Mr. DONDERO. Yes.

Mr. PITTINGER. I think that you had better start.

Mayor JEFFRIES. Thank you.

Mr. RANKIN. Mr. Chairman, let me say to the gentleman from Missouri that if he will refer back to the Agricultural Year Book, he will find that when we had a tariff of 42 cents a bushel on wheat, wheat was 10 cents a bushel higher in Winnipeg than it was in Minneapolis, because the freight rates in Canada were so much cheaper. At the present time the Canadian wheat farmer has the advantage that the American wheat farmer would have if this canal were built, so that the difference would be narrowed, instead of being widened.

Mr. CULKIN. I think everybody agrees with that.

Mr. BELL. There would be this difference, that the Canadians would be located at a port, while the American farmers would have to ship by rail anywhere from five to seven or eight hundred miles before they could get to a port.

Mr. RANKIN. Not always.

Mr. DONDERO. However, this Government has always been able to compete in the markets of the world, and will continue to be able to do that.

Mr. CULKIN. May I observe this, to the distinguished gentleman from Missouri, Mr. Bell.

Mr. DONDERO. Mr. Culkin.

Mr. CULKIN. Where water routes parallel the railroads, the average rate to the farmer is one-fourth what it is where they do not parallel the railroads, or one-fourth of what it was before we built the water route.

So this seaway will not only exercise a yardstick influence domestically, but it will greatly decrease the cost of exportation in the world markets after it is built.

Mr. BELL. I will say to the distinguished gentleman from New York, Mr. Culkin, that from Kansas City we have a waterway down the Missouri to the Mississippi and on out; but in spite of that, it costs more to ship any commodity from Kansas City to New York or to San Francisco than it does from San Francisco to New York.

Mr. CULKIN. That is by rail.

Mr. BELL. By rail, or by water, or any other way; and those freight rates have been stacked against the Middle West for many years and will continue to be so, in spite of the tendency of the Government to do all that is necessary to meet the situation.

Mr. CULKIN. I made a statement last year, in collaboration with some of the representatives of the waterway, and it showed a lower rate along the Mississippi in favor of the farmers shipping grain, and I think I will take the liberty of sending the gentleman a copy of that.

Mr. BELL. Rates have been lowered some, but they are still so high out there.

Mr. CULKIN. It not only showed that, but it showed that those savings were reflected back to the farmers.

Mr. BELL. New York can ship to San Francisco cheaper than we can.

Mr. RANKIN. Your wheat market in the West is Minneapolis and Chicago, and the Chicago market is based on wheat laid down in Chicago. The Minneapolis market is based on wheat laid down in Minneapolis. Winnipeg, and there was a 10-cent per bushel differential, the last time I looked it up in the Year Book, and that is because the Canadians have cheaper freight rates from Winnipeg to the Atlantic seaboard than the Americans do, and this canal, I understand, will put them all on a parity, and will mean in the Minneapolis market, about 10 cents a bushel to the wheat farmers of that great northwest section.

Mr. CULKIN. It has been estimated at about 8 cents.

Mr. RANKIN. I was just using a rule of thumb. Before we hear the next witness, Mr. Chairman, let me suggest to the gentleman from Oregon, Mr. Angell, who spoke a while ago about these cars being shipped overland knocked down, that if this canal were in operation they could be shipped down through Canada and around through the Panama Canal and laid down in Oregon more cheaply than they could be shipped across by rail now.

STATEMENT OF HON. CARL F. ZEIDLER, MAYOR OF THE CITY OF MILWAUKEE, WIS.

Mr. DONDERO. We are privileged to have the mayor of Milwaukee before us this afternoon, Hon. Carl F. Zeidler, who, I understand, is the youngest mayor in the United States of a city comparable in size with Milwaukee, a city of 600,000.

Mr. Mayor, we will be pleased to hear your statement.

MAYOR ZEIDLER. Mr. Chairman and members of the committee, I have here a statement which I should like to read before your body, and when I have concluded, I shall be glad to submit to any questions the committee may have to ask me.

I welcome this opportunity to inform you that the mayor and council of the city of Milwaukee enthusiastically and formally favor the immediate authorization and early construction of the Great Lakes-St. Lawrence seaway and power project.

Our people in Milwaukee have favored this project since its earliest inception—and we are a unit in asking your favorable consideration of it to the end that the Great Lakes, the greatest inland ocean in all the world, may make a maximum contribution to the national defense of our Nation, and have at the end of the conflict a new national asset rivaling the Panama Canal in value. By creation of the seaway, we shall establish our fourth and new seacoast.

Your committee is aware of the technical details of this project and you have had experts in the several fields testify here. I am, of course, unacquainted with the technical details and, thus, shall not discuss them. I am entirely willing to depend, as I am sure your committee is, on the informed and experienced judgment and recommendation of the several officials of the various Federal departments and commissions charged with counseling with you.

I would like to say this specifically: When the Army engineers study a project, make a finding, and say that there can be a completion in three working seasons, I take that report without question or reservation. I have that total confidence in the Army engineers that I am certain all informed officials have. Nowhere else in the world

is there equal and similar objective judgment. I entertain that confidence so strongly that I feel your committee should summarily discharge the inexperienced opinions that differ with the Army engineers as to cost, practicality, and time of construction.

Back in the days when the world enjoyed peace, the city of Milwaukee favored the construction of the seaway. But, let it be said for the record, we knew then as we know now, that the seaway would be of tremendous value to national defense. We knew the shipbuilding possibilities of the Great Lakes; we knew that in the first World War a total of 450 vessels were constructed there in a very short period. We knew that more and larger ones could be built if we had deep water access to the Atlantic. This national-defense value is not new to Milwaukee. We want your committee to recognize that national defense has been inherent in this project.

Illustrative of the united and long-time demand of Wisconsin for the completion of this very necessary project, I cite that every governor—and they came from all three of our political parties—favored the seaway; every legislature during a 20-year period registered a request for early construction. Such favor was not based on political consideration; it was due to the everlasting urge of the people for access to the sea. That urge is vigorous and virile today, and I can assure this committee it will continue until a deep channel to the Atlantic is completed and the products of our farms and factories have access to the markets of the world. Our people are not thinking in terms of favor or advantage over other sections; all we seek is simple equality. Remove the discriminations and handicaps and our people will be happy to wage the battle of competition.

Our people find it difficult to understand why a 2,500-mile water highway should be kept handicapped because of a bottleneck or narrow-gage of a short 60-mile stretch. Remove that bottleneck, which is the simple meaning of this pending project, and you will create the greatest water transportation system in the history of the world. The Great Lakes today is the marvel of the world for its inner and inter lake tonnage; it is a veritable giant. But, its maximum values cannot be given to the Nation until the short bottleneck in the St. Lawrence River is removed.

The other day the New York Post said editorially:

If the St. Lawrence seaway were completed, five shipbuilding yards on the Great Lakes could turn out 500 oceangoing steel cargo vessels per year, according to the testimony of Rear Admiral George H. Rock, retired chief constructor of the Navy. The yards are equipped for this work now. It would take 3 years to complete the seaway. But, says Admiral Rock, it also takes 3 years to build cruisers; hence the Navy could lay down 10 large 10,000-ton cruisers in Great Lakes shipyards at once, to be built while the seaway was built, meanwhile freeing coast shipyards for immediate work on 50 cargo vessels. This seems to us to be planning with vision and boldness in it. The fact that immediate benefits would flow from the seaway helps meet the argument that the work would take too long and would outlast the crisis.

I would be willing to rest my argument on the national-defense values of the seaway on that editorial summation of Admiral Rock's expert, experienced, and sound testimony before your committee. How can Admiral Rock's statements be controverted? In my judgment, they cannot even be questioned. The bald fact is that the seaway becomes immediately valuable the very minute work on it starts.

The press quotes a Cleveland witness as saying to your committee that "neither our time, energy, nor money should be dissipated upon projects which cannot be made quickly available."

If that were sound doctrine—and it is definitely not—I would be fearful of the national defense of this Nation. Defense is not built in a day, a week, or a month.

The battleships in the two-ocean Navy program will not be completed until 1946-47. The third set of locks in the Panama Canal will be ready in 1946.

I doubt that anyone will maintain these projects are not of national-defense value. Yet, the seaway will require but three working seasons—and there seems to be some bold enough to foolishly claim it offers no value to national defense.

The press quotes the statement of the Governor of Louisiana as maintaining that the seaway would be a blow to the American merchant marine. Let me answer that as I answer the gentleman from Boston who is quoted as telling you that the seaway would open up the Great Lakes to foreign vessels. There have been many glib statements about tramp steamers flying foreign flags. Opening the seaway will not damage the American merchant marine. The merchant marine can be extended to the Great Lakes and I have every confidence our American boats will carry the tonnage. But, what I object to is the failure of these two gentlemen to admit that the foreign tramp steamers of which they complain now actually operate to their ports. The famous North Atlantic case decided 2 years ago in favor of the Great Lakes disclosed that 92 percent of the vessels in the North Atlantic conference operating from North Atlantic ports flew foreign flags.

One hesitates to classify such misleading testimony. Suffice to say that once the seaway is opened, Milwaukee will be a leader in the request that the merchant marine operate in the Great Lakes. We are, at least, as anxious for American-vessels operation, as are the ports on the Atlantic seaboard.

There is another statement I think I, as mayor of Milwaukee, should make to you. It concerns the charge that the pending agreement with Canada surrenders our sovereignty over Lake Michigan. No charge could be further from the truth. The fact is that we retain every right; we surrender nothing. We have dealt with Canada in a decent and honorable way; we retain our rights and Canada retains hers. But, lest there be any doubt let me say that we who ask you to approve the seaway project are zealous about the sovereignty and integrity of Lake Michigan and its levels—and we shall be vigorous in the protection of both.

You have heard the Secretary of War and the Secretary of the Navy state this project is valuable and important for national defense. We have full confidence in their judgment. But, we on the Great Lakes know from our own experience the value this project can be to the Nation's safety.

Let me illustrate: In Milwaukee we have a highly developed industrial activity. We manufacture much that is useful in the shipbuilding industry. We have the three recognized needs of ship construction: Qualified management, availability of labor, and adequate transportation facilities. Milwaukee stands ready to open a shipyard if construction is available to keep it busy. We know how great is

the need of bottoms, and it is with great regret that we are not supplying the part we could supply. We recognize that shipbuilding today is more assembly than it is the building of other days. Milwaukee has available the factors to add to the Nation's tonnage, but when a Milwaukee committee considers the question it is immediately confronted with the handicap of the bottleneck in the St. Lawrence River. Remove that bottleneck and I predict Milwaukee will shortly be supplying ships.

One point further: It has been claimed deepening of the channel will permit entry of foreign boats to damage what is now known as the lake boats. Tremendous as is the service rendered by these lakers, it must be recognized that foreign bottoms cannot compete with them in American port-to-port business. There is a law now in existence—and if any amendment is required to protect the present values of the Great Lakes, we shall be glad to play our humble part in securing its enactment.

It ought to be recognized that the Great Lakes cannot be considered a private pond for the operation of any type of limited commerce. The Great Lakes must be opened up for the entire Nation.

Confident of the findings of the Army engineers, and certain of the values of the deepened channels, we ask your immediate approval of the pending project.

We in the Middle West would like to see the power project as well as the seaway approved and constructed. The opinion of all defense agencies is that the Nation needs power. New York State has this wonderful resource. We support its development as a contribution to rational defense.

Based upon long study of, and belief in, the St. Lawrence seaway project, Milwaukee believes that the following considerations warrant its development:

1. It will greatly enhance the national-defense program by opening new sources of electric power.
2. It will open up a new shipbuilding resource of great capacity, in ready proximity to raw material, and capable of turning out large numbers of naval craft, merchant vessels, and auxiliaries of all types.
3. It will bring to maximum efficiency the historic water route from the Atlantic Ocean to the Gulf of Mexico, bringing low-cost water transportation to a vast population.
4. By bringing tidewater to the harbors of the Great Lakes, industry will have improved competitive opportunity and new access to world markets.
5. It will provide low-cost water transportation for the agricultural and industrial produce of the Middle West, and thereby open new markets in Canada, Europe, and Latin America.
6. It will permit us, after the war, to quickly transport grain and other foodstuffs to Europe in quantity to relieve the suffering of destitute populations.
7. It will bring new prosperity to the Middle West, and this prosperity inevitably will radiate to all parts of the Nation. The prosperity of the Middle West will not be at the expense of our seaboard cities, but will be of mutual benefit to all sectors of this great Nation.
8. It will stimulate foreign trade to the benefit of our port cities, railroads, truck lines, and all other agencies participating, thereby creating new employment and new business opportunities.

9. It will open a new frontier to which America can direct its energies in collaboration with Canada and the nations of the world.

There are many other considerations which might be mentioned as justification for the project, but we stand on the fundamental theses that we of the Middle West are entitled to better access to world markets, to better sources of power supply, and to a greater share in the defense effort. A natural waterway route more than 2,300 miles long is blocked from full and complete usage by 47 miles of obstructed navigation. It is inconceivable that we should allow an incomparable waterway system to be indefinitely blocked by obstruction of one segment. The coming of the St. Lawrence seaway is as natural and as inevitable as the Panama Canal. If we do not build it in this generation, a future generation to come will have the vision and the will to make this inspired dream a reality. The seaway has already demonstrated its worth to foreign trade, in the face of present hazards and obstacles. To those who oppose it as a temporary war measure, we point out that after this war is concluded, there will be other wars and other conflicts in which our democracy and our interests may be jeopardized, and where a protected seacoast will play a vast part. There is no project before this Nation which is comparable in significance to the St. Lawrence seaway.

The people of Milwaukee and Wisconsin urge your honorable committee to take prompt and favorable action upon any and all measures which will expedite its construction.

I have here a supplemental statement which I would like to file for the record.

Mr. DONDERO. Without objection, it may go into the record.

Mr. PITTINGER. Mr. Chairman, I move that we recognize the gentleman from Chicago.

Mr. MACIEJEWSKI. Thank you.

Mr. DONDERO. Mr. Maciejewski.

Mr. MACIEJEWSKI. I see from your opening remarks that Milwaukee is not worried about the competition you might have if this seaway is opened up and boats are allowed to come in.

Mayor ZEIDLER. We would be on a parity with the city of Chicago and all other cities in the Nation, because it would remove this bottleneck and this straitjacketing which has been going on relative to the people who live in the 22 or 23 States bordering the Great Lakes.

Mr. MACIEJEWSKI. The thought that I want to leave with you here is that the opposition is practically from three different cities, Boston, Cleveland, and Buffalo and all have continually tried to show that it is going to hurt their little ports. Do you think it will hurt Milwaukee if this seaway is opened up?

Mayor ZEIDLER. I think it would not. Certainly it would not hurt Milwaukee. It would greatly benefit us, because it would put us on a parity with these other ports. Not only that, but so far as Buffalo is concerned, I venture to say that Buffalo would be greatly benefited, because Buffalo would then be able to make the cruisers which we should like to be able to build for the Navy.

Mr. MACIEJEWSKI. In other words, you do not believe in standing still in this country; you want to go forward and this is one project that you want opened.

Mayor ZEIDLER. We have got to move forward and we have got to move forward fast, and the only place where we can build these boats

is on the Great Lakes. Your Atlantic coast and Pacific coast shipyards are jammed to the gate rails.

Mr. MACIEJEWSKI. That is all.

Mr. DONDERO. The gentleman from Mississippi seems to be the only one over on that side.

Mr. RANKIN. Your primary interest in this project is transportation; transportation and an outlet to the sea?

Mayor ZEIDLER. To my way of thinking, Mr. Rankin, the two aspects to this project, power and transportation, are inseparable.

In other words, we are interested in national defense today, and we are interested in national defense 100 percent, because—

Mr. RANKIN. Well, we hear about national defense—

Mayor ZEIDLER. That is right.

Mr. RANKIN. We hear that every day.

Mr. PITTENGER. Let him answer the question.

Mr. RANKIN. We hear that from daylight until dark, and I want to hear you on the other two features.

Mayor ZEIDLER. I am interested in transportation, and I am interested in power.

We are faced with an aluminum shortage. We must produce aluminum and in order to produce aluminum we have got to have adequate power.

As I understand the situation, from the information I have read in reports issued by the Federal Power Commission, New York State today faces a complete absorption of all available power, consequently if we are to meet our prospective aluminum shortage adequately, we need adequate power.

Mr. RANKIN. Well, you have always been short of power all over that country, and all over the whole Nation. The way they have kept you from recognizing it is that they have raised rates so high that you could not use enough of it to absorb what has been the output.

Now, for instance, the gentleman from Illinois was asking me a while ago what the overcharge in the State of Illinois was last year. According to the T. V. A. rates it was \$81,000,000, and according to the Ontario rates, across the river from you they were \$92,000,000. In the State of Wisconsin they were \$23,000,000, according to T. V. A. rates, and \$27,000,000, according to Ontario rates.

What I am interested in is the development of the water power of this Nation and its distribution to the people of the country at rates based upon cost of generation, transmission, and distribution, with a reasonable return on legitimate investment.

How far are you from Niagara Falls on a straight line?

Mayor ZEIDLER. From Niagara Falls on a straight line?

Mr. RANKIN. Yes.

Mayor ZEIDLER. I could not give you the exact information.

Mr. RANKIN. How far are you?

Mayor ZEIDLER. You are talking about a bee line, or an air line?

Mr. RANKIN. Yes; how far are you from Detroit, Mich.?

Mayor ZEIDLER. Ninety-two minutes by air.

Mr. RANKIN. I mean in miles.

Mayor ZEIDLER. In miles, about, or, I think, across the Lake, something over 100 miles.

Mr. RANKIN. The gentleman from Missouri (Mr. Bell) asked a while ago of a previous witness—and I want to spike this now—if it is not a fact that the city of New York was going to monopolize this power.

We have no intention of that. It is true that there is a section of that kind in this bill, but we do not have to accept the bill as it is written. It is subject to amendment, and besides, any provision for the distribution of power can be taken care of later.

We take the position that this power should be handled just as it is handled on the Tennessee River and distributed within the distribution radius.

The CHAIRMAN. Will the gentleman yield?

Mr. RANKIN. Yes.

The CHAIRMAN. Is it not contemplated by this bill that the power would be devoted first to national-defense purposes?

Mr. RANKIN. Yes.

The CHAIRMAN. And thereafter it may be used for other purposes.

Mr. RANKIN. For national-defense purposes during the emergency.

The CHAIRMAN. And domestic consumers are to be supplied thereafter, of course, with this program.

Mr. RANKIN. Within the distribution radius.

The CHAIRMAN. Yes.

Mr. RANKIN. That does not mean that we are going to shut out the people in other States and turn this power over exclusively to the State of New York. We want that definitely understood, because I am chairman of what we call the public power block in the House, and we have a definite platform written, and such policy would be right in the face of that program.

Mr. DONDERO. May I say for the benefit of the gentleman from Mississippi [Mr. Rankin], that I think that the mayor of Milwaukee made a mistake in saying that Milwaukee was only 100 miles from Detroit? I think it is nearly 300 miles.

Mayor ZEIDLER. That is right. I think you are probably right, Mr. Dondero.

Mr. RANKIN. At any rate, the chief benefit which you would derive from this development would be transportation, would it not?

Mr. ZEIDLER. Transportation; that is right. It would have the effect of moving the Atlantic Ocean right up to the doors of Milwaukee. As a matter of fact, Mr. Rankin, we have developed our port facilities to a point where we are now ready for ocean commerce. That was the original point in mind when Milwaukee built its harbor.

Mr. RANKIN. I believe that is all.

Mr. MACIEJEWSKI. Mr. Chairman.

Mr. DONDERO. Mr. Maciejewski.

Mr. MACIEJEWSKI. Before you go ahead, you made an observation, Mr. Rankin, that Illinois was overcharged to what amount?

Mr. RANKIN. According to the T. V. A. rates, the overcharge in the State of Illinois last year for electricity amounted to \$81,404,000. According to the Tacoma, Wash., rates, \$89,474,000; and according to the Ontario rate \$92,608,000.

Mr. MACIEJEWSKI. Of course, we are unfortunate in that we do not have Niagara Falls.

Your contentions are that even with coal they are overcharging us to that amount?

Mr. RANKIN But it was testified here the other day by Mr. Tallamy, whom I cross examined very carefully, and I found him to my viewpoint about one of the ablest electrical engineers who has been before the committee; he gave the figures here to show that with \$4 coal you could generate electricity for 4 mills a kilowatt-hour. So that you can generate power with coal anywhere in the State of Illinois cheaper than at the T. V. A. rates. You can generate this power and distribute it all over the State of Illinois at rates that will save the people of Illinois \$81,000,000 a year under the present load, without injury to the legitimate investment. And when you do that, reduce those rates, the power consumption will invariably double. In our case at home it has trebled. I have here the reports of it, but I will not bother you with it. But a town of 10,000 people only uses on the average 3,000,000 kilowatts a year, and my town uses 9,000,000 kilowatts, with only 8,000 people. So when you lower the rates, the consumption goes up and they use lots more of these electrical appliances, all the way from the electric fan to the refrigerator, electric iron, electric washing machine, and appliances of all kinds, everything grows in proportion.

In addition to that, let me say this to you, that the time will come when every home in Illinois will be heated with electricity, generated by her own resources.

Mr. MACIEJEWSKI. When the prices are as high as they are now, that is the only thing I am not doing in my home, is heating with electricity.

Mr. RANKIN. You cannot do it at the rates charged.

Mr. MACIEJEWSKI. No.

Mr. RANKIN. Now, the last witness was talking about making 11 percent. You would not only have the operating company, but you have stacked up on that a lot of useless holding companies that reach out like an octopus and suck the life out of the power consumers of the United States; and that is the thing we are trying to eliminate, and to get the power distributed equally to the people of the United States at rates which they should pay.

Mr. DONDERO. Any further questions?

Mr. RANKIN. And you would have to use the power, or you don't get any canal.

Mr. DONDERO. The gentleman from Oregon, Mr. Angell?

Mr. ANGELL. Mr. Mayor, where does Milwaukee get its electricity at the present time?

Mayor ZEIDLER. It comes from the Milwaukee Electrical Co., from coal.

Mr. ANGELL. From coal?

Mayor ZEIDLER. The Milwaukee Electrical; yes.

Mr. ANGELL. Is it municipally owned?

Mayor ZEIDLER. No, sir; as a matter of fact, the city of Milwaukee buys its electricity for the operation of its street lighting system from the Milwaukee Electric Co.

Mr. ANGELL. Does much of the export trade from Milwaukee go by water, now?

Mayor ZEIDLER. We have very little export trade, if any. As a matter of fact, I, myself, went down to our harbor and welcomed some Norwegian ships and Danish ships a little while ago. And some of these ships happened to be strafed by machine guns from across the

water. But I was just extending the right hand of fellowship to them and seeing how the situation was.

One interesting thing about that, you have got these small ships now which come from Norway and Britain and Denmark and Holland which have come to the port of Milwaukee. Those are the small ships with a very shallow draft.

What we are interested in is if you have deeper draft, as provided by these improved facilities for the St. Lawrence, you would have bigger vessels coming into the Great Lakes, and certainly it would be a tremendous improvement.

Mr. DONDERO. Mr. Mayor, what do those ships carry?

Mr. ZEIDLER. These ships, Mr. Dondero, carried, they carried china clay, wood pulp, manganese ore, or fertilizer in-bound, and relied on midwestern grain for return cargo.

This Norwegian ship that I recently welcomed carried general cargo, and loaded at Milwaukee—

Mr. DONDERO. You mean, carried general cargo out?

Mayor ZEIDLER. No; in. Carried general cargo into the Port of Milwaukee; that is, a number of assorted articles that they happened to have.

Mr. DONDERO. From Norway?

Mayor ZEIDLER. From Norway.

Mr. DONDERO. I did not mean to intrude, Mr. Angell.

Mayor ZEIDLER. Well, under the control of Norway, and then Britain has some kind of control over the operation of these Norwegian vessels.

Mr. ANGELL. But, Mayor, do those boats now go in through the Canal or through the St. Lawrence?

Mayor ZEIDLER. Through the St. Lawrence.

Mr. ANGELL. But the trade is not very extensive?

Mayor ZEIDLER. Oh, it has just practically fallen off. But it is interesting to note, if I can find the figures—here is the way it started, and I would like to read this part to you:

In 1933 a Norwegian steamship company inaugurated the first direct Great Lakes-European service on regular schedule, employing small, fast ships especially designed and constructed for the service. In 1938 a Dutch shipping concern established a second regular-line service from the Great Lakes to northern European ports. In addition, large numbers of tramp ships continued to enter the Great Lakes from Europe. The flags of foreign ships became a familiar sight on Milwaukee's water front. The steady growth of this type of shipping can be realized when I tell your honorable committee that in 1939—despite the European war which broke out in September of that year—45 salt-water vessels from Europe docked at Milwaukee. Despite the extension of the war to the Scandinavian nations in 1940, and the hazards of navigation, a dozen ships made the long voyage from England to Milwaukee during 1940—and thus far during 1941, three ships have brought cargoes to Milwaukee from British ports and others will follow. The Dutch line referred to above has been forced to suspend operations, but the Norwegian line established in 1933 is still maintaining its schedule and still offers Milwaukee a line of direct communication with one sector of the outside world.

Mr. ANGELL. Do those ships also stop at other lake ports, or just Milwaukee?

Mayor ZEIDLER. Well, they carried part of their cargo to Milwaukee and then went on to Chicago, and I think Toledo or Cleveland, I am not certain which was the other port. I know I talked to the captain of the ship and asked him where he was going, and of course these fellows sail under sealed orders today, and they do not tell you much about what their orders are.

Mr. ANGELL. Ordinarily, do your dairy products go into the export trade, to any considerable extent?

Mayor ZEIDLER. Dry dairy products, as such, which are so vital to the needs of England. As a matter of fact, if you just use the dry products, or dried fruits and dried vegetables, for instance, as I understand she can utilize an immense amount of that, and the idea is that you save space on your ships if it is carried in that method.

Mr. ANGELL. That is all, Mr. Chairman.

Mr. DONDERO. The gentleman from Pennsylvania, Mr. Rodgers? The gentleman from Minnesota, Mr. Pittenger?

Mr. PITTENGER. No questions.

Mr. DONDERO. Judge Culkin?

Mr. CULKIN. No questions, except to say I have greatly enjoyed your very fine statement.

Mayor ZEIDLER. Thank you, Judge Culkin; that is an honor coming from an able gentleman.

Mr. DONDERO. Does the chairman have any questions?

The CHAIRMAN. No questions, but I was interested in his very good statement.

Mr. DONDERO. The gentleman from Mississippi, Mr. Rankin?

Mr. RANKIN. The gentleman has referred to foreign shipping, and I noticed some of the members brought out about this foreign-flag shipping. Now, if these ships are going to come here and take our products to foreign markets, they are going to have to bring some of their products to exchange; are they not?

Mayor ZEIDLER. Absolutely; we want some of their foreign products.

Mr. RANKIN. As far as that is concerned, I have no prejudice as long as they swap them from my farm.

Mayor ZEIDLER. Well, the American farmers have always been very good traders.

Mr. RANKIN. Yes. So when these Norwegian ships or when these other ships flying foreign flags are shut out from coming on to American ports, it simply means to that extent we are shut out from their trade; is that not a fact?

Mayor ZEIDLER. Here is the answer to that, Mr. Rankin: We cannot conceive of keeping the United States of America out of that trade. In other words, trying to surround ourselves with an invisible "Chinese wall" to keep out the rest of the world. There must be exchange of products; exchange of trade and more important than ever the exchange of ideas, if this world is going to improve instead of deteriorate.

Mr. RANKIN. While I am on that, I might say to you that during the glorious twenties, while we were laboring under the burden of the Fordney-McCumber tariff operation, which greatly discriminated against the cotton growers of my district, we developed into a dairy

district. And today I have one of the largest dairy districts in the South.

Mayor ZEIDLER. Is that so?

Mr. RANKIN. And when you talk about these artificial means, to try to favor one section or one export or one industry, you are going to create just such a crisis. So, if we are going to do business with the rest of the world, we are going to have to permit their ships to come in under their own flags, and bring in their own products to exchange for ours.

Mayor ZEIDLER. Certainly; and we can always, your honorable body can always adopt the necessary regulations which will protect the American flag shipping, as we always have.

Mr. CULKIN. You mean, have a tariff?

Mayor ZEIDLER. By tariff or regulations.

Mr. RANKIN. No.

Mayor ZEIDLER. Or a regulation that you can apply to these ships to come in.

Mr. CULKIN. Yes.

Mayor ZEIDLER. I mean, the Congress of the United States certainly is a policy-making body, and not only that, they know the heartbeat and pulse of America probably better than any other body in the world, and we should. I mean, we who know the situation of our people here at home can certainly impose the necessary safeguards to protect the commerce of the United States.

Mr. CULKIN. What do you mean, shipping laws and that kind of regulation?

Mayor ZEIDLER. I mean, intercoastal trade, intercoastal regulation of trade and interlake trade.

Mr. RANKIN. If this project is developed at all, it is to be developed on two grounds; one of them is the development of the great wealth of hydroelectric power that is now going to waste.

Mayor ZEIDLER. That is right.

Mr. RANKIN. And the other one is the cheap freight rates for the farmers in the great Northwestern country that will enable them to derive higher prices for their commodities. Industries can move, but agriculture cannot. The industries can go to some other place, if necessary, but agriculture must remain where God gave them the soil.

Mr. DONDERO. Just one question, Mr. Mayor?

Mayor ZEIDLER. Yes, sir; Mr. Dondero.

Mr. DONDERO. You as the representative of the city of Milwaukee have no fears that this project will injure your people?

Mayor ZEIDLER. Absolutely not.

Mr. DONDERO. And you take the same position as Detroit, that it will help your port and the great State of Wisconsin and the great city of Milwaukee?

Mayor ZEIDLER. May I add this statement, Mr. Dondero: Some time ago there was a meeting at Detroit of the Great Lakes Development Association, the Michigan Tidewater Association and a similar Wisconsin association, and I was then designated by the mayors and common councils of Racine, the city of Racine which is 30 miles to the south of Milwaukee, and the Mayor of Sheboygan, which is 57 miles north of Milwaukee, to represent their interests. The cities along the Great Lakes, that is cities in Wisconsin along Lake Michigan

are very vitally interested in the outcome of this St. Lawrence seaway. Manitowoc today has been given a Federal contract for the building of \$60,000,000 worth of submarines; Racine has a very fine harbor, and Kenosha and Sheboygan and those cities along Lake Michigan, and then you have got Sturgeon Bay, which has shipyards, and Manitowoc has shipyards and Superior also; all of those cities, as well as the cities in the interior of Wisconsin are unanimous in their approval of the seaway.

Mr. DONDERO. Mr. Mayor, I thank you.

Mr. MACIEJEWSKI. Mr. Chairman, may I state: Mr. Rankin, I understood that we in Illinois have \$1.50 to \$3 coal. In other words, Wisconsin and Illinois have quite a bit in common there to try to bring that cheap power into those sections.

Mayor ZEIDLER. The price of coal at Milwaukee is about that.

Mr. MACIEJEWSKI. That is right; about the same; \$1.50 to \$3 is what we have in the State of Illinois.

Mr. RANKIN. If you have \$3 coal, you can generate electricity for not more than 3½ mills a kilowatt-hour, and there is no single municipality in the Tennessee Valley or out, that has its electricity as low on the average as 3½ mills. So, if you can manufacture electricity at 3½ mills, you can distribute it all over the State of Illinois, not only at the T. V. A. rates, but below the T. V. A. rates, and make a legitimate return on your investment.

By the way, I do not mean, I do not want you to misunderstand me on the national-defense phase. Of course, I contend national defense is a very, very important consideration in the construction of this canal. But looking at it over a long range, I put the other two ahead of it; transportation above national-defense needs, and above all of it the development of the hydroelectric power in the St. Lawrence River.

Mr. DONDERO. Mr. Pittenger?

Mr. PITTENGER. You raise quite a little wheat in Wisconsin as we do in Minnesota?

Mayor ZEIDLER. Yes, sir; we are sister States.

Mr. PITTENGER. And one great benefit that would come to the people who produce wheat would be the deepened water transportation; is that right?

Mayor ZEIDLER. Absolutely. Here is what your water transportation does: Your water transportation keeps a ceiling on your general rates throughout the country. In other words, the railroad rates do not get out of line, and so on.

Mr. PITTENGER. You heard the line of testimony or comment of Judge Bell, of Missouri, here where he developed the fact that the Canadian railroads apparently subsidized the Canadian wheat growers?

Mayor ZEIDLER. I heard that statement. That is all the more reason why we ought to have the St. Lawrence project go through.

Mr. PITTENGER. And if there is any high freight rate between Kansas City and Chicago or other cities, is not that a job for the Interstate Commerce Commission to reduce those rates, if there is a disadvantage that the farmers are suffering from?

Mr. CULKIN. Will the gentleman yield at that point?

Mr. PITTENGER. I yield.

Mr. CULKIN. Is not their systematic and usual action to raise the rates? Did you ever hear of lowering any rates?

Mayor ZEIDLER. Not voluntarily.

Mr. PITTINGER. I think the record ought to show that the mere fact that the Canadian farmers enjoy a certain advantage, that that is all beside the point here, because the development of the St. Lawrence seaway would aid the whole Midwest agricultural section. And if there is any discrimination against Kansas City, that can be taken care of by a reduction of their rates to the lake ports; is not that right?

Mayor ZEIDLER. Surely.

Mr. RANKIN. The development of this seaway would simply wipe out this discrimination, and they would be all the same rates.

Mayor ZEIDLER. You would have a ceiling; that is right.

Mr. CULKIN. When this terrible debacle that is going on now in the world is over, one of the duties is going to be for us to feed the world?

Mayor ZEIDLER. Absolutely.

Mr. CULKIN. And this waterway offers a route through itself for doing that as low as possible?

Mayor ZEIDLER. May I say this: I have been doing a little research on my own behalf about railroading, and my understanding right now is that we have a shortage of a million freight cars right now, and there is a bottleneck in transportation and distribution of these various items that go into the national-defense program. Now, if that is the case, if there is a shortage of freight cars at the moment, what is it going to be after this present debacle is over, as you so aptly phrase it, when we have got to get food over to Europe and get it there in a hurry, where you have millions of people who are famished, underfed, and undernourished who face death from starvation?

Mr. RANKIN. Mr. Mayor, you raise 20,000,000 bushels of wheat in Wisconsin, do you not, every year?

Mayor ZEIDLER. Probably in excess of that.

Mr. RANKIN. Well, it is around 20 to 25 million bushels. And just remember this: The overcharge for electricity in Wisconsin every year amounts to more than the entire wheat crop of the State. So that will give you an idea of the importance of keeping down electric rates in every way possible.

Mayor ZEIDLER. Surely.

Mr. DONDERO (acting chairman). Mr. Mayor, we thank you for your appearance and statement.

Mayor ZEIDLER. Thank you, Mr. Acting Chairman and Mr. Chairman, and I want to thank the members of this committee for your very courteous treatment and the most interesting discussions that have developed.

Mr. RANKIN. That is our usual way, that is the way we treat them all.

(The supplementary statement of Mayor Zeidler is in full as follows:)

SUPPLEMENTARY STATEMENT OF CARL F. ZEIDLER, MAYOR, CITY OF MILWAUKEE, WIS., BEFORE THE COMMITTEE ON RIVERS AND HARBORS, HOUSE OF REPRESENTATIVES, REGARDING THE ST. LAWRENCE SEAWAY PROJECT

Milwaukee's support of the Great Lakes-St. Lawrence seaway project is traditional. It has been demonstrated not only by resolutions and similar formal expressions, but also by constant interest and by consistent support of the organizations leading the fight for the seaway. Citizens of Milwaukee have been

prominent in the leadership of the several organizations which have worked tirelessly to make the seaway dream a reality. The latest official expression by Milwaukee on the subject was offered on March 24, 1941, when a resolution was adopted by unanimous vote of the common council, memorializing the Congress and the President to take steps to complete the St. Lawrence seaway project and thereby remove the economic barriers which now afflict the Middle West.

That there is entire unanimity in Wisconsin on this important subject is demonstrated by the fact that for many years past, every session of the Wisconsin Legislature has adopted resolutions urging Congress and the President to authorize the completion of the seaway. The Wisconsin Waterways Commission, an official commission of the State of Wisconsin, has made its principal function the promotion of the seaway project, and the State has expended substantial sums of money over a long period of years to advance the project. The agricultural, commercial, and industrial interests of this great and progressive State are alert in their knowledge that States and cities—and nations, too—may rise or fall according to the transportation and trading opportunities available to them. That these are not idle words is proven by the historical fact that since the days of the Hanseatic League in medieval Europe, the economic and strategic policies of a dozen European nations have had as their very foundation the preservation of their access to the seas. The spark which set off the present great conflict in Europe was the Free Port of Danzig, and the Polish Nation went down to destruction in defense of its right to trade with the world through this gateway, which was also coveted by Germany. I mention this historical truth not to interject a confusing international flavor to this discussion, but solely to emphasize the point that the desire for trading outlets to the world is a fundamental ambition of every nation and a basic consideration in policy. The desire for free access to world trade and for deep-water shipping is similarly fundamental in our great Middle West.

HISTORICAL BACKGROUND

The Great Lakes have a natural outlet to the sea via the St. Lawrence River and this outlet has been utilized since the earliest times for colonization and commerce. As the first primitive ports were established on the Great Lakes, they lost little time in utilizing this outlet for distribution of their products to European countries. Milwaukee's early harbor chronicles record the fact that in 1856 a full cargo of wheat was shipped via schooner from Milwaukee directly to Liverpool. Other direct shipments of grain, lumber, meat, and hides followed, going to England, Ireland, and Germany. Other Great Lakes ports were similarly engaged, and the trade expanded so rapidly that in 1861 40 cargoes sailed out of Great Lakes ports to Europe. When we consider the size of these small schooners and the perils which they encountered in their long voyage from the Great Lakes to the shores of Europe, it must impress us again with the thought that pioneer communities, struggling for existence on the edge of a wilderness, were nevertheless foreign-trade mined, and at the earliest opportunity turned their energies to reaching world markets.

After the World War, a greatly expanded shipping market sought new sources of traffic. The St. Lawrence gateway, neglected by American shipping interests, was recognized as an opportunity by European shipowners. British and Scandinavian tramp ships, able to carry about 1,500 tons of cargo on the 14-foot draft available in the St. Lawrence Canals, were chartered to haul bulk commodities from European ports to the Great Lakes. These vessels usually carried china clay, wood pulp, manganese ore, or fertilizer in-bound, and relied primarily on Midwestern grain for return cargo. Importers and exporters enjoyed substantial rate savings by using these direct vessels.

In 1933 a Norwegian steamship company inaugurated the first direct Great Lakes-European service on regular schedule, employing small, fast ships especially designed and constructed for the service. In 1938 a Dutch shipping concern established a second regular line service from the Great Lakes to northern European ports. In addition, large numbers of tramp ships continued to enter the Great Lakes from Europe. The flags of foreign ships became a familiar sight on Milwaukee's water front. The steady growth of this type of shipping can be realized when I tell your honorable committee that in 1939, despite the European war which broke out in September of that year, 45 salt water vessels from Europe docked at Milwaukee. Despite the extension of the war to the Scandinavian nations in 1940, and the hazards of navigation, a dozen ships made the long voyage from England to Milwaukee during 1940, and thus far during 1941, 3 ships have brought cargoes to Milwaukee from British ports and others

will follow. The Dutch line referred to above has been forced to suspend operations, but the Norwegian line established in 1933 is still maintaining its schedule and still offers Milwaukee a line of direct communication with one sector of the outside world.

The point I seek to impress upon your honorable committee is this, if direct shipping service is economic, feasible, and attractive with small ships and shallow-draft channels, and if this type of service can endure despite all the handicaps and perils now confronting these ships, does it not follow that deeper channels, open to large vessels of much greater cargo capacity, would produce substantially more efficient operation with consequently greater rate savings to shippers? We firmly believe that this is the logical conclusion to be drawn from past and present shipping operations via the St. Lawrence route.

I will not burden you with statistics concerning cargo movements in and out of Milwaukee via the direct services, inasmuch as these figures are available in the Federal records and have undoubtedly been presented to you. I would, however, call attention to the fact that a considerable variety of commodities have been imported and exported and that due to savings in freight rates, Milwaukee industries have been able to market their merchandise in Europe in competition with producers on the Atlantic seaboard, which they would otherwise be unable to do under the handicap of a high rail freight rate to the seaboard. As we have access to tidewater, so our ability to compete in world markets will improve proportionately.

Milwaukee also enjoys an active commerce with Canadian ports on the Great Lakes and on the St. Lawrence River. A considerable commerce is interchanged with Montreal and points east on the St. Lawrence. Deeper draft channels would permit deeper cargo loadings and use of larger vessels, with resulting savings in freight charges. Inasmuch as Canada is normally the largest single purchaser of American goods, much of which originates in the Great Lakes hinterland, improved transportation facilities for this commerce should not be overlooked.

MILWAUKEE'S HARBOR PREPARATIONS

Milwaukee is recognized as the most progressive community on the Great Lakes with respect to its municipal port development. As early as 1900 the municipality considered the advisability of providing public port facilities to serve the city's growing commerce. A program of municipal harbor development was subsequently adopted, and today Milwaukee has the outstanding public port development on the Great Lakes. Approximately \$7,000,000 of municipal funds have been expended in the acquisition of the necessary water front properties and in developing public ports facilities, which are available to any shipper on equal terms.

The municipal port facilities include a car ferry terminal; an open dock and an open pier, designed and equipped for storage and transshipment of bulk traffic; a modern transit shed for package freight and import-export traffic; a large, deep-water mooring basin for winter harborage of vessels; an aviation facility; and four marine oil terminals developed through lease of harbor lands to four oil companies. It is contemplated that additional facilities will be provided as the growth of commerce warrants and as city finances permit.

Milwaukee has brought into public ownership 6.68 miles, or more than 92 per cent of the 7.25 miles of Lake Michigan frontage within the city limits. Approximately 4 miles of the publicly owned frontage has been devoted to park and recreational purposes, while 2½ miles have been assigned to our board of harbor commissioners for harbor and industrial development. While the city already has a complete harbor plant, on a modest scale, equipped to handle most types of traffic, Milwaukee has looked into the future and reserved sufficient land for harbor development to meet anticipated demands. Our confident belief that the seaway route would be opened was one of the basic considerations in this policy.

Milwaukee's preparation for handling deep-draft ocean shipping is evidenced by the fact that the dock structures of the various municipal facilities on the outer harbor have been constructed with piling of sufficient length so that additional depth of water can be provided without detriment to these dock structures. In other words, anticipation of the seaway has been a basic consideration in designing our municipal docks. There are many privately owned terminals located on the three rivers comprising our inner harbor, and the river channels could also be deepened to 25 feet to accommodate ocean vessels going to river wharves. Milwaukee Harbor is therefore well equipped to meet any reasonable demands arising out of new shipping via the seaway.

The interest of the Federal Government has been demonstrated by sympathetic cooperation on the part of the War Department and other Federal agencies and by Federal expenditures of approximately \$7,000,000 to provide breakwater protection and modern aids to navigation. The Federal project for breakwater protection of Milwaukee Harbor was conditioned upon construction of modern port facilities by the city.

The municipal harbor development was given further impetus by the River and Harbor Act of March 2, 1919, in which Congress declared as its policy that in all cities located on navigable waters, there should be at least one publicly owned terminal open to all on equal terms. The cooperation of the War Department was offered in assisting and advising local port authorities in planning and designing terminal facilities. The plans for Milwaukee Harbor were drawn in collaboration with the War Department engineers. In referring the project to the Secretary of War (H. Doc. 804, 66th Cong., 2d sess.) the Chief of Engineers stated that "The general plan appears to be well conceived, and is the first instance of the adoption of a scheme of terminal development on the Great Lakes adequate for the handling of both bulk and package freight under conditions permitting future expansion along lines in keeping with the most modern and economical practice."

Milwaukee's port commerce averages 7,000,000 tons annually. In 1940 receipts and shipments via the harbor totaled 6,880,088 net tons, valued at \$348,327,887. Vessel arrivals totaled 6,383 ships of all types. With more than 75 marine terminals, and with port facilities representing a combined Federal, municipal, and private investment of more than \$40,000,000, Milwaukee is well equipped to handle and distribute the new commerce which will be developed by the seaway. Dollar value of Milwaukee's foreign trade in 1939 was approximately \$50,000,000.

CHICAGO'S POSITION

The people of Milwaukee welcome Chicago's endorsement of the St. Lawrence seaway project as recently expressed by Mayor Kelly, of Chicago. We welcome Chicago's collaboration in bringing the project to fruition. Chicago is in an enviable position with respect to the seaway development. The great railroad systems of the Nation can haul import and export freight to and from this great transportation center, which will be the southwesterly terminus of the entire Great Lakes-St. Lawrence waterway. Chicago is now the northerly terminus of the rapidly growing Illinois-Mississippi River traffic, and, given access to the seaway route, there will be no city in North America more strategically located. The seaway will bring to full vigor the historic water route of North America, tying into one continuous system the Atlantic Ocean, the St. Lawrence River, the Great Lakes, and the Illinois and Mississippi River—one continuous, sheltered water route from the Gulf of St. Lawrence to the Gulf of Mexico, 3,000 miles in length. Surely all other nations must envy the United States and the Dominion of Canada in their possession of such a transportation resource. We in Milwaukee hope to use every link in this chain of waterways, as we are using it today to the best of our ability.

THE RAILROAD ATTITUDE

I have spoken in passing, of the railroad's opportunity to participate in the increased haulage of import-export tonnage. In the Middle West we are at a loss to understand the shift in position by the western railroads. In the early 1920's, the western roads were outspoken in their support of the seaway project, and their officers painted glowing pictures of the prosperity in store for these railroads when their various termini, on the Great Lakes would also be ocean terminals. When the Milwaukee road purchased from the Northern Pacific a half interest in its terminals at Duluth, and in its lines from the Twin Cities to Duluth, it was publicly stated that this step was taken in the belief that lake ports soon would be sea ports, and that the Milwaukee road desired to share the great business which would come with the opening of the Great Lakes to the sea.

Expressions of approval and endorsement came from the Northern Pacific, the Illinois Central, Chicago & North Western, Great Northern, Burlington, Canadian National, and other great railway systems. Their officials spoke freely of the great benefits expected from the seaway. Today, for reasons best known to themselves, the western railroads blindly follow the eastern trunk lines in their condemnation of the project. In view of this reversal of opinion, and their present desire to preserve the "status quo," we can only surmise that eastern financial

controls have forced our western railroads to oppose the project, despite the benefits which would inevitably flow to the western roads from an expansion of trade and commerce in the Great Lakes Basin.

NATIONAL DEFENSE

The national-defense aspects of the seaway project have been adequately explored before this committee by the Secretaries of War, Navy, and Commerce, and by other high officials of this Government. I desire only to repeat again the assurance that the people and the industries of the Great Lakes area—the industrial heart of this Nation—stand ready to assume a much greater share of the national-defense effort. We believe that the seaway will make it possible for us to aid the Nation more effectively in this time of crisis. By adding to the available power supply, and by opening the channels to deep-draft navigation, we can produce more, and can more readily transport our production.

In terms of shipbuilding, we are allowing a priceless opportunity to pass. In the sheltered bays and harbors of the Great Lakes, all having quick access to ore, coal, steel, timber, machinery, oil, and the many other materials of vessel construction, we can develop a shipbuilding industry which will be of gigantic significance in times of war, and which will round out the Great Lakes economy in times of peace. Had the seaway been constructed 10 years ago, the national-defense effort would have a far different aspect than it has today. As a military and transportation factor, of the utmost value in war or peace, this valuable resource should be utilized at the earliest possible moment.

Mr. DONDERO. Mr. Chairman, what is the schedule for tomorrow?

The CHAIRMAN. We have a meeting tomorrow. We will hear Mr. Knudsen first, at 10:30 a. m.

Mr. RANKIN. Mr. Knudsen of the O. P. M.?

The CHAIRMAN. Yes.

Mr. MACIEJEWSKI. What is the program for the following day?

The CHAIRMAN. Governor Stassen, of Minnesota, and Governor Moses, of North Dakota, day after tomorrow.

We will adjourn until tomorrow morning at 10:30.

(Whereupon, at 4:05 p. m. the committee adjourned until tomorrow, Wednesday, July 2, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

WEDNESDAY, JULY 2, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment, for further consideration of H. R. 4927, Hon. Joseph J. Mansfield, chairman, presiding.

The CHAIRMAN. The committee will come to order.

Gentlemen of the committee, we have Mr. Knudsen with us this morning. I will state that he has other very urgent engagements, and I hope we will not keep him any longer than necessary in getting his statement from him.

Mr. Knudsen, we will be very glad to hear from you now. We will just let you proceed in your own way.

Mr. KNUDSEN. Thank you, sir.

STATEMENT OF WILLIAM S. KNUDSEN, DIRECTOR GENERAL, OFFICE OF PRODUCTION MANAGEMENT

Mr. KNUDSEN. My name is William S. Knudsen; I am Director General, Office of Production Management.

As you gentlemen know, this project was discussed in the Office of Production Management and a recommendation sent to the President of the United States that the project be approved.

In discussing it in the O. P. M. we separated the problem into two parts; first, its importance in the elimination of the bottleneck in the Great Lakes, which at this time is the St. Lawrence Canal. This in a great many ways hampers the defense program on account of the fact that we cannot use the shipbuilding facilities on the Great Lakes beyond a length of hull of 261 feet 5 inches, which fits about a three- to four-thousand-ton ship.

We have a very valuable reservoir of mechanical skill and shipbuilding ability in the Great Lakes. It has been used mostly to handle inland lake traffic, but even now we have a quantity of small boats being built on the Lakes, and we could use the facilities to a much greater extent if we could get the bigger ships out of the Lakes.

You gentlemen know that ships are one of the four main items in the defense program; planes, guns, tanks, and ships are the four principal things that we need in the defense of the United States. The present over-all shipbuilding capacity on the Lakes I would estimate at 500,000 tons, but there isn't any reason why, if the proper facilities were there for taking vessels of larger size out that they

could not be built. The skill is there, the steel is there, and the manpower is there.

You gentlemen know that warfare today is mainly a matter of production of mechanical equipment. No war can be carried on without it, and the power that has the predominance of mechanical equipment has the advantage in the field. So we need production and we need ships to carry the material in.

A question has arisen as to whether this project could be finished in time to be of any use in the emergency. I do not know how long the emergency is going to last; I do not think that anybody knows. I feel you might say the same thing about aluminum. We are starting aluminum plants. Maybe we will not get them in time. But we cannot gamble on time. We have to gamble on material, and get it just as quickly as we can. Of course, it is our job to see that we get enough material.

I suppose you know the story of the defense program. Last year, in June, we came down here, and through the Advisory Council for National Defense we set up whatever schedules we had at that time to prepare to furnish the equipment needed by the middle of 1942. That was the deadline then. Since then the program has been expanded and expanded and expanded, and really by the time I get back to the office I might have another request for material to go abroad. So the only thing we can do in the Office of Production Management is to try to get the ultimate in facilities so as to take care, not only of the program we have before us today, but to gamble on what increases might come about, which we have no means of knowing about until we get them.

You probably remember that by the end of the year we had succeeded in placing about \$3,000,000,000 of business and work in the United States, and today, the latest figures I have, would be somewhere between seventeen and eighteen billion. There is a constantly growing demand for materials, there is a constantly growing demand for both finished materials and raw materials. On top of that the need for ships is growing greater all the time. We have stockpiles of materials that can only be procured outside of the United States, and we are trying to build up a sufficient quantity so that we may be safe, regardless of what happens in any theater of war. That means ships and more ships. So that when we talk about how long the national defense, how long the emergency will last, we just don't know. It is up to us to do everything we can to get the equipment and the raw materials to fill whatever need we are asked to fill.

I believe it is a mistake to have an area like the Great Lakes landlocked, limiting the size of ship you can take out. People talk about cutting the ships in two and taking them out. I believe we should have full access to that great area of skill and material.

When it comes to power, I don't believe we will ever have power enough.

Mr. RANKIN. What was that last statement, Mr. Knudsen?

Mr. KNUDSEN. I don't believe we will ever have power enough in the United States. The country is growing so fast, the population is increasing and there is more and more demand for power every

day. And if we have the power, why should we not use it? I think it was Mr. Coolidge—

Mr. DONDERO. Mr. Knudsen. I didn't quite understand you. Who was it you quoted?

Mr. KNUDSEN. I think it was Mr. Coolidge who at one time said he wanted to save people, and the more power you have the more people you save.

Hydroelectric power has its advantages. While the first cost is heavy, it is cheaper to produce. Nobody can produce steam power at the cost of hydroelectric power, and wherever it is available, it seems to me we ought to take advantage of it. There would still be room for the use of all the steam power we could make. The distance of transmission, of course, makes it necessary in certain places to have steam power. In some cases we have gas that can be used, and I think that every available fuel, and every available opportunity for power should be developed to the fullest extent.

Our defense industries are in constant need of more power. We work with the Federal Power Commission, and with the Department of the Interior to round up all the available power we can get, and we are constantly looking forward to see where we will have more available power, because, as you understand, the chemical and electrolytic process have been vastly developed during the last 20 years, and I look for still greater forward development in the next 20 years.

So we need power; we need power for manufacturing; we need power for domestic use, and wherever we can obtain such power at low cost, I think we should take advantage of the opportunity.

Many of our defense plants are located right around where this power is to be generated. It is no secret that in the last aluminum expansion we had to arrange for a certain amount of power to be piped over from New York City, after we could not get any more from Canada. I tried to inquire in Canada whether we could get more and they said, "No; we have none to spare; it is all allocated." So there is going to be a demand for power in the United States. Even after the emergency is over, I think there is going to be a greater demand for power, and I think that any investment you can make in power for the future is a good investment for the United States and for the future of the United States.

I talked to Admiral Land before I came over here. He wants more ships.

Mr. DONDERO. Who was that—Admiral Land?

Mr. KNUDSEN. Yes; of the Maritime Commission. He is going to ask you for more ships, and I think some of those can be built on the Great Lakes. We have at present something like 225 ways in the United States that are going to be engaged in shipbuilding and we could well use some more. Today the only Navy ships we build in the Great Lakes are mine sweepers, patrol boats, and submarines. We have some submarines building up in Wisconsin in cooperation with the Electric Boat Co. But I can see the time when we can build destroyers and even cruisers on the Great Lakes. The skill is there; why should we not use it?

I am told that this project will use a great deal of labor and material. Of course it will. You cannot build a project like that

without man-hours, tons of material, and cubic yards of concrete. But I feel these materials can be produced and made available, and I feel we can furnish the labor to do the job.

I think, so far as my main statement is concerned, that constitutes about what I have to say. I do not see any particular danger in undertaking the project from the standpoint of labor and material, and I certainly recommend it, both from the standpoint of national defense and from the standpoint of its value to the future of the United States.

Thank you.

Mr. CARTER. Mr. Knudsen, do you think this power that is needed should be developed at the earliest possible moment?

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. Do you think it could be developed as quickly in connection with this project as it might by steam plants in areas where the coal and gas are available?

Mr. KNUDSEN. Well, of course, you have the question of the generating equipment for coal and gas plants, and you probably know that we are quite tightly strapped in the matter of turbines and boilers, which you would have to use there also.

Mr. CARTER. Of course, you have to have equipment for hydroelectric plants, too, do you not?

Mr. KNUDSEN. Yes; we have to have the water wheels and the electric generators.

Mr. CARTER. Your contention, then, is that the steam plants could not be built; is that it?

Mr. KNUDSEN. No, sir. A steam plant can be built at any time.

Mr. CARTER. And they can be built quicker than this project can be completed; is that right?

Mr. KNUDSEN. If that amount of steam power was to be generated, I don't believe it could be produced in that time. There are about 1,640,000 kilowatts, I understand.

Mr. CARTER. Is there a shortage of power in that area at the present time?

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. Have you ever applied to the Hudson-Niagara Co. for power and been refused?

Mr. KNUDSEN. Have I ever applied to whom?

Mr. CARTER. The Niagara-Hudson Power Co., with headquarters at Buffalo.

Mr. KNUDSEN. Yes, sir. The Federal Power Commission has been in touch with them.

Mr. CARTER. Have they any excess power at the present time?

Mr. KNUDSEN. I am not entirely familiar with that, but they have an old plant up there, called the Adams plant, which does not generate very much. But I haven't at my fingertips the amount of kilowatts.

Mr. CARTER. Mr. Knudsen, I wrote to every power company in that region in the last few days, and I have replies—

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. And if I can count on the information I have received from these power companies, there is no occasion for you or any of the plants or factories that are working under your direction to be

refused or denied power there, because most of them say they have excess power, and most of them say they do not anticipate any shortage.

Mr. KNUDSEN. That is the standard statement of the power companies.

Mr. CARTER. Still you tell me you have asked for power and have not been served with it.

Mr. KNUDSEN. In the recent aluminum development every phase of power was canvassed up there; and as I told you a minute ago, we talked about piping some of the New York power over there in order to get enough. If we could get enough from Niagara, we wouldn't have to pipe any.

Mr. PITTENGER. Do I understand you to say you are getting power from New York City?

Mr. KNUDSEN. Over a network, we transmit some of it at high tension and we had to do that in order to get enough. We counted on the Canadians for about 70,000 kilowatts, and at the last minute they came back and told us they had none to spare. Their excuse was that we were buying aluminum from Canada, which we are.

Mr. CARTER. Have you read this bill Mr. Mansfield introduced, H. R. 4927?

Mr. KNUDSEN. I have it here, sir.

Mr. CARTER. You have read the bill, Mr. Knudsen?

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. Do you endorse it?

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. In all of its phases?

Mr. KNUDSEN. Yes, sir.

Mr. CARTER. You understand that by the terms of this bill the distribution of the power would be turned over to the New York Power Authority?

Mr. KNUDSEN. I know that.

Mr. CARTER. Do you think it will be possible for this New York Power Authority to serve any of that power outside the State of New York?

Mr. KNUDSEN. I imagine so.

Mr. CARTER. Well, suppose it was not possible, under their laws—and I might say, too, for your benefit, that it has been testified here that they probably could not, by some people, and that they probably could, by others.

Mr. KNUDSEN. I see.

Mr. CARTER. So that question—

Mr. KNUDSEN. I am afraid I am not capable—

Mr. CARTER. I am wondering if the fact that they could not serve it outside the State of New York, if that should develop to be the fact, would make any difference in your attitude toward the bill.

Mr. KNUDSEN. No, sir. If there is any power there, we could get it some way.

Mr. CARTER. You would make use of it outside the State of New York?

Mr. KNUDSEN. I didn't quite get that.

Mr. CARTER. I say that if it turned out to be the fact that you would have to make use of it in the State of New York—

Mr. KNUDSEN. I don't think so. If the emergency was there and we needed the power, I think there would be ways and means of getting it, wherever we needed it.

Mr. CARTER. That is all.

Mr. SMITH. Mr. Knudsen, as a Member of Congress, I desire to take this opportunity to compliment you on the fine service you are rendering our country in the Office of Production Management, and the splendid work being done by you and your associates.

Mr. KNUDSEN. Thank you very much. We are not by any means done yet.

Mr. SMITH. You are making very fine progress, I think.

Mr. KNUDSEN. Thank you very much. On behalf of my associates I can say we are very grateful for an expression of that sort. We are, of course, working against a constantly increasing load, but I think everybody is giving their best to it.

Mr. SMITH. As a matter of fact, you really are almost ahead of schedule; are you not?

Mr. KNUDSEN. We will never be ahead of schedule, sir.

Mr. SMITH. I think you are too modest to admit it. I was interested in what you said about the fact that there never would be too much power in this country.

Mr. KNUDSEN. No. I feel our way of living, our standard of living, demands that we do more and more to have power perform the work now done by manpower.

Mr. SMITH. You perhaps would be interested in a statement I read the other day to the effect that there are 2,000,000 urban homes in this country where they are still using kerosene lamps.

Mr. KNUDSEN. Yes, sir.

Mr. RANKIN. That statement is in error; it is 4,000,000.

Mr. SMITH. That came as a sort of striking statement to me.

Mr. KNUDSEN. I think power is progress. Power makes for a better standard of living.

The CHAIRMAN. Gentlemen, we should confine our investigation, as nearly as possible, to the purposes of national defense. That is the connection Mr. Knudsen has with it. And, too, he has very urgent engagements and wants to leave as soon as possible.

Mr. SMITH. In that connection, Mr. Chairman, I just want to mention to Mr. Knudsen the fact that, of course, out in my part of the country we do realize how vitally important the generation of electricity is to national defense, because the Bonneville project on the Columbia River, on the Washington side of the river, is in my district.

You are familiar, Mr. Knudsen, with the Aluminum Corporation of America plant at Vancouver, Wash., and the new Reynolds plant at Longview, Wash., where we are going to manufacture metals to the extent of approximately one-third of all the aluminum produced in the United States.

Mr. KNUDSEN. Not quite that much.

Mr. SMITH. Not quite that much?

Mr. KNUDSEN. No.

Mr. SMITH. About what would your estimate be?

Mr. KNUDSEN. I have not the exact schedule in my mind, but I think that Longview has 70,000 kilowatts, and that is 70,000,000

pounds, and Vancouver has 150,000 kilowatts, and that is 150,000,000 pounds. There are 220,000,000, and there are 1,600,000,000 pounds contemplated.

Mr. SMITH. But that is a very substantial contribution to the aluminum production.

Mr. KNUDSEN. Yes. We have practically all the power that the Department of the Interior could allot us in the Bonneville district.

Mr. SMITH. In his address before the Conference of Governors at Quincy, Mass., Secretary of the Navy Knox said that the Nazis were taking ships three times as fast as they could be replaced by Great Britain and the United States. Do you agree with that statement, Mr. Knudsen?

Mr. KNUDSEN. I have not seen the official figures, but it usually runs between 200,000 and 300,000 tons a month. I am not sure of my ground there, but certainly if it takes 6 months to build a ship, and they can sink it in about 5 minutes, you will never keep up with the average.

Mr. SMITH. You mentioned the fact, I think, that you considered ships were one of the foremost essential elements in this national-defense program.

Mr. KNUDSEN. Yes, sir.

Mr. SMITH. What are the other three?

Mr. KNUDSEN. Guns, planes, tanks, and ships. They are the four.

Mr. SMITH. I thought it would be well for the committee to have that explanation in the record.

Mr. KNUDSEN. Yes, sir.

Mr. SMITH. Out on the west coast we believe that the time is going to come, Mr. Knudsen, when we are not going to be able to replace these immense losses of ships by construction of only steel ships, and we are going to have to resort to some wooden merchant shipbuilding, the same as we did in the last war, and whenever that time arrives we want you to know we have adequate yards and ways and the shipwrights out there to build a great many first-class wooden merchant ships, the same as we did in the last World War.

Mr. KNUDSEN. The only trouble is that you are limited as to size in the wooden ship.

Mr. SMITH. Yes.

Mr. KNUDSEN. And the tonnage that the wooden ship can carry.

Mr. SMITH. Secretary Knox said in his testimony before the committee that he considered that we could now be building 165-foot wooden ships, which would include, of course, mine sweepers and those wooden vessels of smaller draft. Do you agree with that?

Mr. KNUDSEN. I cannot say that I have considered that very carefully. I am sticking to steel ships and engines and speed for ability to carry tonnage at the moment.

Mr. SMITH. For larger cargo-carrying capacity?

Mr. KNUDSEN. Yes. The cost per ton is the deciding factor eventually.

Mr. SMITH. But for smaller ships that is a different proposition?

Mr. KNUDSEN. We have quite a few wooden ships in the Navy, tugboats and so forth, that are being built on the Lakes out there.

Mr. SMITH. Thank you, Mr. Knudsen.

The CHAIRMAN. Judge Culkin.

Mr. CULKIN. No questions.

The CHAIRMAN. Judge Bell.

Mr. BELL. Mr. Knudsen, the statement has been made here in the hearing from time to time that there are a good many shipyards around the Atlantic and Pacific coasts that are not in use. Are you familiar with the facts on that question?

Mr. KNUDSEN. I am quite sure we have surveyed every way on the coast.

Mr. BELL. It would be your judgment that they are all in use?

Mr. KNUDSEN. I can give you a statement to that effect, because when I go back to our Shipbuilding Section and our inspection reports I can tell you where every way is, if you would care to have it for the record.

Mr. BELL. Would you be kind enough to put that in the record here?

Mr. KNUDSEN. Yes, sir.

(The statement requested by Mr. Bell is as follows:)

Surveys of the shipbuilding facilities on both the Atlantic and Pacific coasts have recently been made by both the Navy Department and the Maritime Commission in connection with their efforts to negotiate contracts for their large shipbuilding programs. In general, these departments feel that at the present time all available shipbuilding facilities are being utilized to the fullest extent, considering condition of facilities, types of ships to be built, and time intervals involved in the various programs.

In order to expedite these programs, all practicable expansion of existing yards have been provided for or are in process, and, in addition, several large new shipyards are under construction.

Mr. BELL. There is another thing I would like to ask you, Mr. Knudsen. How long does it take to lay down a shipway—a place to build ships?

Mr. KNUDSEN. That is, how long does it take to drive the piles and put the ways down?

Mr. BELL. Yes.

Mr. KNUDSEN. Anywhere from 90 to 100 days, depending on the size.

Mr. BELL. We have great urgency to get a large number of ships as soon as we can get them, as I understand it?

Mr. KNUDSEN. Yes, sir.

Mr. BELL. Why would it not be better to get these shipways and build them around the coast instead of waiting several years until the Great Lakes are opened up?

Mr. KNUDSEN. We have put every way down along the coasts that we can find a suitable place for.

Mr. BELL. You mean along 4,000 miles or more of coastline there are no more available places for ship ways?

Mr. KNUDSEN. Practically all of the shipbuilding ways have been built around the Atlantic coast and Pacific.

Mr. BELL. You say that there are no more places that can be utilized?

Mr. KNUDSEN. We have about three-hundred-and-thirty-odd ways now in use or projected.

Mr. BELL. It was testified here that the largest oceangoing vessels can go up the Mississippi River for a distance of 200 miles, and it has been suggested that many shipways could be constructed and a

great many ships built in the lower reaches of the Mississippi. Have you investigated that?

Mr. KNUDSEN. We were told that. We put ways right on the Gulf. We did not go up the river very far in our investigations.

Mr. BELL. Was there any particular reason why you did not go up the river?

Mr. KNUDSEN. I could not tell you offhand. I can find out, but I know it was considered.

Mr. CARTER. What was that?

Mr. BELL. He said he knows it was considered.

Mr. KNUDSEN. It was investigated.

Mr. CARTER. Did you intend to convey to the committee, Mr. Knudsen, that there was no additional room for the establishment of new yards anywhere on our coast line?

Mr. KNUDSEN. No, sir; I did not.

Mr. CARTER. Yes; I thought he misunderstood you.

Mr. BELL. Yes.

Mr. KNUDSEN. The gentleman asked me if we had any ways that were unused, and I told him I did not believe we had.

Mr. CARTER. And he asked you an additional question as to whether there were places where ways might be established, and I think you misunderstood his question.

Mr. KNUDSEN. I am sorry about that.

Mr. CARTER. I know in San Francisco Bay we have miles and miles of places where they could be built.

Mr. KNUDSEN. In laying down ways we have to consider first the distance from material sources; and, second, the amount of available labor.

Mr. BELL. Is that the only reason why shipways cannot be laid down along the coast, on account of the availability of labor and material?

Mr. KNUDSEN. You can spread the thing so thin that you cannot get any ships out, but we have put in ways as fast as we thought it was prudent, and with an eye to the production of ships.

Mr. BELL. It has been testified here, as doubtless you know, that it will take several years to build the St. Lawrence waterway. Some witnesses have said from 3 to 4 years, and others have said from 7 to 8 years. I think the agreement with Canada is that she is to finish her part of the waterway by 1948 or 1949. Could we not build ships and get them constructed very much quicker by making additional shipways around the coast where we can get them out just as soon as they can be built?

Mr. KNUDSEN. I think we have started as many ways as prudent at the moment with the thought of getting ships out of them. If we are going to start to spread out over a large number of yards it seems that every yard has got to have a bank of material and a bank of labor, and if we are spreading out we are spreading the manpower thinner.

Mr. BELL. There is the question of having the labor and materials at a particular point?

Mr. KNUDSEN. Yes. I suppose you gentlemen know that on these standard ships we are building now we are building the propelling machinery inland, and shipping that machinery down to the shipyards to be installed in the ships.

Mr. BELL. You have to have your shipways, I take it, near your source of supplies?

Mr. KNUDSEN. Near to your material and labor.

Mr. BELL. And labor?

Mr. KNUDSEN. Yes, sir.

Mr. BELL. You could transport your labor very easily, however, could you not?

Mr. KNUDSEN. Yes; but it is not very desirable.

Mr. BELL. If you had the materials on the coast you could get the material there and transport your labor?

Mr. KNUDSEN. Yes, sir; but migratory labor is not very desirable, but we have to do it, of course, in certain places.

Mr. BELL. There is another question on another angle of this problem that I would like to ask you, Mr. Knudsen. You stated that water power could be produced more cheaply than steam power?

Mr. KNUDSEN. Yes, sir.

Mr. BELL. There has been some testimony in the committee here that seems to indicate that steam power could be produced more cheaply than water power. I will be frank, I trust your judgment more than that of anybody else I have listened to here on this point. I would like to have you tell me how much cheaper, in your opinion, is water-power production. I know that you cannot be exact on that, because it involves the matter of transportation and the availability of labor, and all of those things which play their part, but, in a general way, how much cheaper would you say in percent could water power produce electricity?

Mr. KNUDSEN. I am not a power engineer or a power expert, but I have bought a great quantity of power in the last 20 years I was with General Motors and the 10 years I was with Mr. Ford, and Mr. Ford was quite an enthusiast for steam power.

Mr. DONDERO. Could you raise your voice a little, Mr. Knudsen; I do not hear you.

Mr. KNUDSEN. I say I am not a power engineer, nor can I pose as a power expert, but I bought a great deal of power during my 20 years with General Motors, and my 10 years with Mr. Ford. Whenever I bought water power I got it cheaper than I could get steam power, even if I generated that steam power myself.

Mr. BELL. I think that is all, Mr. Knudsen. Thank you sir.

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. Mr. Knudsen, you and your family happen to come from my congressional district.

Mr. KNUDSEN. Yes, sir.

Mr. DONDERO. And it is with a great deal of pride that I allude to that fact.

Mr. KNUDSEN. Thank you.

Mr. DONDERO. And I want to add my tribute of respect and appreciation of the work that you are doing for this Nation in its defense efforts.

Mr. KNUDSEN. Thank you.

Mr. DONDERO. I have just one or two questions. I was interested in what you had to say as to the length of ships that could be gotten out of the Great Lakes being limited to 251 feet or to 260 feet.

Mr. KNUDSEN. About 260 feet.

Mr. DONDERO. And the total number of ways in the United States is about 225?

Mr. KNUDSEN. That is right.

Mr. DONDERO. It is true, and it has been testified, that we have 45 or 46 ways on the Great Lakes?

Mr. KNUDSEN. Yes.

Mr. DONDERO. Is it true that all the ships that we are building in the Great Lakes now are limited to about 281 out of 3,508 ordered; is that the record?

Mr. KNUDSEN. I do not know. Will you start that over again?

Mr. DONDERO. The Government has ordered about 3,508 ships, and out of that number only 281 are being constructed in the Great Lakes?

Mr. KNUDSEN. That is quite possible.

Mr. DONDERO. Due to the fact that we cannot get them out to the sea?

Mr. KNUDSEN. I cannot verify the number, but it is very close.

Mr. DONDERO. Then, if the waterway were deepened, we, of course, could build other ships?

Mr. KNUDSEN. Yes, sir.

Mr. DONDERO. And the reason the Great Lakes shipbuilding facilities would be of great interest and importance to the Nation is that we have the material up there in the Middle West, and the labor skill plus the machinery that could be built there to put in them?

Mr. KNUDSEN. Yes, sir.

Mr. DONDERO. That is what makes it highly desirable as a shipbuilding center?

Mr. KNUDSEN. Yes, sir. Of course, I have got to remind you that the ore boats that are being used on the Great Lakes are being built on the Lakes.

Mr. DONDERO. Yes.

Mr. KNUDSEN. So that there are ships that are being built on the Great Lakes that are longer than 261 feet, but they are being used on the Lakes and not on the ocean.

Mr. DONDERO. You referred to the length of the ships that you could get out of the Lakes to the ocean?

Mr. KNUDSEN. Yes; through the Welland Canal.

Mr. DONDERO. Because of the lack of a deep waterway to get them out to the sea?

Mr. KNUDSEN. That is right.

Mr. DONDERO. That is the bottleneck you have described?

Mr. KNUDSEN. That is right.

Mr. DONDERO. That is all, Mr. Knudsen.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Mr. Knudsen, they raised the question a moment ago about the length of the emergency, and you answered it by saying that no one knew how long this present emergency would last.

Mr. KNUDSEN. Yes, sir.

Mr. RANKIN. But that, in your opinion, we never would have enough power in this country?

Mr. KNUDSEN. That is right.

Mr. RANKIN. Electric power?

Mr. KNUDSEN. That is right.

Mr. RANKIN. With which statement I most thoroughly agree.

Now, in 1932 we used 62,000,000,000 kilowatt-hours of electricity in this country, and last year, 1940, we used 118,000,000,000 kilowatt-hours of electricity. Now, if we continue to increase at that rate it will only be a few years until it will take all of our water power and a great deal more coal or steam power to meet the demand, will it not?

Mr. KNUDSEN. In other words, you figure ultimately we will use all of the water and all of the coal and all the gas?

Mr. RANKIN. Yes.

Now, in New York State, alone, in 1932, they used only 8,000,000,000 kilowatt-hours of electricity, and in 1940 they used 15,615,000,000 kilowatt-hours of electricity. That is almost double in 8 years. The Federal Power Commission has made a report stating that we have 320,000,000,000 kilowatt-hours of electric power undeveloped in this country. Suppose we had that all gradually developed, is it your opinion that we would absorb it in a reasonable time?

Mr. KNUDSEN. My opinion is that the country's industrial picture and the country's use for power in private life will increase with the availability of power.

Mr. RANKIN. That is right, and with the reduction in the rates that would necessarily follow.

Now, these gentlemen have asked you the question about the difference between the cost of steam power and hydro power, and if you will pardon me I will refer to a record that was made by a man the other day on the other side of this question. He proved to be one of the ablest engineers, I think, that has testified here, and one of the ablest witnesses on the power question. His name was Tallamy, B. D. Tallamy, chief engineer of the Niagara Frontier Planning Board, and he was opposed to this proposition.

I asked Mr. Tallamy what this power would cost, and I am speaking about the St. Lawrence now, what this hydro power would cost at the dam with a 50-year amortization period, which, I believe, is the period provided in this bill. His answer was 1.77 mills, because I wrote that down on his statement here. I also brought out in his testimony that it only costs to transmit wholesale power about four-tenths to one-half a mill per kilowatt-hour for every 100 miles, and he agreed with that. He agreed that we could transmit this power economically 300 miles, and that the transmission confined to the 300-mile limit would cost only about a mill and a half, which, added to his 1.77 mills would make this cost only about 3.27 mills at the end of a 300-mile line; yet he submitted a table, and I am taking this table at its face value, showing that it would cost 3.4 mills per kilowatt-hour to generate it with coal in Buffalo.

Mr. KNUDSEN. How much?

Mr. RANKIN. 3.4 mills per kilowatt-hour, or about 1 mill more per kilowatt-hour to generate it in Buffalo than it would to lay it down at the end of a 300-mile line. He said it would cost 4 mills to generate a kilowatt-hour in Rochester, 4 mills in Syracuse, and 4.5 mills to generate it in Albany. Of course, this would not all be distributed over the 300-mile line. A great deal of it would fall considerably short of that, so it seems to me that this power can be laid down on an average within the distribution radius for an amount, oh, something like $2\frac{1}{2}$ to 3 mills per kilowatt-hour at the outside.

I want to get that in the record, Mr. Knudsen, in answer to the gentlemen who have been questioning this power, the difference in

the cost of generating power with steam and water power, and in that connection, before I leave it, I desire to say that within whatever radius they have proposed here this power that is generated with steam could be distributed over the State of New York at the T. V. A. yardstick rates without loss on legitimate investment.

Now, they talk to you as if this is merely for an emergency. As a matter of fact, this wealth of power, which, from my viewpoint, is equal in value to a diamond mine or a coal mine or an oil field, is absolutely going to waste, is it not? We are letting a natural resource just go to waste that, as you say, the people within that distribution radius could use. So, from that standpoint the emergency will never cease, will it? I mean the necessity of additional power.

Mr. KNUDSEN. I think I would say so.

Mr. RANKIN. Yes; you said so.

Mr. KNUDSEN. It was the future of the United States to which I had reference.

Mr. RANKIN. Now, they asked about the labor. As a matter of fact, if the present war should come to an end, would there not be a greater demand for the development of projects to absorb the surplus labor in this country even than there is today? Do you not think so?

Mr. KNUDSEN. I think the power will be used.

Mr. RANKIN. And, as a matter of fact, the President has said he wanted a lot of projects authorized in addition to this one to absorb unemployment in case the present emergency should terminate.

Mr. KNUDSEN. I think that it is quite evident that when and if the emergency is over we will have to take care of the unemployment problem.

Mr. RANKIN. That is right.

Mr. KNUDSEN. And we can only do it with power and effectively getting back to the land, and I do think you must do that, you must get everybody at work in the United States.

Mr. RANKIN. That is right, and then a project of this kind would come in very, very handy?

Mr. KNUDSEN. Yes; like so many unseen hands.

Mr. RANKIN. That is right.

Now, I want to call your attention to one more proposition. They keep raising the question here of this power being distributed through the New York Power Authority and confined to the State of New York. As a matter of fact, I have said time and time again that I am not for excluding anybody within the distribution radius from the benefits of this power, but if they are not satisfied with that provision of the bill it can easily be stricken out, or the bill can be amended, but it is not necessary to pass on the disposition of the power until the power is developed, is it, Mr. Knudsen? Could we not withhold that phase of the bill, if necessary, until we get the power to distribute?

Mr. KNUDSEN. I think that that is quite correct.

Mr. RANKIN. I remember when we had the T. V. A. bill up some of the very men who are opposing us on this raised that issue, and demanded that we not build another dam on the Tennessee River until we found a market for the power, and wrote that into the bill, and I got it killed in conference.

Mr. KNUDSEN. We are getting a little short down there now.

Mr. RANKIN. Yes; and I want to come to that. Why are we getting short on power in that area?

Mr. KNUDSEN. What is that?

Mr. RANKIN. Why are we getting short of power in the South-eastern States?

Mr. KNUDSEN. We did not get enough rain.

Mr. RANKIN. We did not get enough rain?

Mr. KNUDSEN. No.

Mr. RANKIN. The T. V. A. is filling its contracts down there all right?

Mr. KNUDSEN. Oh, yes, sir.

Mr. RANKIN. And the reason that there is a shortage of power down there is due to the drought?

Mr. KNUDSEN. Yes. You have to manufacture power from several locations in order to handle it—

Mr. RANKIN. The reason there has been a shortage of power down there is because there has been a drought in the Tennessee Valley the like of which we have not had for half a century; that is true, is it not? I do not know how far back it goes, but certainly in my recollection we have not had a drought like that.

Mr. KNUDSEN. Those are things we always seem to have.

Mr. RANKIN. This engineer I have talked about spoke about 500-year floods, and I suppose there is such a thing as a 500-year drought.

Now, the power companies brought up the question and said that they have an ample supply of power in that area. Now, have they not always said that, Mr. Knudsen, have they not always contended that they had plenty of power?

Mr. KNUDSEN. Yes, sir. As I said in my testimony, that is the standard statement by the power companies.

Mr. RANKIN. Now, when we passed the Tennessee Valley Authority Act they not only told us that they had an ample supply, but had a surplus, and at that time we were only using 62 billion kilowatt-hours a year, and today we are using 118 billion kilowatt-hours a year, and still every section of the country is crying for power.

Mr. DONDERO. I am just wondering if we could not cut this short in view of the limits to Mr. Knudsen's time.

Mr. RANKIN. I just wanted to get these facts in the record to answer these fellows who oppose the development of hydro power in this country and its distribution, and what it is worth.

Mr. SMITH. The gentleman from Mississippi will recall that they made the same argument against the Bonneville development in the Northwest.

Mr. RANKIN. Yes, they made the same argument against the development of the Arkansas River, and they are making it against all others. This whole St. Lawrence project will produce only about 6 or 7 billion kilowatt-hours a year.

Mr. KNUDSEN. 1,640,000 kilowatts, or 13 billion kilowatt-hours.

Mr. RANKIN. But only half of that is ours, so half of that will be around 6,000,000,000 or 7,000,000,000 kilowatt-hours a year. Then, if we leave out New England and Pennsylvania, which I do not propose to do, but say this were confined to the State of New York, and the State of New York increased the consumption of electricity as rapidly for the next 10 years or the next 8 years as it has for

the last 8 years, it would more than absorb the entire amount, would it not?

Mr. KNUDSEN. I think that it will be absorbed, sir.

Mr. RANKIN. It has gone from 8,000,000,000 in 1932 to 15,000,000,000 in 1940. So, I agree with you, Mr. Knudsen, that we never will have a surplus of power in this country.

Mr. KNUDSEN. I think we are ingenious enough—I think the country as a whole is ingenious enough mechanically to find uses for it.

Mr. RANKIN. That is right. If we use as much electricity per capita in this country as they used in Sweden before the war, in my opinion, it would require now more than twice the amount that is being produced and distributed.

The CHAIRMAN. Mr. Pittenger.

Mr. PITTENGER. Mr. Chairman, I yield to Mr. Maciejewski, the gentleman from Illinois.

Mr. MACIEJEWSKI. Mr. Knudsen, the opposition seems to be of the opinion that in allowing this project to be completed, it would hurt certain cities like Buffalo, Cleveland, and others. Are you of that opinion?

Mr. KNUDSEN. No.

Mr. MACIEJEWSKI. You are not?

Mr. KNUDSEN. No. You might say, then, that any increase in Niagara power that has taken place in the last 20 years has hurt the city of Buffalo, and I know that Buffalo did not suffer.

Mr. MACIEJEWSKI. Tell me what is your thought about this as a long-range program; if this new project is put into effect, what are the possibilities of the project and its long-range prospects?

Mr. KNUDSEN. My opinion is that if the project is completed it will be a great asset to the United States plant account, if I can put it that way.

Mr. MACIEJEWSKI. Could you touch a very little on the material that is necessary for this project? Could you give us a brief outline or a rough outline of about how much of it it would take from the defense program?

Mr. KNUDSEN. I do not think that it would take very much from the defense program. I have some notes here, and if you will permit me, I will look them over.

Mr. MACIEJEWSKI. For instance, cement, lumber, and steel are about the three important things that are necessary for this project. What percentage would be taken away from our defense program of 1941 or 1942, say?

Mr. KNUDSEN. Well, on cement it requires one-half of 1 percent.

Mr. MACIEJEWSKI. What is that?

Mr. KNUDSEN. On cement.

Mr. MACIEJEWSKI. How much?

Mr. KNUDSEN. One-half of 1 percent of 1941-42 annual average, according to this.

Mr. MACIEJEWSKI. And lumber.

Mr. KNUDSEN. On lumber it is less than one-twentieth of 1 percent.

Mr. MACIEJEWSKI. One-twentieth of 1 percent?

Mr. KNUDSEN. Yes, sir.

Mr. MACIEJEWSKI. And steel?

Mr. KNUDSEN. Well, I have not the tonnage here, but I can supplement that and get the tonnage, and give you a statement.

Mr. MACIEJEWSKI. Can you give the percentage roughly?

Mr. KNUDSEN. It is three one-hundredths of 1 percent of our total 1941 and 1942 defense requirements.

Mr. MACIEJEWSKI. Three one-hundredths of 1 percent?

Mr. KNUDSEN. Yes.

Mr. MACIEJEWSKI. That is all it will take from the defense program?

Mr. KNUDSEN. That is correct.

Mr. MACIEJEWSKI. The reason I wanted to bring this out is that it is stated that there would be a shortage of these materials if we went ahead on this project.

Mr. KNUDSEN. I think it should be remembered that materials of that sort would only be required if the defense program were building projects of that sort. Cement is used in constructing of buildings, and lumber is used in buildings. As to the requirements for lumber or cement, I imagine that we have hit the peak, and I think that they are going to taper off.

Mr. MACIEJEWSKI. I know that you are very busy, and I want to thank you for appearing before the committee.

Mr. DONDERO. Ask him about the labor.

Mr. MACIEJEWSKI. Could you bring out that point on labor; that is, how much manpower would be required, while we are at that? I thought that I had brought that out.

Mr. KNUDSEN. It is estimated that 20,000 construction workers will be released—

Mr. MACIEJEWSKI. Twenty thousand workers—

Mr. KNUDSEN. No; labor requirements on the St. Lawrence project will not exceed an average of 10,000 men. That is the United States Army's estimate. We figure here that in the fall of this year some 20,000 workers will be released from the defense jobs that will have been completed in the meantime, and I do not think we will have any shortage of construction workers from now on.

Mr. MACIEJEWSKI. In other words, you will have plenty of manpower to absorb that you are going to have to or possibly let go from this defense work?

Mr. KNUDSEN. Yes; unless the program should come along with a good many more plants than we know of now. You understand that we started plants last fall and that a great many of them are nearing completion now. The only really big job that came in under that was the construction of the bomber plants that have now been started in the Middle West and some small-arms and munitions plants, but I think we have sufficient manpower and material to more than handle that. We will begin to release some construction workers in the fall of this year, or certainly by the middle of next year.

Mr. MACIEJEWSKI. In other words, there will not be any shortage of manpower?

Mr. KNUDSEN. I do not believe so.

The CHAIRMAN. Mr. Voorhis.

Mr. VOORHIS. Mr. Knudsen, one of the members of the committee asked you awhile ago whether it would not be possible to transport labor to places where ships could be built if you do not construct the St. Lawrence waterway. Does not that involve a tremendous difficulty and future dislocation of labor that would be a very serious problem indeed to cope with, and should it not be avoided if it is possible?

Mr. KNUDSEN. Well, there is a certain amount of migration taking place all the time among construction workers, for instance, but I think with the shipbuilding program that we have now that we have to put in a certain number of people.

Mr. VOORHIS. My question is: Do you not believe it is advisable to avoid it as much as possible?

Mr. KNUDSEN. Oh, absolutely.

Mr. VOORHIS. How many ways for the construction of ships would be available that are not now available if the St. Lawrence project were completed? In other words, how many ways in the Great Lakes could be used for any type of ship, or almost any type, that cannot be used now?

Mr. KNUDSEN. I quoted that to you as being an outside figure, 500,000 tons yearly. I think that could be extended to a million tons a year.

Mr. BELL. Is it not a fact, Mr. Knudsen, that thousands of defense workers have been drawn out of the Middle West to the west coast and other places where airplane factories are located?

Mr. KNUDSEN. Yes; I am sure some of them have been.

Mr. VOORHIS. That is true; but the construction of this project would mean that fewer workers would have to be drawn out of various places. That is the very point I am trying to make.

Mr. KNUDSEN. Yes.

Mr. VOORHIS. Mr. Knudsen, do you believe that there are materials which would have to be used in this dam and in this work of which we now have a critical shortage, so that we would have a more serious shortage of those materials if we constructed this project?

Mr. KNUDSEN. At the moment I do not see that.

Mr. VOORHIS. And is it not true that the type of labor that would be required for the construction of this project is not the type of labor where we have a critical shortage at the present time?

Mr. KNUDSEN. Correct.

Mr. VOORHIS. I think that is all.

The CHAIRMAN. Mr. Rodgers.

Mr. RODGERS. My compliments to the gentleman. I know he is in a hurry, and I will pass.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Knudsen, you are familiar with the fact that the Army engineers have under construction several dual-purpose hydroelectric dams throughout the country, are you not?

Mr. KNUDSEN. Yes.

Mr. ELLIS. And you know that usually that construction is going on, you might say, half pace, because they have not been able to get sufficient money from Congress to rush those projects.

Mr. KNUDSEN. It is generally done in stages. First, there will be built the dam, one year; the next year the buildings, and then the installation of the equipment.

Mr. ELLIS. What would be your idea about rushing all of those projects to completion that have power in them?

Mr. KNUDSEN. It depends on what the output is and what the demand is.

Mr. ELLIS. Assuming an annual production of as much as 120,000 kilowatts of firm power, and I am speaking of a project in my

district, and I think you know it well, it is the Norfolk project in my district.

Mr. KNUDSEN. Yes; I know the project. You have been down to see me about it.

Mr. ELLIS. Do you not think that should be rushed to completion?

Mr. KNUDSEN. There is the question of getting the engineers' report and getting the money for the project.

Mr. ELLIS. That is right. After the war is over, assuming, Mr. Knudsen, that the war will come to an early end, as some seem to think it might, and therefore we would be left with this project on our hands, do you not think that this project and others similar would be of tremendous advantage in helping to take up the post-war slack?

Mr. KNUDSEN. Yes, as a help to take up the post-war load, yes.

Mr. ELLIS. I want to ask you one other question. You are familiar with the proposed Arkansas Valley Authority that would produce about 2,000,000 kilowatts of power in the Southwest?

Mr. KNUDSEN. What; water?

Mr. ELLIS. Water power; yes.

Mr. KNUDSEN. I am not very well posted on that. I would have to look that up. Which one is that?

Mr. ELLIS. Assuming that the Arkansas Valley Authority, which is on the Arkansas, St. Francis, Red, and White Rivers on the west side of the Mississippi would produce about as much power as the Tennessee. The bill is pending before this committee. Based on what you have said just now, do I understand you are in favor of projects like that also?

Mr. KNUDSEN. Yes.

Mr. ELLIS. That is all.

Mr. ANGELL. Mr. Chairman.

The CHAIRMAN. Mr. Angell.

Mr. ANGELL. Mr. Knudsen, is there a shortage of aluminum for airplanes at the present time?

Mr. KNUDSEN. There is no shortage for airplanes right now; no.

Mr. ANGELL. And what are the prospects of your being able to supply all of the needed aluminum in the future?

Mr. KNUDSEN. If we use all of the available aluminum for airplanes, I think we can squeeze through. We are putting more capacity in all of the time to get the balance required for both military requirements and civilian supplies.

Mr. ANGELL. And, of course, production of aluminum requires large bodies of electric power?

Mr. KNUDSEN. Yes, sir. And, the production of aluminum, the main factor is electric power.

Mr. ANGELL. And, this project has your endorsement for one reason, because it does have the possibility of power coming in later?

Mr. KNUDSEN. Yes, sir.

Mr. ANGELL. I understand that the Office of Production Management has authorized the building of eight additional units or plants for the production of aluminum?

Mr. KNUDSEN. Yes, sir.

Mr. ANGELL. Is that program to go forward immediately?

Mr. KNUDSEN. Yes, sir.

Mr. ANGELL. Is electric power available for those plants?

Mr. KNUDSEN. We had to secure the power allocations first before we could do anything about the plants, and that is what took a little time; but the allocations have gone to the War Department now and the project will go ahead.

You understand, there are three factors in aluminum: One is the aluminum itself—the ingot aluminum; the other is the alumina, which is the basis of the aluminum, and then there are certain other requirements, like creolite and lampblack that are required in the aluminum plants, and all of these things had to be rounded up so as to make the picture complete.

Mr. ANGELL. Three processes, and each of them requires a large volume of electric power?

Mr. KNUDSEN. Yes. We will be going up to 1,600,000,000 pounds of aluminum per year.

Mr. ANGELL. When will you reach that production?

Mr. KNUDSEN. We hope to reach it by the end of 1942.

Mr. ANGELL. And what is the production now?

Mr. KNUDSEN. 60,000,000 pounds per month; 720,000,000 a year.

Mr. ANGELL. In this program, is it contemplated using all available power at Bonneville and Grand Coulee, all that those units can produce?

Mr. KNUDSEN. Yes, sir.

Mr. ANGELL. I understand that two of those units are to be constructed in that area; two of those plants?

Mr. KNUDSEN. Yes, sir.

Mr. ANGELL. I think that is all, Mr. Knudsen.

Mr. CULKIN. Mr. Chairman, may I offer for the record a communication?

The CHAIRMAN. Would it not be better to wait and not put it in the middle of his testimony?

Mr. CULKIN. Very well.

Mr. BEITER. Mr. Chairman.

The CHAIRMAN. Mr. Beiter.

Mr. BEITER. Mr. Knudsen, I live in the western New York area and have lived there all of my life, so I believe I have a fair knowledge of the conditions as they exist up there and I am backed up by statements that have been made by the releases by the New York State Department of Labor. You stated there would not be a shortage of labor, skilled labor, if 10,000 men were employed in the construction of this seaway?

Mr. KNUDSEN. Yes, sir.

Mr. BEITER. The 10,000 men that you say would be necessary to construct this, of course, are men employed on the site.

How many would that affect in indirect employment; how many would be employed off site?

Mr. KNUDSEN. You mean manufacturing equipment away from the site?

Mr. BEITER. That is right.

Mr. KNUDSEN. I do not know.

Mr. BEITER. Well, the department of labor in making a study of public works projects showed that for every man employed on the site two and one-half men were employed indirectly off site.

Mr. KNUDSEN. They would not all be in one place on the outside.

Mr. BEITER. No; no; I said off site. I said two and one-half would be employed indirectly off site, so that in addition to the 10,000 skilled men that would be necessary to be employed on the site, there would have to be employed off-site another 25,000 men, making a total of 35,000 men employed both directly and indirectly in the construction of this project.

Mr. PRITTENGER. Will the gentleman yield?

Mr. BEITER. Just a moment. Let me continue with this thought here.

Last week the New York State Department of Labor pointed out that in the western New York area there is at the present time a shortage and a scarcity of all types of desirable labor and it is estimated that there will be 28,000 to 30,000 new jobs offered when production begins at the aviation and armament plants now under construction. You are probably aware of the fact that we have a large armament plant under construction in my congressional district and a large aviation plant, the \$13,000,000 Curtis plant, so that we will have a considerable shortage of labor there.

Only last week I was advised by the State employment agency that they are at present importing young men, college men, from schools as far down the State as Albany and Rome, to work in these new plants.

In addition to that, a large steel plant, the Lackawanna Steel plant, is located only a few miles from the city of Buffalo, and they are sending down as far as Tennessee to get molders to come up there to work in that plant.

Now, under these conditions do you not believe that the construction of this seaway will draw additional men from other necessary defense work?

Mr. KNUDSEN. No. They are not the same class of help. The man who works on the seaway would not work in a factory. He is an outside worker.

Mr. BEITER. And would not work inside?

Mr. KNUDSEN. No; not as long as he could get an outside job, he will not work inside. You have an entirely different problem to deal with there.

Mr. BEITER. Well, what is he going to do then from December until May when this thing is frozen up like a cake of ice? How can he work outside?

Mr. KNUDSEN. Now, they will not shut down entirely.

Mr. BEITER. How?

Mr. KNUDSEN. How do you know it will shut down entirely? I have never seen a construction job shut down entirely.

Mr. BEITER. You cannot work up there in subzero weather.

Mr. KNUDSEN. Lots of work can be done on the outside. I have built a lot of things in subzero weather.

Mr. BEITER. Not concrete.

Mr. KNUDSEN. Oh, yes; I have built concrete in subzero weather.

Mr. BEITER. But it is more costly.

Mr. KNUDSEN. I might admit that.

Mr. BEITER. Considerably.

Mr. KNUDSEN. You did not say that in the first place.

Mr. BEITER. I did not say considerably; no.

Mr. PITTENGER. I would like to say that there are thirty or forty thousand unemployed in Minnesota.

Mr. BEITER. I have not yielded.

Mr. PITTENGER. I know that you have not, but I wanted that comment to go into the record.

We have got lots of them up there who want employment.

Mr. BEITER. Mr. Chairman, I have not yielded. I did not interrupt the gentleman from Minnesota when he was asking questions.

Mr. PITTENGER. I did not ask a question.

Mr. BEITER. Implications have been made before this committee to the effect that the Niagara frontier is suffering from a power shortage. If power is generated in the International Rapids section, it would be made available in the western New York area.

Now, do you have any information at your disposal or in your hands showing there is an actual shortage existing in the western New York area?

Mr. KNUDSEN. No.

Mr. BEITER. You have nothing?

Mr. KNUDSEN. I could produce it.

Mr. BEITER. All right. I would like to have that.

I have here before me—and this follows the line of questions asked by the gentleman from California—I have information before me that last Tuesday the Niagara-Hudson Co. generated 241,000 kilowatts, 60-cycle power. That is in western New York. The load was 195,000 kilowatts, leaving 46,000 kilowatts still available, and this is just an ordinary day. That was still available to be shifted into other sections of the country.

Mr. KNUDSEN. What was the peak on that day? Are you quoting the peak?

Mr. BEITER. I have 195,000 kilowatts.

Mr. KNUDSEN. That was the peak?

Mr. BEITER. Yes; leaving 46,000 kilowatts available to be transmitted to other sections of the State or the country.

Now, with conditions existing such as that, do you still contend that there is a power shortage in western New York?

Mr. KNUDSEN. Yes, sir.

Mr. BEITER. With the 46,000 they had available there?

Mr. KNUDSEN. Yes; 46,000 kilowatts is not anything to throw into the picture. We are looking at a much broader picture. We are looking here for 1,640,000 kilowatts. The fact that you had 46,000 kilowatts up at Buffalo 1 day does not mean anything. You might not have it 6 days from now. You have got to have it every day that you are going to use it.

Mr. BEITER. If you have a surplus now of 46,000 horsepower, with plants coming into operation next year, all through that area—

Mr. KNUDSEN (interposing). With plants coming into operation next year?

Mr. BEITER. Yes.

Mr. KNUDSEN. You mean there are additional power plants being built?

Mr. BEITER. Additional power plants being built.

Mr. KNUDSEN. Being built?

Mr. BEITER. Yes.

Mr. KNUDSEN. But 46,000 is the total you have there now?

Mr. BEITER. You are anticipating that you are going to use this power and you are doing that because you want the power?

Mr. KNUDSEN. That is what we tell them, we are going to use everything that we can get up there.

Mr. BEITER. That is right; but you are not using this 46,000 and no plants have been denied power up in that area.

Mr. KNUDSEN. You have got me at a disadvantage, because I did not happen to know about the 46,000, but I will have somebody look it up.

Mr. BEITER. Do you not think that if the power is needed as badly as it is contended by the proponents of this project, that it would be more expeditious to construct steam plants rather than the power plants?

Mr. KNUDSEN. Well, that was brought out by another gentleman here, and I told you that the equipment for steam plants would take a long time to procure, due to the demands by the Navy and the Army, mostly by the Navy, for turbines and boilers.

Mr. BEITER. What do you ordinarily do, Mr. Knudsen, if there is a shortage of any product throughout the Nation, what do you ordinarily do if you have a shortage?

Mr. KNUDSEN. We expand.

Mr. BEITER. You expand?

Mr. KNUDSEN. Yes.

Mr. BEITER. You expand.

Mr. KNUDSEN. Yes.

Mr. BEITER. All right. Would it not be possible them to expand a plant to construct these generators that are needed in these steam plants, if they are needed so badly?

Mr. KNUDSEN. You would have to expand behind the expansion we are expanding now. In other words, your expansion would come behind the expansion that is going on now to take care of the Navy requirements, and there is plenty of that going on. We have expanded every turbine plant in the United States. Every one is expanding now and being expanded more. So the expanding you are talking about would have to come behind that.

Mr. BEITER. That is, the expansion of plants to construct generators would have to be brought up behind?

Mr. KNUDSEN. Behind the present plant.

Mr. BEITER. Now, do you not give priorities for things that are actually needed? You give priorities?

Mr. KNUDSEN. Surely.

Mr. BEITER. All right. Now, if this power is needed as badly as you contend, could you not give priorities?

Mr. KNUDSEN. I do not think we could convince Secretary Knox that the cruisers should wait for these turbines in order to get the power priorities.

Mr. VOORHIS. Will the gentleman yield?

Mr. BEITER. I will be delighted to.

Mr. VOORHIS. Mr. Knudsen, what sense is there in having priorities and everything else to get equipment for steam plants when you can get the power cheaper, in this particular instance, at least, by

developing hydro power? I mean, could there be any reason or sense in doing that?

Mr. KNUDSEN. I cannot quite enter into this argument as to whether we should build steam or we should build water power plants. This question is on building hydro plants. I think if you will get a bill in here for building steam plants we can discuss that, probably.

Mr. BEITER. That is not the thing, whether we should build steam plants or water plants. The argument is that this power is needed now and not 6 years from now when this power will be made available in the St. Lawrence seaway. It is not the question of steam plants versus hydro. It is a question of obtaining the power when it is needed.

Mr. KNUDSEN. Yes.

Mr. BEITER. That is why we advocate the construction of steam plants in preference to hydro plants, to take care of this present need for power you claim exists.

Mr. KNUDSEN. Well, of course, if you do that, you separate the project into two parts and forget all about the seaway.

Mr. BEITER. That is right. Now, I wish we could do that and forget all about the seaway, and develop the power plant. Now, you are batting right up my alley.

Mr. CULKIN. Will the gentleman yield?

Mr. BEITER. My colleague here, Mr. Rankin, has stressed the cost, the comparative cost of steam plants with hydro power. I will agree with him that it does cost more in some instances to generate by steam than by hydro.

Is it not a fact, though, that all materials that we are constructing for this emergency are costing us more than they would if we produced them in an orderly procedure, that is went along in an orderly course?

Mr. KNUDSEN. I would imagine so, and there is a great demand for power.

Mr. BEITER. A great demand, and there is a great demand for tanks, airplanes, and other material, and the tanks are costing us more and the airplanes are costing us more today to produce than if we produced them in an orderly procedure.

Mr. KNUDSEN. That would only expand the difference in cost.

Mr. BEITER. How?

Mr. KNUDSEN. That would expand the difference in cost.

Mr. BEITER. That does not explain the difference in cost?

Mr. KNUDSEN. I said expand it.

Mr. BEITER. What?

Mr. KNUDSEN. It will expand it, make it greater.

Mr. BEITER. That is right. My point is that even if the power does cost more at the present time, if it is needed as badly as these planes and tanks are needed, what is the difference? If it will preserve our democracy, let us build the steam plants, no matter if they cost double what hydro power plants cost. We need them at the present time and not 6 years from now.

So that if this power is needed, let us advocate the construction of steam plants and get the plants completed.

Mr. CULKIN. Regular order, Mr. Chairman.

Mr. DONDERO. I would like to ask who is testifying here.

Mr. RANKIN. The gentleman from New York.

Mr. BEITER. I have a right to discuss this with the witness. I just want to develop this question of the availability of plants in the Great Lakes area. I believe you say that they are not locating new ones in the area because the seaway is not constructed.

Mr. KNUDSEN. Yes.

Mr. BEITER. And that there is a great demand for berthing and construction of ships that are badly needed?

Mr. KNUDSEN. Yes.

Mr. BEITER. Now, in the Great Lakes area we are at the present time constructing mine sweepers, trawlers, and mine layers, and several 640-foot lake vessels. We are building those in that area and in addition to all of these vessels, mine sweepers, trawlers, and so forth, we will still have 25 building berths available and 18 more that can be made available if sufficient expenditures and repairs and improvements are made.

So that some of the mine sweepers and trawlers that are now being constructed along the coasts could be constructed in the Great Lakes areas in those facilities that are at present available, with a few improvements and repairs, for the construction of larger ships. Is that not a fact?

Mr. KNUDSEN. Well, if you want to put in larger ways; yes.

Mr. BEITER. All right. What I am trying to do is this. I am trying to—

Mr. KNUDSEN (interposing). We are not building 300-foot ships on 600-foot ways.

Mr. BEITER. What we are trying to do is to make these ships available at once. Yards are available at the present time in the Great Lakes area where all of these boats could be built. Taking these contracts away from the coast yards and placing them here in the Great Lakes area would make those ways available for larger ships, isn't that so? Would that not be a more sensible thing to do?

Mr. KNUDSEN. The way you put it up to me it certainly sounds reasonable.

Mr. BEITER. Thank you. That is all.

Mr. CARTER. We have conflicting statements here as to the value of this second-hand aluminum. The statement was made, I believe, that the War Department would not permit planes to be made out of it. Now, can you give us any information upon that? I mean, the pots, pans, and kettles that they are gathering up around over the country. Is that usable for airplane construction?

Mr. KNUDSEN. It will be usable. It will be usable. The specifications, the Army and Navy specifications call for a certain amount of virgin aluminum and a certain amount of secondary aluminum. Now, there are castings and forgings where we can use some secondary aluminum and we are opening up the specifications, getting them open. We are certainly not going to collect this stuff if we cannot use it, sir. That would be silly. I can assure you it will be used.

Mr. CARTER. Now, another question, Mr. Knudsen, that I would like for you to help me and the members of the committee on. We touched on it awhile ago, and you responded to me that the replies that I had

gotten from the power companies were stock replies, or something of that nature, about their surplus of power.

Now, we have had testimony here from the Federal Power Commission that there is a shortage up there. We have had testimony from engineers that there is not a shortage up there, and in an endeavor to try to get some information I wired to all of the power companies.

Now, do you find that their information is unreliable?

Mr. KNUDSEN. Well, I have not been in personal contact with them myself. I have had to depend upon our power section.

Mr. CARTER. Do you find them cooperative?

Mr. KNUDSEN. We find them cooperative. We have rounded up the power for these plants up there, and we have that assured now. We cannot start the plants until we have the power assured.

Mr. CARTER. I do not want to unduly burden you or your staff with anything, but could you give us an unbiased statement of the power conditions up there? I am sure it would be very helpful to the committee.

Mr. KNUDSEN. I will have the power section make that available to you.

Mr. CARTER. If you could give us the names of the companies, their present production, and surplus if any; their anticipated expansions, and so on, so that we could get the information, I would appreciate it.

Mr. KNUDSEN. I will tell you off the record.

(Off the record.)

Mr. KNUDSEN. So I will have the power section furnish you with information about the general situation.

Mr. CARTER. We will be very glad to have it.

(The statement requested is as follows:)

The new aluminum production capacity to be located in up-State New York will require approximately 150,000 kilowatts of electric power for continuous-capacity operation which represents an annual production of at least 150,000,000 pounds.

It is contemplated that the permanent source of power for these new aluminum plants will come through the construction of hydroelectric projects on the St. Lawrence or from other hydroelectric developments in New York and Canada. During the interim period between completion of the aluminum plants and the completion of new generating capacity power supply will be made available by pooling of power reserves throughout a large portion of New York, eastern Pennsylvania, New Jersey, and New England. This will be accomplished through the construction of additional interconnecting facilities between the private power systems in the area and by strengthening the Peckville-Binghamton, the West Wharton-East Walden, and the Hell Gate-Pleasant Valley lines. It is also expected that a small amount of power can be obtained from Canada. While the cost of power during the interim period will be comparatively high, and while the use of generating capacity reserves for this purpose cannot be continued over a long period of time without risking the impairment of service, we believe that this plan provides the only practical arrangement for obtaining power for these plants pending completion of generating facilities which will provide the permanent power supply.

The CHAIRMAN. Judge Culkin?

Mr. CULKIN. Mr. Knudsen, do you know anything about the unemployment situation in New York, other than what has been testified to by the gentleman from New York, Mr. Beiter?

Mr. KNUDSEN. No; I think I would have to see Mr. Hillman about that. He will know.

Mr. CULKIN. Mr. Chairman, I have here a letter sent to the committee by Mr. Charles Poletti, who testified here.

The CHAIRMAN. Lieutenant Governor of New York.

Mr. CULKIN. With which he includes a statement released by the informational service in New York on Thursday, June 26, 1941.

Mr. ANGELL. Mr. Chairman, are we through with the witness?

Mr. CULKIN. Let me finish, please. Which shows there are still 576,165 persons registered at the offices of the New York Employment Service, and that 110,000 of those were skilled labor, of whom nearly one-half are 45 years of age or older.

For the purpose of the record, for the purpose of making the record clear on that, I offer this letter and the accompanying release for the record, Mr. Chairman.

Mr. SMITH. What is the date of that letter?

Mr. CULKIN. This is Thursday, June 26, 1941.

The CHAIRMAN. Without objection, so ordered.

(The letter and release are in full as follows:)

STATE OF NEW YORK,
Albany, June 27, 1941.

HON. JOSEPH J. MANSFIELD,

House of Representatives, Washington, D. C.

MY DEAR JUDGE MANSFIELD: I am sure that you and your associates of the Rivers and Harbors Committee will be interested in a release which was just put out by the State department of labor, division of placement and unemployment insurance. You will note from the release that there is no shortage of labor in New York State.

With kind regards.

Respectfully yours,

CHARLES POLETTI.

[Informational Service, Division of Placement and Unemployment Insurance, State Department of Labor, 112 State Street, Albany, N. Y. For release Thursday, June 26, 1941, a. m. and thereafter]

SURVEY REVEALS 110,000 SKILLED WORKERS REGISTERED WITH EMPLOYMENT SERVICE

ALBANY, N. Y., June 24.—Although employment in nonagricultural pursuits has jumped past the 1929 peak to the highest levels in United States history, recent estimates showing anywhere from 37,500,000 to 50,500,000 wage earners at work, there are still 576,165 persons registered at the offices of the New York State Employment Service, according to a complete inventory, compiled as of April 25, 1941.

Milton O. Loysen, executive director of the division of placement and unemployment insurance, State department of labor, when he announced these figures, yesterday, stated that more than 110,000 were skilled workers, of whom nearly one half are 45 years of age or older.

This inventory, part of a Nation-wide survey to ascertain the number of defense workers available, disclosed a higher proportion of young registrants and a wider variety of occupational classifications than at the same time a year ago. Although monthly inventories of registrants in selected occupations have been prepared by the employment service since September 1940, the present survey is the first complete, detailed analysis undertaken since April 1940. It is expected to be of great value to the Office of Production Management.

Work registrations have been more numerous than in the previous year, due in large part to the fact that a special drive was held early this year to get all potential defense workers, whether employed or not, registered with the service. During this period there were not only many new registrations but also many persons reregistered who had not been seen for years. Notwithstanding this rise in registrants, the active file of applicants is 14 percent less than a year ago, indicating the influence of the defense program on employment.

An area break-down shows that more than 407,000 applicants, 71 percent of the total for the State, were registered in New York City. The skilled workers

among these represented an increase of 18 percent over 1940, while in the rest of the State the number of skilled workers dropped 33 percent—the largest decrease for all occupational groups in that region.

A major share of the increase in New York City occurred in construction occupations. The manufacture of textiles and textile products (women's and men's clothing) showed large gains, but this is largely accounted for by the fact that it was the slackest season of the year in these lines when the inventory was taken. Increases were also noted in some of the metal-working occupations, notably tinsmiths, coppersmith, and sheet-metal workers, welders and workers in some machine-shop occupations; also among automobile mechanics, maintenance men, maintenance mechanics, and cabinet workers. Gains in these groups were largely the result of the special defense recruitment drive.

The largest decline in the State, amounting to 31 percent, occurred among semiskilled workers both in New York City and the remainder of the State. The number of persons registered in professional and managerial occupations also showed a substantial decline of 21 percent. That the decline in these occupational groups was due to increased employment is borne out by the employment service placement figures, which show increases generally of approximately 100 percent from 1939's totals for these groups.

The 82,000 workers registered in unskilled occupations reflected an increase of 19 percent over a year ago. This is due to a drive to get more persons registered who had previously not used the service, as well as to the fact that all W. P. A. workers are now required to keep their registrations active with the service in order to hold their jobs.

INCREASE IN YOUNG WORKERS

The most striking change in the age distribution of the registrants was the increase in the percentage of those under 21. Last year only 9 percent were under 21, compared with 12 percent this year. Many of these young people are seeking admission to national-defense training courses.

Male job seekers, 45 and older, decreased approximately 15 percent.

Women registrants under 21 rose from 15 percent in 1940 to 19 percent, while women 45 and over dropped from 17 to 14 percent. It is believed that this is due not only to increasing employment of older women, but also to their withdrawal from the labor market as other members of the family obtain employment.

Approximately 60 percent of New York City's registrants were in the 21-44 age group, while 54 percent of those in the remainder of the State were in that bracket. The decrease from last year in the relative proportion of this group for the remainder of the State accompanied by an increase in both the under-21 and over-45 groups indicates the absorption of experienced, able-bodied workers, while young persons are moving into the labor market and older persons remain a relatively unemployable group.

AVAILABLE APPLICANTS

The survey this year attempted to classify applicants according to their availability for employment in the occupations in which they were registered.

More than 40,000, or 8 percent, were classified as unavailable because they already had a job in the primary occupation in which they were registered or because they expected to return to work within a short period of time and were not interested in any other employment. Of these 40,000, almost 18,000 were semiskilled workers, mainly among the garment workers in New York City. This really does not have an important bearing on the situation as most of these people are assigned to one particular employer by whom they expect to be reemployed in the near future.

Approximately 18,000, or slightly more than 3 percent, of the applicants classified as available were employed at the time of the inventory. Also these people are looking for better jobs and possess skills higher than those they are using in their present employment. This ratio was 2.5 percent in New York City and 5.5 percent in the remainder of the State.

'Mr. PITTENGER. Mr. Chairman, the gentleman from New York did not yield to me, and I want the record to show a tender on the part of Minnesota of some 30,000 unemployed in a section that does not have any war industry, in connection with the remark about the shortage of labor in this St. Lawrence seaway project.

Mr. RANKIN. Mr. Chairman, I just want to ask Mr. Knudsen one or two questions.

The CHAIRMAN. All right; please make it short.

Mr. RANKIN. All right. Can you spare a moment or two, Mr. Knudsen?

The gentleman from California [Mr. Carter] asked you again and again about the power conditions in New York. I wonder if you are familiar with the difference in the rates over the State of New York and over the Province of Ontario and the use of electricity? In the State of New York the average domestic use last year was only 65 kilowatt hours a month, and in Ontario it was about 180-kilowatt hours a month. If the people of New York got their power—and I can say here is what it is, Mr. Knudsen—that what these power companies are afraid of is we will squeeze some water out of some holding companies and make them reduce their rates for power. If the people in New York State had got their power at the same rates, and speaking of the ultimate consumers, now, that they received in Ontario, the people of the State of New York would have saved \$201,000,000 last year on their electric light and power bills. That is the reason they want to have it shown that there is no shortage of power in New York.

Now, have you ever used electric heat, Mr. Knudsen?

Mr. KNUDSEN. What is that?

Mr. RANKIN. Have you ever used electric heat?

Mr. KNUDSEN. Have I used electric heat? Plenty.

Mr. RANKIN. Yes. Now, you are familiar with the fact that in Canada large numbers of homes are heated electrically, are you not? You are familiar with that fact, Mr. Knudsen?

Mr. KNUDSEN. Yes.

Mr. RANKIN. I will say that that is the same situation in Sweden and it is the same situation in the Tennessee Valley area.

Now, when this emergency is over and you get this power developed and these rates down to the Ontario level, so they can use electric heat all over the State of New York, don't you think it will more than absorb the extra amount that this development would bring?

Mr. BEITER. Mr. Chairman, Mr. Knudsen is here testifying on defense.

Mr. RANKIN. Now, wait a minute, Mr. Chairman. He is here—

Mr. BEITER. And not on the subject of heating houses.

Mr. RANKIN. He is here to answer the Power Trust's arguments against this project.

Mr. BEITER. He doesn't know anything about the Power Trust. And there is no Power Trust fighting this bill.

Mr. RANKIN. Oh, yes; he does. Would not that absorb, more than absorb the extra amount of power at this project?

Mr. KNUDSEN. I think I told you in my testimony that additional power would improve the standard of living in the United States. That is what I call improving the standard of living.

Mr. RANKIN. And this would not produce surplus power; we need all of this power in that area?

Mr. KNUDSEN. Yes.

Mr. RANKIN. Correct.

The CHAIRMAN. Mr. Knudsen, as chairman of the committee, sir, I want to thank you sincerely.

Mr. KNUDSEN. Thank you very much.

Mr. MACIEJEWSKI. Move we adjourn.

The CHAIRMAN. Till 2 o'clock.

(Whereupon, at 12:05 p. m., the committee recessed until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2:30 p. m., pursuant to recess.)

The CHAIRMAN. The committee will be in order.

For the purpose of keeping the record straight, I want to put in one or two brief quotations from a hearing held by this committee in 1926.

A few days ago I made some brief statement about the late Senator Burton being in favor of the St. Lawrence project. I was not present the rest of that evening when other witnesses were on. Mr. Fuller, who had been Senator Burton's secretary for quite a while, I understand, stated in the record that he had never heard the Senator say anything about the St. Lawrence, which, of course, is true, because the St. Lawrence was never under consideration while he was with him. The inference, however, was that I might possibly have been mistaken in my conclusion.

On page 141 of the hearing of April 3, 1926, appears this quotation. Mr. Cleveland A. Newton was a member of the committee at that time. Senator Burton had been making quite an extensive statement here in opposition to the diversion at Chicago, and he and Newton D. Baker had shown that the water would produce so much more power on the Niagara than it would down by Chicago. And Mr. Newton asked this question:

Mr. NEWTON. The Senator has given a good deal of thought to this subject, and I understand from his talk is in favor of the St. Lawrence as a feasible project.

Mr. BURTON. Yes.

Mr. NEWTON. The St. Lawrence will also develop a great deal of electric power, will it not?

Mr. BURTON. Yes. It is one of the most hopeful localities for the development of power in the world.

I want to put that quotation in the record just for the purpose of keeping the record straight. However, there are several other quotations which I would like to check on by tomorrow, showing that Senator Burton was wholeheartedly in favor of the St. Lawrence project.

Now, Dr. Bonbright, we will be glad to hear from you, sir.

STATEMENT OF JAMES C. BONBRIGHT, CHAIRMAN, THE NEW YORK STATE POWER AUTHORITY

Mr. BONBRIGHT. Thank you, Mr. Chairman, and gentlemen of the committee.

In order to save the committee's time as much as possible, I should like to ask leave to file a written statement, prepared by the power authority for presentation to this committee, supporting the bill which is now pending before you. I shall undertake in this oral discussion to cover not more than a fraction of the ground covered in that writ-

ten statement, because I appreciate that every hour's lost time is of menacing seriousness, especially in view of the passing of a valuable construction season, at a time when power is urgently needed for national defense.

Just in order to give you some slight idea of the value of this power, disregarding entirely the national defense situation, and considering merely its economics, let me take the very reasonable estimate of the net value of St. Lawrence power over and above the costs presented by Mr. Olds, of \$10,000,000 a year on the United States side alone. On that basis every hour's delay means a loss of over \$1,000 per hour, every day in the year, so I realize I am using the time of an extremely expensive broadcasting station in presenting these comments to you.

Let me take up, first, the merits of the power project itself and turn later to a subject much discussed already at these hearings, namely, section 2 of the bill, relative to the Federal and State authority, a subject in which, of course, the Power Authority is very much interested.

As to the merits of the project there is no need to repeat here the urgent need for a great increase in power capacity not only through New York State, but throughout the country as a whole, for reasons of national defense. That point, I think, is now so generally conceded that it can hardly be regarded as controversial.

The point has been made, however, with respect to New York State, that even though it is doubtless true that the State faces a serious prospective shortage of power, nevertheless this power, comparable in amount to that which the St. Lawrence project would give, can be secured, first, more quickly, and, secondly, at lower cost from alternative sources.

What are those alternative sources that have been suggested as a substitute for the St. Lawrence power? In the first place, steam capacity; in the second place, more Niagara power; and in the third place, the proposal is now brought forward that 700,000 kilowatts of power from the Beauharnois development in Canada might be made available to the United States.

As to the possibility of using steam-power capacity to the extent required as a substitute for St. Lawrence power, enough has already been said in the discussions by General Robins, by Chairman Olds, of the Federal Power Commission, and, I understand, by Mr. Knudsen, in his testimony this morning, which I did not hear—enough has been said to make it quite clear, I think, that any attempt to get power in that amount from steam capacity alone would run into a very menacing bottleneck situation.

We turn then to the second alternative, and that is more power from Niagara Falls. I note in the written statement of the Niagara Frontier Planning Board, prepared by its engineer, Mr. Tallamy, the assertion that 95,000 horsepower of unused power is still available at Niagara Falls on the American side, namely, in the Adams plant, and that in addition, 87,000 horsepower are still available on the Canadian side, namely, in the Toronto, and to a slight extent, in the Rankeen plants.

The point is made that these sources of power are available merely by turning on the spigot. The truth is, however, that the Adams station is already opening up to full capacity on an emergency basis, despite its admitted gross inefficiency. Whereas, as to the possibili-

ties of increased capacity on the Canadian side, the chief engineer of the Ontario Hydroelectric Power Commission, Mr. Jeffry, told me 3 days ago, when I telephoned him from New York, that both of these plants, the Toronto plant and the Ranken plant, referred to by the Niagara Planning Board, have no available capacity, because they are already being operated to full capacity. Some more energy, as distinct from capacity, can be and will be secured from them, but no more capacity. Hence the 182,000 horsepower of supposed unused capacity on both sides of the Niagara is already a matter of past history. To be sure, a much larger development of power on the Niagara River could be made than is now being made from the present plant, and a larger diversion of the flow of the Niagara River is possible, in all probability, without interfering with the scenic value of the Falls under proper safeguards. The Power Authority, in its eighth annual report, made an elaborate study of this possibility and every other development on the Niagara, and recommended the public development of a new full head plant to generate 787,000 horsepower of additional capacity.

The trouble with that proposal, however, when suggested as a means of securing power much more quickly than the St. Lawrence power could be developed, is that this additional new plant would probably take quite as long to construct as would the St. Lawrence plant; quite as long, even after all the necessary negotiations that have taken so long in the instant case have already been concluded, and even after the plant has been designed and the time of the engineers has been spent, as it has for months on the present design of the St. Lawrence project.

I do not mean to say that this new Niagara development may not be justified in addition to the St. Lawrence. Demands for power may warrant going ahead with it and going ahead fairly quickly. The point I am making is that this source of additional power at the Niagara cannot be recommended as one which can be developed more quickly than can St. Lawrence power.

Turning now to the suggestion that the United States encourage the development of 700,000 horsepower capacity on the Beauharnois project, not far from Montreal. The Power Authority has been familiar with this project for some years. These are some of the difficulties involved in that proposal. In the first place, according to the reports of the Power Authority's engineers, the project could hardly be constructed in a period of time less than 6 months more quickly than this St. Lawrence project, and one must note here that construction could not be expected to start for a very considerably long time, because here too plans must be made, and here too diplomatic negotiations must be begun, and here too all sorts of political contingencies in Canada are to be considered. The Canadian newspapers, for example, for some time have carried the news that the Province of Quebec is considering taking over the private plant at Beauharnois.

Mr. CULKIN. Do they have recapture power there, Dr. Bonbright?

Dr. BONBRIGHT. I do not know whether it would be through the statutory power of recapture, or through voluntary negotiations, or through the exercise of what we call the power of eminent domain.

Mr. Cruise, our acting chief engineer, advises me that it would be through the exercise of the power of eminent domain.

Another difficulty with the Beauharnois project is that if it is developed as extra capacity there is considerable likelihood that Canada itself will want it. In fact, when I inquired of Chief Engineer Jeffries, of the Ontario Hydroelectric Power Commission, he made the statement quite positively that, of course, Canada would want to keep the power. Then there is the fact that this power would cost us more to import, very much more, than would be the cost of developing St. Lawrence power, and, finally, according to the report of our engineers, the remaining flow of the river would permit the development of not 700,000 extra horsepower at Beauharnois, but only of about 200,000 firm horsepower, unless the Cedar Rapids plant, which is also located there, were shut down and, I presume, demolished.

Well, those objections to the use of the Beauharnois as an alternative to the St. Lawrence would seem to be insurmountable.

Now, as to the savings of St. Lawrence hydro over steam, I hardly think it is necessary to go into this point in detail, because the fact that the hydro power at the St. Lawrence would be materially cheaper than steam power seems to have been conceded by all of the witnesses who have appeared before you, at least by all technically qualified witnesses. I know, to be sure, that the report of the Niagara Frontier Planning Board minimizes the extent of these savings, and puts the figure at about \$3,000,000 a year, in spite of what seems to us to be an eminently conservative figure of \$10,000,000 a year. This estimate of \$3,000,000, presented by the Niagara Frontier Planning Board, is clearly, in the opinion of the Power Authority's experts, based on erroneous calculations, erroneous assumptions, and while I will not take your time to go into them here, I shall be glad to discuss them, or refer the matter to Mr. Cruise, our acting chief engineer, if you should care to have me do so at any later time.

The mayor of Buffalo made a statement at the hearings, which I read, which seemed to state that, according to his understanding, power in the neighborhood of Buffalo could be produced more cheaply by steam than by hydro. I should like merely to point to the fact that the rates of the Niagara Falls Power Co. are different for the supply of their limited amount of hydro power, from the rates for the supply of other than hydro, that is, of steam power. The Niagara Falls Power Co. charges to its consumers, those favored consumers which it can supply with firm hydro power, \$27 per kilowatt-year. It charges to those other customers who came too late to get the limited supply of firm Niagara power \$42 per kilowatt-year.

That difference between the hydro rates and other than hydro rates is highly significant, it seems to me, as bearing on the frequent assertion that steam power is as cheap as, if not cheaper than, water power. Often, to be sure, the rates of private hydroelectric companies are high rates, but one must remember in that connection that private hydroelectric companies undertake to capitalize in their security issues or in their rate base, the very water right values which represent the large benefit of water power over steam.

Coming now to another point that has been made against the proposed St. Lawrence power project, namely, that the hydro plant would be vulnerable to attack by bombing, and so forth, those who make this point do not deny that steam power plants are at least as vulnerable to attack. But they suggest that steam power plants would be made smaller and scattered all over the country, so that if any one plant is demolished by bombing, the total harm will not be as serious as would be the situation if a large plant, such as that represented by the St. Lawrence power project, would happen to be successfully bombed.

The fact of the matter is that if any such program of extreme scattering of electric generation over the area of the State of New York by means of small steam plants were to be proposed, it would involve a complete change in the present construction program of the private companies. The Hudson Avenue steam station in Brooklyn has a kilowatt capacity of 770,000, as against a kilowatt capacity of the St. Lawrence project, on the United States side, of 820,000—not so very much smaller. The Hell Gate plant in New York City has a capacity of 605,000 kilowatts.

Now, the present plans for adding to the steam capacity of New York envisage the enlarging of the most efficient of these existing steam stations, such as that at Oswego and Huntley. Indeed, the Niagara Frontier Planning Board, in undertaking to show how cheap steam power is, assumed that these large plants would be made still larger by the addition of generating units. Only thereby did the planning board obtain as low figures on steam-plant costs as its report presents. So I come back to the point that the argument of greater vulnerability, so far as concerns the St. Lawrence River, hardly seems to have validity, as long as private company practice continues to take advantage of the economies of large steam-plant capacity. I may note here that the total capacity of the St. Lawrence power project on the United States side, 820,000 kilowatts, is only about 13 percent of the total estimated generating capacity for New York State as of the year 1945. I might also note that I did not find the report of the Niagara Frontier Planning Board worried about the similar problem with respect either to its own proposed addition to the Niagara Falls plant, or with respect to the proposed increase of 700,000 horsepower at the Beauharnois plant.

There is one other argument against the project that may deserve a brief comment, and that is the fear that Canada is being coerced into the acceptance of the project and thereby compelled to commit financial *hara-kiri*.

Now, as to what the opinion and position of the officials of the Dominion Government may be on this subject, I have no direct information. But as chairman of the Power Authority I have had occasion to have a number of conferences on this very subject with Dr. Hogg, chairman of the Ontario Hydroelectric Power Commission, and then the other day I discussed the very same point with the chief engineer, Mr. Jeffries, of the commission. Dr. Hogg, in every conference with me, was far from showing by any words or by any suggestion or emotion a reluctance to proceed with the St. Lawrence, and has urged upon the Power Authority the wisdom of the utmost speed in pro-

ceeding with this project, because the project is so important to relieve the serious prospective shortage of power on the Ontario side.

Were it not for the urgency of this project for special reasons of national defense, I should now ask your committee to let me tell it something about the project as a great peacetime project, as a vital means of securing not only directly, but even more important, indirectly, through the reorganization of the entire scheme of rate making, great benefits to small consumers of electricity throughout the State of New York. This is a subject of special interest to me, and it has been very much on the hearts of all of the trustees of the Power Authority since the formation of the Authority in 1931. But I pass the point merely because I realize that the loss of every 5 minutes of the time of your committee is a serious loss.

Now, I turn to an entirely different subject, and that concerns not the merits of the project as an engineering project, but, rather, section 2 of the pending bill providing for the Federal and State accord.

Mr. DONDERO. That is the power section, Dr. Bonbright, that you refer to?

Dr. BONBRIGHT. That is the power section. With your permission I should like, from here on, to read excerpts from our own written statement, because I feel that the subject has been giving rise to so much interest that more time than I had at first thought to devote to it seems necessary. I am not going to read it all verbatim, because I would like to shorten the statement quite a bit by skipping, but in general I will follow the statement as follows:

STATEMENT SUBMITTED BY THE POWER AUTHORITY OF THE STATE OF
NEW YORK ON H. R. 4927

The trustees of the Power Authority of the State of New York submit this statement in support of H. R. 4927, entitled "A bill to provide for the improvement of the Great Lakes-St. Lawrence Basin in the interest of national defense, and for other purposes."

The Power Authority has dealt with the project authorized by this bill continuously throughout the past decade. As the public agency of the State erected by act of the legislature, chapter 772 of the Laws of New York, 1931, and directed to utilize the water-power resources of the St. Lawrence River within the boundaries of the State, the Power Authority has completed surveys, plans, and studies covering every phase of the development, including detailed analyses and estimates of the costs of generation, transmission, and distribution of St. Lawrence power. During the period 1931-41, the trustees have consistently recommended the early completion of both the power and seaway developments in reports submitted to the Governor and the legislature and heretofore presented at hearings before committees of both branches of Congress.

For several years prior to the outbreak of the present world conflict, the Power Authority directed attention in its reports to the growing demand and need for new installations of hydroelectric capacity on the St. Lawrence in order to prevent shortages of power, aluminum, and other essential defense materials and facilities. The trustees urged the improvement of the Great Lakes-St. Lawrence Basin for power and navigation not only because of its benefits to the people of

the Northeast from the public power project, and to the people of other sections from the seaway, but also on the express ground that the improvement of the International Rapids section was in the interest of national defense.

In renewing these recommendations, the power authority gives assurance of its readiness to cooperate with the Federal Government and with this committee in every effort to expedite the immediate undertaking of the St. Lawrence improvement. The trustees accordingly offer to make available to the committee any of the economic and engineering studies and reports of the Power Authority which may be helpful in your consideration of this project.

The Power Authority is also prepared, before the conclusion of the hearings, to submit complete data responsive to any inquiries made by members of the committee or to questions raised by witnesses appearing before you in reference to the State's public power project, in its relationship to the Great Lakes-St. Lawrence development as a whole.

THE POWER AUTHORITY HAS COOPERATED WITH ALL FEDERAL AGENCIES CONCERNED WITH THE ST. LAWRENCE PROJECT, 1931-41

In addition to its own surveys and studies, independently made on behalf of the State, the Power Authority has actively participated in the work of Federal agencies on this project during the past decade, in cooperation with the State Department, the Corps of Engineers, United States Army, the Department of Commerce, and the Federal Power Commission. The trustees fully concur in the official findings of these responsible agencies of the Federal Government as to the need for immediate development of the Great Lakes-St. Lawrence system for power and navigation. The testimony they have produced before this committee is entitled to the greatest weight, and in our view supports the conclusion that the project should be undertaken without further delay.

Among the official findings of the Federal and State agencies upon which this conclusion rests, the trustees deem the following of special importance:

1. The seaway project can be completed at a cost in Federal funds of less than \$200,000,000, and the power development at a cost to New York of \$93,375,000, in ample time for both improvements to serve vital needs of the present defense program. To prevent shortages in power and transportation facilities which might seriously hamper this program, it is necessary to take action now, anticipating by several years in advance the requirements of expanding production for defense through 1945, as well as the period of post-war reconstruction.

2. Studies made by the power authority and its staff of engineering consultants support the cost estimates and time schedule for completion of the works presented at these hearings by the Corps of Engineers, United States Army, in the testimony of Brig. Gen. Thomas M. Robins, Assistant Chief of Engineers. False and exaggerated claims as to the cost of these works and the time required for their completion have been circulated for many years by utility and railroad interests opposing the St. Lawrence improvement. Many of these

claims are based on private and unofficial surveys and studies undertaken as far back as 1930, bearing no relation to the plans and works authorized in the pending bill. The Power Authority has exposed the false character of such claims in its annual and interim reports and considers the fictitious figures upon which they are based as entitled to no weight whatever against the accurate, conservative, and reliable estimates of the Corps of Engineers.

3. Findings of the Federal Power Commission that power shortages already exist in the Buffalo-Niagara area and in the St. Lawrence area at Massena are also confirmed by the surveys of the Power Authority. The 243,000 kilowatts of capacity now being imported at Niagara and Massena from Canada and the present inability of essential defense industries in northern New York to expand their plants through lack of available power indicate the acuteness of these shortages.

4. Only by prompt passage of the present bill authorizing the utilization of St. Lawrence power can a reservoir of cheap energy be provided in sufficient quantity to meet the greatly expanded load which may reasonably be anticipated by 1945. Between 1938 and the peak of 1941 the load of New York utility systems will have increased by nearly 1,000,000 kilowatts.

5. The Power Authority takes note of the fact that proposals advanced for many years by utility interests opposed to the St. Lawrence public power project, suggesting that deficiencies in New York power supply might be met by a full-head development with increased diversion at Niagara and by increased importations from the Beauharnois development in the Province of Quebec, have again been produced at these hearings. The trustees remind the committee that both of the suggested sources of supply are at present under private exploitation. These proposals indicate that the interests responsible for existing shortages in a time of national emergency would go to the length of giving priority to private developments outside the boundaries of the United States rather than to permit the development and use of St. Lawrence power in the State of New York to proceed under public ownership and control.

6. The fact that existing power deficiencies in the New York area cannot be met as cheaply or abundantly by installations of additional steam capacity, already seriously retarded by bottlenecks in the steam generator and turbine industries, has been sufficiently demonstrated at these hearings. An exhaustive report pertinent to this subject was completed by the Power Authority, submitted by the President to Chairman Mansfield of this committee on November 23, 1937, and published as Document No. 52, Seventy-fifth Congress, second session, by action of the committee. This survey conclusively establishes the much lower costs of hydroelectricity available from public developments at Bonneville, Grand Coulee, Boulder Dam, and on the St. Lawrence as compared with private steam costs. The report shows, that on a high-load factor basis St. Lawrence power can be produced at the site under the terms of the pending bill at less than 1 mill per kilowatt-hour, as compared with generating costs of more than 4 mills in the most modern and efficient steam plants. It has also been indicated that St. Lawrence power can be delivered at wholesale in New York State at an average cost of 2.5 mills as com-

pared with a cost of about 5 mills for steam-generated power. The Power Authority considers the estimated savings in generating costs alone of St. Lawrence hydro over equivalent steam power available from any other source in New York State, fixed at \$10,000,000 a year by the chairman of the Federal Power Commission, as extremely conservative.

Need of St. Lawrence power for defense fully confirmed by independent studies of the Power Authority: From the time of its establishment in 1931, the Power Authority has always considered the power resources of the St. Lawrence River as a potential asset of incalculable value, to be held in trust under the inalienable ownership of the people, to be used in times of peace for their exclusive benefit, and to be employed in times of emergency, as needed, in the power supply of the most populous industrial regions of the United States and Canada for the defense of the Western Hemisphere.

Mr. CARTER. Whom do you mean there by people? Do you mean the people of the State of New York or the people of the United States?

Dr. BONBRIGHT. Would you mind holding that for a moment and let me make a note of it?

Mr. CARTER. Certainly; that is all right.

Dr. BONBRIGHT. Thank you. Perhaps I can save time if I just note down these questions.

In its fourth annual report to Governor Lehman and the legislature, dated April 4, 1935, the Power Authority dealt at length with the results of the national power survey undertaken in 1933 by the Federal Power Commission. The fourth annual report quoted with approval and emphasized the importance of the following findings of this survey:

The critical shortage of existing generating capacity most seriously affects the great industrial districts of the East and Middle West. It would, therefore, be disastrous in case the United States should become involved in war. The situation might be even more acute than that which existed during the World War when, in many districts, electric service had to be denied to domestic and commercial customers and nonessential industries to meet war needs for power. * * *

The national safety and welfare, the productivity of our industries, and the comfort and convenience of our homes are dependent upon the maintenance at all times of an abundance of electricity available at rates which will permit its use wherever it is needed. We must, therefore, not only provide for our immediate requirements but we must also plan for continued improvement and expansion of the Nation's electrical systems to meet the demand that may be reasonably anticipated for the future.

Commenting upon the results of the survey, the Power Authority stated in its fourth annual report:

The importance of cutting red tape and getting the St. Lawrence power project under way is emphasized by the first Interim Report on the National Power Survey, issued by the Federal Power Commission March 31, 1935. The Commission's conclusions suggest that those who are blocking the development must stand ready to assume the responsibility for a power shortage which, in this electrical age, would prove a major calamity for the entire State. * * * The trustees, therefore, urge the immediate undertaking of this development as a matter of outstanding public necessity, both State and national.

Again, in its seventh annual report, dated March 18, 1938, the Power Authority devoted a section to the subject Importance of Power to

National Defense, commenting upon the need for development of the St. Lawrence, as follows:

Many of the electrochemical and electrometallurgical industries are directly or indirectly essential to the production of supplies and munitions of war. Such industries, with the large supplies of power which they must have, cannot be created overnight when emergency requires. They must be developed to meet the needs of the normal commercial market, if their capacity is to be ready for transfer to the demands of war. * * *

Not only must such power development be provided for and undertaken but the essential industries utilizing it must be afforded an opportunity to become established as part of the normal life of the country before it is faced with a crisis.

In its eighth annual report, dated May 16, 1939, immediately preceding the outbreak of war in Europe in the fall of the same year, the Power Authority again urged the need for development of St. Lawrence power, as follows:

There is another consideration which must be weighed in determining the State's action on this program. The importance of bringing these utilized great water-power resources to the point of full utilization at the earliest possible moment in terms of any well-rounded program of national defense cannot be ignored.

In the first place, hydroelectric power developments, once constructed assure power supply including fuel, transportation, and manpower. In the second place, the availability of the kind of cheap power offered by the St. Lawrence and Niagara strategic points of those industries most adaptable resources of Northern New York would prove another important factor in this development.

To meet this situation, of vast importance both to the people of the State of New York and of the United States as a whole * * * the trustees of the power authority recommend to the Governor and the legislature adoption of the plan outlined in this report.

Had the warnings and recommendations publicly made by the Power Authority years before the present emergency been heeded, there would today be no shortage of power, aluminum, and other defense necessities in the St. Lawrence area. Both the seaway and power developments could have been completed and could now be in operation supplying needed facilities for shipbuilding, transportation, and power, the lack of which threatens the success of our present defense program. The annual loss to the United States alone resulting from failure to harness the International Rapids has been conservatively estimated by the power authority at \$10,000,000. The value of the power on both sides of the boundary which has run to waste in the decade since the State of New York provided by law for the public development of this natural resource approximates the total amount required under the pending bill in Federal funds to complete the entire United States' share of the seaway development.

PHYSICAL DESCRIPTION OF POWER AND NAVIGATION PROJECT TO HARNESS THE INTERNATIONAL RAPIDS UNDER THE PENDING BILL

The Power Authority has approved the plans perfected by the Corps of Engineers, United States Army, for the immediate construction of the extensive works to provide for the development of 2,200,000 horsepower in the International Rapids section. These works will remove the major obstacle to the free passage of ocean freight vessels of deep draft from the head of the Great Lakes to the Atlantic, and at the same time utilize one of the great natural power resources on this continent. The dual purpose project for power and naviga-

tion will thus serve the needs and promote the welfare of the people of the United States and Canada, not only during the present emergency but also in the period of post-war reconstruction.

The St. Lawrence River receives from Lake Ontario the outflow of the water of the Great Lakes system, averaging 246,000 cubic feet per second. The Great Lakes form a huge natural storage reservoir which impounds water during wet years and discharges the impounded water during dry years, thus serving to equalize the flow of the river, resulting in a remarkably steady flow.

In the Thousand Island section, extending along the boundary between New York and Ontario for the 67 miles from the outlet of Lake Ontario to Chimney Point below Ogdensburg, the St. Lawrence River is a deep, slow-moving stream with a total fall of about 1 foot and though devoid of power potentialities, is readily improvable for navigation. The United States and Canada have completed excavation in this section of the river to provide a channel of 27-foot depth.

In the International Rapids section, comprising the remainder of the New York-Ontario border for the 48 miles between Chimney Point and the village of St. Regis near the head of Lake St. Francis, the river runs in a succession of rapids and swift currents. Through this section the water falls at mean river stage a total of 89 feet—44 feet in a series of rapids in the 35 miles between Chimney Point and the Long Sault, 30 feet in tow miles through the Long Sault Rapids, and then an additional 15 feet through the 13 miles of swift water. It is in this fall of the great volume of water from the Great Lakes that there are available for hydroelectric development in the State of New York and the Province of Ontario 2,200,000 horsepower, of which nearly 70 percent will be firm power, available throughout the year.

THE PROPOSED POWER DEVELOPMENT

The United States and Canadian St. Lawrence committees have agreed upon a "controlled single stage project" as the plan best adapted for the development. This plan provides for the development of all the power in one stage at a power plant located at the foot of Barnhart Island, one-half to be erected in the State of New York and the other half in the Province of Ontario. The power plant will draw water from a pool with initial elevation 238 to be created by a dam constructed on an arc extending from the head of Barnhart Island to the foot of Long Sault Island, and thence across the South Sault channel to the United States mainland. All structures will be designed for full Lake Ontario elevation but the operating level of the pool will be determined by an international commission so as to protect all interests involved.

Control of the flow of the river is to be achieved by a smaller dam constructed in the vicinity of Iroquois. Removal of the rock ledge at Gallop, necessary in order to permit 27-foot channel depth, will eliminate the natural weir now regulating the outflow of Lake Ontario.

NAVIGATION FACILITIES

The main dam at Barnhart Island and the control dam near Iroquois Point will serve the needs of both power and navigation. The water backing up behind the main dam will drown out the rapids and form a

pool which, with some additional channel excavation, will provide a 27-foot channel depth up to the dam.

To enable ships to circumvent the Long Sault Dam a short canal with the necessary locks must be constructed. A side canal with one guard gate and two locks will be built on the United States mainland south of Barnhard Island to carry navigation from above the dam to the river south of Cornwall Island. Similarly, near Iroquois Point a side canal with one lock will be built on the United States mainland to carry navigation around the control dam.

All navigational channels are to be excavated to a depth of 27 feet. All locks and fixed structures are to be built to provide a 30-foot depth over the sills. The locks are to be of the general dimensions of those now installed in the Welland Ship Canal. The Welland Locks are 820 feet long and will accommodate ships of 800-foot length and 80-foot beam. Duplicate sets of gates are to be provided so that two gates may always be closed against the upper level. On the canal around the Long Sault Dam a guard gate is to be provided to afford a means for stopping the flow that would result from injury to any of the lock gates.

POWER PROGRAM FOR THE STATE OF NEW YORK FOR THE BENEFICIAL USE
OF THE RESOURCES OF THE ST. LAWRENCE RIVER

When the improvements authorized by the pending bill are completed under the skilled direction of the Corps of Engineers, the International Rapids will at last be brought under control to serve public needs throughout a wide area in both the United States and Canada. Once the deep-water channel is cut through the glacial rock of the St. Lawrence and the great dams are erected to span the river between Ontario and New York, the work of construction will endure for generations to come. For in its remarkably even flow from the natural reservoir of the Great Lakes over its granite bed, the St. Lawrence will deposit no silt to choke the facilities for power and navigation. The channel of the St. Lawrence, unlike other improved streams, will not require continual dredging to permit its efficient use.

In view of the permanent character of this improvement it is, therefore, appropriate in considering the pending bill to plan for the beneficial public use of the resources of the St. Lawrence River beyond the period of the present emergency. The Power Authority is confident that this committee shares the objectives of the State of New York to erect every necessary public safeguard which the Federal and State Governments, merging their powers and acting in concert, can provide to prevent this great natural resource from falling under private exploitation and control for private gain.

In the testimony presented to this committee by the Governor and the Lieutenant Governor of the State of New York, attention has already been directed to the efforts of utility corporations and promoters, over a period of 30 years, to wrest this source of cheap power from the inalienable ownership and control of the people themselves. The committee will take notice of the fact, heretofore made a part of this record, that it was during the last World War, under the guise of serving the needs of national defense, that the Niagara Falls Power Co. obtained a license from the Federal Power Commission to increase its diversion of water for power purposes from Niagara

Falls, while the Aluminum Co. of America obtained the approval of the International Joint Commission to divert a substantial share of the United States flow in the International Rapids section to serve its plant at Messena, N. Y. Although both of these permits were exacted by private interests in time of national emergency as mere temporary expedients, the use of the waters of the Niagara and St. Lawrence Rivers under these diversions is still being enjoyed today by these interests, notwithstanding years of litigation brought by the State of New York to assert the rights and enforce the public power policy of the people of the State.

**PUBLIC DEVELOPMENT AND CONTROL OF ST. LAWRENCE POWER PROVIDED AND
A STATE PUBLIC POWER PROGRAM ESTABLISHED BY THE POWER AUTHORITY
ACT OF 1931**

After more than a quarter of a century of struggle to prevent the exploitation for private gain of the water powers of the State, many of which had been frittered away in the early days of hydro-electric development, the first effective steps were taken by the legislature in 1931 to halt any further divestment of public power rights in one of the greatest of these resources, the International Rapids of the St. Lawrence River.

The Power Authority Act, chapter 772 of the Laws of New York, 1931, was the fruition of conservation, and public power policies foreshadowed during the administrations of Govs. Theodore Roosevelt and Charles Evans Hughes, and advocated before the people of New York and repeatedly upheld in State elections through the terms of Govs. Alfred E. Smith and Franklin D. Roosevelt. The Power Authority Act of 1931, was recommended to the legislature and signed by Governor Roosevelt. It created the first power authority set up by any State to plan, execute, and administer a State-wide public-power program.

Under this statute the Power Authority is a "corporate municipal instrumentality of the State," exercising its powers through a non-partisan board of trustees, one appointed each year for a term of 5 years. The Power Authority is defined in the act of its creation as "a body politic and corporate, a political subdivision of the State, exercising governmental and public powers, perpetual in duration, capable of suing and being sued," and with the power of eminent domain.

SUMMARY OF IMPORTANT PROVISIONS OF THE POWER AUTHORITY ACT DIRECTING THE IMPROVEMENT OF THE INTERNATIONAL RAPIDS SECTION AS A JOINT ENTERPRISE OF FEDERAL AND STATE AGENCIES, WITH PUBLIC CONTROL OVER RATES CHARGED TO CONSUMERS OF ST. LAWRENCE POWER

In their consideration of the pending bill, the trustees have been guided by the express terms of the Power Authority Act directing the Authority to cooperate with the Congress and with the Executive branch of the Federal Government in the improvement of the St. Lawrence River for power and navigation, under a project to be completed as a joint enterprise by public agencies of the Federal Government and the State.

Pertinent sections of the act declaring the public power policy of the State and directing the Authority to proceed with the project are summarized as follows:

SECTION 1. That part of the St. Lawrence River within the boundaries of the State of New York is hereby declared to be a natural resource of the state for the use and development of commerce and navigation in the interest of the people of this state and of the United States and for the creation and development of hydroelectric power in the interest of the people of this state, and such natural resources * * * shall always remain inalienable to, and ownership, possession, and control thereof shall always be vested in, the people of the state.

Section 2 of the act created the Power Authority "for the purpose of effectuating the policy declared in section 1."

Section 5 of the act specifically directs the Power Authority to—
cooperate with the appropriate agencies and officials of the United States Government—

to the end that any project undertaken by the trustees—

shall be consistent with and in aid of the plans of the United States for the improvement of commerce and navigation along the St. Lawrence River, and shall be so planned and constructed as to be adaptable to the plans of the United States therefor, so that the necessary channels, locks, canals, and other navigational facilities may be constructed and installed by the United States in, through, and as part of the said project.

Section 5 further provides that—

* * * neither the said Power Authority nor any trustee, officer, or agent thereof shall have any power to waive or surrender for any purpose whatsoever any right of the State of New York, whether sovereign or proprietary in character in and to the St. Lawrence River, its waters, power, channel, bed, or uses, or the right of the said States to assert such rights at any future time, and provided further that if for any reason the power authority shall fail to secure any such license, permit, or approval as it may deem necessary or advisable * * * it is authorized to institute suit, or to apply to Congress for legislation, or take such other action in the premises as it may deem necessary or advisable in the furtherance of the project and for the protection of its rights and those of the state.

The Power Authority is authorized in section 5 to—
develop, maintain, manage, and operate—

The project and—

to make provision so that municipalities and other political subdivisions of the state * * * may secure a reasonable share of the power * * * subject to conditions which shall assure the resale of such power to domestic and rural consumers at the lowest possible price.

Sound public policy embodied in Power Authority Act upheld by Federal agencies and declared wholly consistent with national power program.

The sound public policy underlying the Power Authority has been given recognition by both branches of Congress and in official recommendations of every executive agency which has dealt with the St. Lawrence project during the past 10 years. The fact that the State's public power program for the improvement of the St. Lawrence is in the general interest of the Nation as well as wholly consistent with national power policy and should therefore be fostered and encouraged has never heretofore been brought into question at any public hearing or by any responsible agency of the Federal Government.

Mr. BEITER. On page 21, you said, "The sound public policy underlying the Power Authority has been given recognition." Are you referring to the New York State Power Authority, or the Federal Government?

Dr. BONBRIGHT. Congressman Beiter, the omission of the word "Act" after the words "Power Authority" is just a typographical error. It should be changed to read, "The sound public policy underlying the Power Authority Act."

Mr. BEITER. You refer to the Power Authority of the State of New York on the next page, and I was wondering whether that was the same authority to which you had reference in the opening paragraph. That is a little confusing.

Dr. BONBRIGHT. It is a little confusing, no doubt, the way we use Power Authority. "Power Authority" refers to the Power Authority of the State of New York in every instance.

Mr. BEITER. Then, when you say, "The sound public policy underlying the Power Authority Act," is that a New York act or a Federal act?

Dr. BONBRIGHT. That is the act of the State of New York, creating the Power Authority of the State of New York.

Mr. BEITER. You say it has been recognized, it has been given recognition by both branches of Congress. How did Congress have anything to do with that?

Dr. BONBRIGHT. "The sound public policy underlying the Power Authority Act has been given recognition by both branches of Congress and in official recommendations of every executive agency." Yes. For a moment I was lost. The Power Authority Act of 1931 is the precursor of many of the more recent Federal acts relating to national power policy. In 1931, you may remember, what is now called the national power policy had not yet been developed; in fact, to the extent that there was a national policy, it was not the present policy. Now, the Power Authority Act of 1931 was the first act by either the States or the Federal Government which gave the keynote of what has later become the national policy, and the Tennessee Valley Authority Act, to take a single example, was drafted under the influence of the Power Authority Act of 1931.

In a report jointly prepared and approved by the Federal Power Commission and the Power Authority of the State of New York in connection with the survey conducted by the Interdepartmental Board on the Great Lakes-St. Lawrence project, 1933-34, submitted by the President to the United States Senate on January 10, 1934, the Power Authority Act is discussed at length in its relation to similar public power developments then being undertaken as Federal projects.

In a summary of this report, published as Document 110, Seventy-third Congress, second session, the Federal Power Commission joins in the following comments upon the terms of the Power Authority Act:

A formula was set up by this act to which any contracts made with private companies for transmission and distribution of current must conform. The act specifically provided for—

(a) Full and complete disclosure to the Power Authority of all factors of cost in transmission and distribution of power, so that rates to consumers may be fixed initially in the contract and may be adjusted from time to time on the basis of true costs data.

(b) Periodic revisions of the service and rates to consumers on the basis of accurate cost data obtained by such accounting methods and systems as shall be approved by the trustees.

(c) That rates, services, and practices of the purchasing, transmitting, and distributing companies in respect to the power generated by this project shall be governed by the provisions and principles established in the contract and not by the regulations of the Public Service Commission or by the general principles of public service law regulating rates, services, and practices.

Since the enactment of the law the trustees of the Power Authority have recommended additional legislation to permit municipalities which do not now enjoy that right under their charters to purchase St. Lawrence power for distribution to consumers. * * *

The evident intent and effect of the laws of New York providing for the St. Lawrence power project has been the provision of a yardstick on electrical costs and rates for the benefit of the consumers of current and for the protection of the public against unfair charges.

The development of the St. Lawrence by a public agency represents the last opportunity available to provide the northeastern section of the United States with the benefits assured other sections through development of Muscle Shoals, Boulder Dam, the Columbia River, and similar public projects.

In his message submitting this report, President Roosevelt declared:

As you know, I have advocated the development of four great power areas in the United States, each to serve as a yardstick and each to be controlled by Government or governmental agencies. The Tennessee Valley plants and projects in the Southeast, the Boulder Dam on the Colorado River in the Southwest, the Columbia River projects in the Northwest are already under construction. The St. Lawrence development in the Northwest calls for action. This river is a source of incomparably cheap power located in proximity to a great industrial and rural market and within transmission distance of millions of domestic consumers. The Legislature of the State of New York by unanimous vote set up the necessary State machinery during my term as Governor of New York and the State stands ready to cooperate with the Federal Government in the distribution of power in accordance with what I believe is today a definite national policy.

In reports adopted by the appropriate committees of both branches of Congress and in action taken by the Department of State and the Corps of Engineers of the War Department, these declarations of policy encouraging the State to proceed with its public-power project have been consistently upheld and maintained.

Even prior to 1933, during the preceding administration, the plans of the State of New York for the improvement of the St. Lawrence River were given recognition and approval at public hearings before the committees of the Congress by representatives of the Departments of State and War.

In his testimony before the Senate Committee on Foreign Relations on December 14, 1932, the then Assistant Secretary of State, Hon. James Grafton Rogers, approved the State's plans for proceeding with the St. Lawrence power project in the following terms:

In the first place, this is a very large block of power. There is here a million one hundred thousand incidental horsepower on the American side * * *. My instinct is that a quantity of energy as large as that should be kept and maintained in public control.

In the second place, New York has asserted for a long time definite legal claims to this power. I am not going to attempt to pass upon those claims. My own judgment is that the power of the United States over the development of the St. Lawrence River is predominant, but we need not settle the issue or get into difficulties about it, if there is a sound business solution of it, and I think there is in the direction I have suggested.

In the third place, New York has a clearly developed policy and a technical organization which has been developed as a result of numerous political announcements and several legislative acts in the State of New York, which show a pretty well settled public opinion and public attitude there, and it

seems to me that that is entitled to consideration at the hands of the National Government.

In the next place, New York is a State of very considerable financial strength and stability. If, as I think, a very large social asset of this kind can be entrusted to a State government at all, surely New York State is one of the States which ought to be capable of carrying on that form of trust with safety and conservancy and sound judgment. Therefore, it seems to me the logical thing to look forward to an arrangement between the Federal Government and New York State whereby upon payment of a proper proportion of the costs of the development of the project, or on some other business basis which would take into consideration the various factors, the United States should look forward to that line of action.

WORK OF THE POWER AUTHORITY TO COMPLETE THE STATE'S PROJECT AND BROADEN THE MARKET FOR ST. LAWRENCE POWER, 1931-41

Proceeding with the approval of the Federal administration to carry out the public-power program adopted by the legislature, the Power Authority has engaged in many official activities during the past decade directed toward the successful completion of the State's project and the broadening of the market for the beneficial public use of St. Lawrence power.

Up to the beginning of the present fiscal year, July 1, 1941, the Legislature of the State of New York had appropriated a total of \$1,250,000 out of the State treasury for expenditures by the power authority in preparation of plans for the initiation of the project in the International Rapids section. While this substantial sum has covered a wide range of engineering, economic, and legal studies necessary to the successful undertaking of the development, it appears relatively small when compared with promotional expenses of private utility and power corporations engaged in projects of equal magnitude. The Frontier Corporation, which sought to secure control of the project in the International Rapids section following the World War, ran up a capitalization of \$7,000,000. Its actual expenditures for physical property useful to the project represented only a small portion.

The bulk of the expenditures made by the Power Authority have defrayed the cost of extensive surveys and studies undertaken and conducted by the staff of the authority during the period from 1931 to 1939. All of these surveys, involving elaborate and detailed engineering and economic cost analyses, have been predicated upon the understanding that St. Lawrence power, once developed, would be marketed and distributed throughout the State of New York, under the public project provided for in the statute law of the State.

The results of these surveys are summarized as follows in a résumé by the then executive secretary of the power authority covering the period to September 30, 1938, the date of the report.

PREPARATIONS FOR MARKETING OF ST. LAWRENCE POWER

The Power Authority Act contains specific provisions for marketing of St. Lawrence power in order that the contract method may provide protection for the consumer of electricity notably lacking in the prevailing system of regulated monopoly. Broadly summarized, the Power Authority is directed to dispose of this power in such a manner as to secure the lowest possible rates for domestic and rural

consumers. The contracts are to fix rates initially and provide for their later adjustment on the basis of accurate cost data to be secured by such accounting methods and systems as may be approved by the trustees of the Power Authority.

These provisions of the law forced the Power Authority to pioneer in new fields of power economics, particularly in the field of distribution costs. Early in the work of the Power Authority, it appeared that practically no useful data were available in this field. Distribution costs for the several classes of consumers under varying conditions were to all intents and purposes an unknown quantity.

INITIAL COST SURVEYS

The Power Authority, therefore, immediately initiated a series of technical studies as follows:

1. Investigation of the cost of transmitting St. Lawrence power at high voltage to principal load centers throughout the State and of the further cost of local transmission at lower voltages to distribution substations;
2. The economic effect of coordinating St. Lawrence power with power from other sources in the State;
3. The cost of distributing electricity to domestic, rural, and commercial customers using various quantities of electricity;
4. The wholesale rates for transmitted electrical energy as reported by existing New York systems;
5. Rural electrification in New York State with special reference to its possibilities with low-cost current;
6. Survey of industries dependent on large quantities of high-load-factor power to determine the possibility of attracting such industry to the State;
7. Power supply and market survey of the State by counties, including analysis of the annual consumption of the several classes of ultimate consumers, to determine the probable absorption of St. Lawrence power by regions.

The preliminary results of these studies indicated that existing costs in the private power industry had become seriously inflated through uneconomical investment and operating policies and that, as a result, contracts which merely passed on to consumers the savings due to public construction and operation of the St. Lawrence power project would not fulfill the purposes of the power authority act. The studies were therefore continued with results which have already had a profound effect on the industry.

Competent engineers, with wide experience in the power industry, collaborated on these technical investigations.

In an interim report dated December 31, 1931, the Power Authority reported to the Governor that, under existing conditions, one corporation occupied a peculiarly advantageous position in bidding for the distribution of St. Lawrence power and that, therefore, the salutary force of competition must be provided by constructive action by the State itself.

The Power Authority recommended the enactment of municipal utility bills permitting municipalities to engage in the distribution of electricity and to form power districts for this purpose. It also

recommended facilitating rural electric service by authorizing municipal plants to serve customers beyond incorporated limits and removing the legal obstacles to cooperative rural lines.

The Power Authority continued its efforts to secure the enactment of municipal bills, supported by Governors Roosevelt and Lehman until the 1934 legislature finally passed the bill authorizing municipalities to undertake the production and distribution of electricity if authorized by a referendum vote of their citizens. The enactment of this law offered the cities of the State the opportunity to use the force or potential or actual competition to reduce electric rates.

Distribution cost study: In January 1933, the Power Authority's preliminary study of the distribution cost of electricity was presented before the Institute of Public Engineering, organized to bring about the widest possible technical discussion of the subject. This institute brought together eminent engineers and economists from the private power industry, from important municipal plants in the United States, from the Ontario Hydro-Electric Power System and from leading public service commissions. It served to make the study of distribution costs a matter of vital interest and provided a broad basis for the continued work of the Power Authority in this field.

The results of the preliminary study indicated that for the average residential consumption of approximately 600 kilowatt-hours a year the distribution cost element in residential rates should be somewhat less than 2½ cents.

The full report on the cost of distribution of electricity was made public in November 1934. It represented the results of 3 years of investigation participated in by 14 well-known engineers. It was based on actual physical surveys of the distribution systems in 12 municipalities in 6 States and of 17 municipalities of various sizes in New York State, including New York City.

This report marked a most significant forward step in the direction of lower rates for residential and rural consumers in New York State. It demonstrated that with the existing system of private distribution, residential rates should not exceed 3½ cents per kilowatt-hour for an average use of 600 kilowatt-hours per year; 2.7 cents per kilowatt-hour for an average use of 1,200 per year; 2.1 cents per kilowatt-hour for an average use of 2,400 per year; and 1.7 cents for an average use of 4,800 per year.

For the New York cities covered by the survey, the results indicated that rates for existing consumption could be cut approximately in half. On this basis total savings to residential and commercial consumers throughout the State at the time of the survey would have amounted to approximately \$63,000,000. This represented the first approximation to what the people had a right to expect as a result of St. Lawrence power if contracts were negotiated in harmony with the intent of the act.

It should be pointed out that the actual effect would not be to reduce the gross income of the power companies by that amount. In fact, their income might even increase, because, as demonstrated conclusively by subsequent experience, the effect of such drastic reductions is to promote consumption to the point where consumers pay at least equivalent bills for much larger average usages.

In the years which have elapsed since this report, an increasing number of private companies serving important cities and regions

in the country have brought their rates down to levels closely approximating those indicated by the report as reasonable.

Analysis of effectiveness of public competition: In order to be on sound practical ground in attempting to negotiate contracts on the basis of these cost studies, the Power Authority analyzed the history of residential rates in many cities served by private companies influenced by actual or potential public competition, as contrasted with public service commission regulation.

These studies show that, generally speaking, the lowest rates are found where the influence of potential or actual public competition prevails and that such rates approximate those suggested by the Power Authority distribution cost study.

Two research bulletins were issued making public the results found in the case of the Potomac Electric Power Co., serving Washington, D. C., and the Montreal Light, Heat & Power Co., serving Montreal, Canada. Both surveys show that, in the case of these companies, as rates decreased, the company's earnings and dividends have increased.

Cooperation with municipalities to broaden market: As the next step in creating a situation in which the negotiation of contracts with the companies could take place under circumstances in which the State would not be forced to accept the terms of a single powerful bidder, the Power Authority undertook to cooperate, on request, with municipalities seeking to use the force of public competition to reduce rates.

The Power Authority's major interest was in the encouragement of a new sales policy in which electric rates would be based upon the assumption of more generous use of electricity in the home.

The Power Authority's cooperation with the New York City administration produced remarkable results. After years in which the city had been forced to accept without protest the bids of the companies for supplying street lighting and other municipal services, after the attempt of the Public Service Commission to order a temporary 6-per-cent cut in electric rates had been thwarted by court action and after the company had filed its intention to raise rates in the city by \$11,000,000 a year, the plan to build a small municipal plant resulted in:

1. A reduction of about \$2,000,000 a year in the city's own bill for street lighting, etc.

2. A reduction of about \$7,000,000 a year in the rates charged general consumers.

Altogether, the aggregate electric-rate reductions in the State in 1935, the first full year after the enactment of the municipal-utility bill and the issuance of the power authority report on the cost of distributing electricity, totaled more than \$13,000,000, exceeding the average reductions of the previous 3 years more than three times over. That the activities of the power authority were a substantial contributing influence in this downward trend of rates can hardly be doubted.

The more important result, however, was the beginning of a new sales policy by the industry, including the establishment of materially lower rate blocks for the large potential consumption of refrigeration, cooking, and hot-water heating. Thus, in New York City the reduction of the final rate from 5 to 2 cents a kilowatt-hour cut the monthly cost of operating an electric range from \$7.50 to \$3.25.

On the larger consumption developed by the rate cuts the reduction in rates must be reckoned as much larger than the \$13,000,000 indicated.

Thus, the work of the Power Authority in preparing to market St. Lawrence power was already beginning to pay for itself many times over, and the results to be expected from the St. Lawrence project were beginning to be foreshadowed.

Cooperation with farmers: The Power Authority, through its present vice chairman, undertook similar cooperation with the county farm organizations of the State, under Pomona Grange Masters, in their efforts to utilize the available R. E. A. funds to obtain a wide extension of rural lines on a basis enabling farmers to afford electricity.

This was necessary to assure a broad rural market for St. Lawrence power in order to give effect to the provisions of the Power Authority law, with reference to increased rural use of electricity.

At the start of this cooperative effort approximately 100,000 of the State's 160,000 farms were without electric service. Electrified farms were found largely in the more densely populated areas where nonfarm rural customers brought the average customer density to 6-8 customers to the mile. The rural electrification plan, generally in effect, forced farmers taking service, if only 4 to the mile, to pay a minimum bill of \$6 a month.

The Power Authority provided county rural electrification committees, working under the New York State Farm Light and Power Committee, with data enabling them to prepare projects for the Rural Electrification Administration. The most extensive work was done in Seneca County, where a complete project of rural service was worked out in full detail to bring electricity to every farm. An organizing committee for a rural electric cooperative was set up, which made application to the Rural Electrification Administration.

Immediately upon the announcement of the submission of this project, the major private systems of the State came forward with new plans which offered farmers reductions from \$6 to \$3 in the minimum bills required with four customers to the mile. In the case of the Niagara Hudson system the \$6 minimum was cut to \$2 for the same customer density. Furthermore, the farmers were given the advantage of lower rates, enabling them to use more electricity.

This cooperation with farm organizations required a very considerable amount of work in the way of surveys, plans, and cost estimates. But the results as a basis for a wide rural market for St. Lawrence power have been striking. During the 2 following years 7,000 miles of new rural lines were built in the State and 21,500 additional farm customers secured electric service.

In this instance, as in the case of the cooperation with municipalities, the work of the Power Authority is already reflected in annual savings to the people of the State far in excess of its cost. At the same time, it is laying the basis for the eventual larger gains which the people will derive from the development and marketing of St. Lawrence power.

PUBLIC POWER RIGHTS ON THE NIAGARA RIVER

On May 16, 1939, the Power Authority submitted to the Governor and the legislature a comprehensive long-range plan for the utilization of wasted power resources in the Niagara River. Without paralleling or duplicating existing facilities and making provision for the continued use of the more efficient and modern of the installations at Niagara, this program provides for the coordination of latent power in the Niagara with St. Lawrence power after the project in the International Rapids Section has been completed.

The Power Authority has in recent years intervened in license proceedings before the Federal Power Commission and in the Appellate Division of the State of New York to assert the public's rights in the waters at Niagara Falls. The Niagara Falls Power Co., a private corporation, at present diverts the entire United States share of the waters used at the Falls for power purposes. It claims the right not only to use 15,100 cubic feet per second without rental under existing diversions, but also to preempt the use of any additional waters that may be diverted from the Niagara up to 54,000 cubic feet per second.

An action was brought by the Water Power and Control Commission of the State of New York to enjoin such use. After a judgment in favor of the private company had been appealed by the State, the chairman of the Power Authority, on June 14, 1940, applied to the Appellate Division of the State of New York and was granted leave to intervene as *amicus curiae* in this important case. A brief has been presented on behalf of the Power Authority, prepared by trustees George S. Reed and Maurice P. Davidson, Lt. Gov. Charles Poletti, and Mr. Jesse Friedin as counsel for the Authority. A copy of the brief is available for this record.

PENDING BILL RECOGNIZES THE PRINCIPLE OF THE FEDERAL-STATE ACCORD,
MAINTAINED FROM 1933 TO 1941

Under section 2 of the pending bill, in the form in which it was introduced in the House June 2, 1941, by Chairman Mansfield, of the committee, the Federal-State accord upon which the State has relied in advancing its public power program is given express recognition.

This section, which contains all the language in the bill directly applicable to the St. Lawrence power project, reads as follows:

The President is hereby authorized and directed to negotiate an arrangement with the Power Authority of the State of New York for the transfer to said power authority of the power facilities constructed pursuant to this authorization and the right to use the United States' share of the waters at the project for hydroelectric power purposes upon such terms and conditions as may be agreed upon, including provision for payment of \$93,375,000, which presents the revised estimate of cost allocated to power in accordance with the method of allocation included in the joint recommendation of the Corps of Engineers, United States Army, and the Power Authority of the State of New York dated February 7, 1933, such payment to be made by the power authority over a period of 50 years with interest at the rate of 3 percent compounded annually. In addition, the arrangement shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances, and provisions for the prior use of such water for the purposes of navigation and the delivery, without charge to the War Department, of so much power as said Department shall need for the operation of navigation facilities. The arrange-

ment negotiated pursuant to this section shall be reported to Congress upon the convening of its next session, and shall become effective when ratified by Congress and the State of New York.

The joint recommendation of the Corps of Engineers and the Power Authority, dated February 7, 1933, referred to in section 2 of the bill, was approved by the President and the Governor of the State of New York in 1933, favorably reported after public hearings by the Senate Committee on Foreign Relations and the House Committee on Interstate and Foreign Commerce, and confirmed by a resolution, House Joint Resolution 157, adopted by the House on April 26, 1933. Text of the resolution and the favorable report of the House committee has been presented for the record in the testimony of the Lieutenant Governor of the State of New York, June 20, 1941.

ORIGIN OF THE FEDERAL-STATE ACCORD

Negotiation by mutual agreement of a working arrangement between Federal and State authorities for the completion and conduct of the St. Lawrence project as a joint enterprise, contemplated in the pending bill, was proposed at hearings of the Senate Committee on Foreign Relations, December 13 and 14, 1932 by the chairman of the Power Authority from 1931 to 1939, Hon. Frank P. Walsh.

As the result of suggestions made at the hearings by the chairman of the Power Authority, Senator Walsh of Montana, Senator Borah of Idaho, Senator La Follette of Wisconsin, and Senator Wagner of New York cooperated as members of the subcommittee engaged in hearings on the St. Lawrence project and arranged for a series of conferences between the Corps of Engineers and the Power Authority, to arrive at an equitable division of power and navigation costs in the International Rapids section.

The initial conference on January 31, 1933, was attended by Delos M. Cosgrove, vice chairman of the Power Authority; Fred J. Free-stone, trustee; Leland Olds, assistant to the chairman; Silas H. Woodward, consulting engineer and former member of the advisory board of engineers of the St. Lawrence Power Development Commission of New York; John D. Moore, staff engineer; and Basil Manly, Washington representative for the power authority. Gen. George B. Pillsbury, Col. Edward M. Markham, and Col. M. C. Tyler represented the Corps of Engineers of the United States Army.

At this conference a general understanding was reached that the costs might be equitably distributed on the basis that the United States assume all costs for navigation, that New York assume all costs primarily for power, and that the costs of works common to navigation and power be divided equally.

This general understanding was discussed in detail at subsequent conferences on February 6 and 7, 1933, and the resulting recommendations were reduced to writing in the joint recommendation dated February 7, 1933.

The agreement of February 7, 1933, fixed the cost of the works to be assumed by the State of New York at a maximum of \$89,726,000, with further possible reductions for any realized savings in construction costs. It provided that—

the State of New York shall have the right to utilize for power all the flow of the St. Lawrence River in the International Rapids section allocated to the

United States by the treaty, other than that required for navigation, together with title to the power works and the lands upon which they are situated and which may be necessary and convenient for their operation.

The agreement was presented to the Senate Committee on Foreign Relations on February 10, 1933, by Vice Chairman Delos M. Cosgrove for the Power Authority and by Gen. George B. Pillsbury, assistant chief of Engineers, for the War Department.

In its favorable report to the Senate, the committee recommended that the State of New York be accorded the right to the use of the United States share of the water in the International Rapids section for power purposes, upon payment of the total cost of the improvement "justly allocatable to power development," "which the engineers of that State and those of the War Department have agreed should be \$89,000,000."

On March 30, 1933, Chairman Walsh conferred with the President and it was suggested that the Power Authority apply to the chairmen of the appropriate committees of Congress for enactment of a joint resolution confirming the agreement.

A joint resolution was drafted and revised at conferences held by the power authority with Chairman Pittman of the Senate Committee on Foreign Relations, Chairman McReynolds of the House Committee on Foreign Affairs, and Chairman Rayburn of the House Committee on Interstate and Foreign Commerce. The joint resolution, entitled "House Joint Resolution 157," was introduced by Representative McReynolds in the House on April 18, 1933.

The joint resolution incorporated the terms of the agreement of February 7. It limited the cost of the works to New York under the treaty at \$89,726,000, minus savings in construction. It provided that in accordance with the policy set forth in the act of the New York Legislature of 1931, the Power Authority—

shall be entitled to use for the generation of hydroelectric power all of the United States' share of the flow of the water in the International Rapids section of the St. Lawrence River, subject to the prior use of such water under the treaty for the purpose of navigation and the operation of reservoirs, canals, and locks, and shall have title to the power houses and works appurtenant thereto upon the United States side, together with the lands upon which they are situated, in consideration of the payment of its share of the cost as determined in the joint memorandum above referred to.

An important proviso to the joint resolution was drafted and proposed by the Power Authority, submitted to the President and to the chairmen of the House and Senate committees, and incorporated in the text of the joint resolution as follows:

Provided, That no part of the United States' share of the water in the International Rapids section of the St. Lawrence River shall be diverted for the benefit of any person or private corporation, nor shall the use of any part of said water or the rights pertaining to said water be sold, leased, or otherwise alienated to any person or private corporation for the generation of hydroelectric power.

By this proviso the trustees sought to reassert on behalf of the people of New York the inalienable ownership, possession, and control of the power resources of the St. Lawrence River first declared by the legislature in the act of 1931, and to buttress this right with the additional safeguard that would be provided by an act of Congress.

The joint resolution was debated at length on the floor of the House on April 25 and 26, and was adopted after a motion to recommit was defeated by a vote of 224 to 171.

RECOGNITION OF FEDERAL-STATE ACCORD SINCE 1933

While a majority of the Senate also approved the terms of the Federal-State accord and voted in 1934 to initiate the Great Lakes-St. Lawrence project under the draft treaty of 1932, the failure to secure a two-thirds vote for ratification held up action on the St. Lawrence development.

Nevertheless, the cooperative plans of Federal and State authorities for development of the International Rapids section as a joint enterprise have continued to receive official recognition throughout the intervening period.

With the approval of Governor Lehman, the trustees of the Power Authority have actively participated in the conferences held by the State Department with Canadian and Ontario authorities looking toward the preparation of revised plans for improvement of the Great Lakes-St. Lawrence system. The chairman of the Power Authority and the executive secretary and acting chief engineer, Mr. Gerald V. Cruise, have cooperated with the chairman and the engineers of the Ontario Hydro-Electric Power Commission to perfect plans for the most timely and efficient use of the power facilities which these two public agencies will share in the International Rapids section. An accord between the Dominion and Provincial Governments for the conduct of the power development on the Ontario side of the International Rapids section by the Ontario Commission, originally entered into on July 11, 1932, was renewed on March 19, 1941.

In reopening the negotiations with Canada which resulted in the agreement of March 19, 1941, the Secretary of State, Hon. Cordell Hull, referred to New York's plans for utilizing St. Lawrence power in a note to the Canadian Minister, dated May 28, 1948, as follows:

I now desire to lay before you certain additional proposals which, in the opinion of the United States Government, should make it possible to reach an immediate agreement providing for the early initiation of the undertaking. * * *

The State of New York would be able to proceed immediately with the development of the 1,100,000 horsepower of cheap hydroelectric power which constitute the American share of the power available in the International Rapids section of the St. Lawrence River. This additional power supply at a cost of less than \$8 per horsepower year would thus be assured to meet its future market requirements.

During the past year, since July 1940, when the Power Authority submitted definite plans for the immediate undertaking of the St. Lawrence development to meet urgent defense needs, the trustees have been continuously engaged in active collaboration with the State Department, the Corps of Engineers, and other Federal authorities concerned with the successful completion of the project. The results of this cooperation have already been dealt with in the testimony of Governor Lehman and in the Governor's message to the legislature, dated January 15, 1941.

POSITION OF THE POWER AUTHORITY ON THE FEDERAL-STATE ACCORD CONTEMPLATED BY THE PENDING BILL

The trustees of the Power Authority have given careful study to the provisions of section 2 of the pending bill. This section clearly expresses the intent of Congress to provide for the use of the waters of the St. Lawrence River for power purposes under the terms of the Federal-State accord contemplated by the bill, which accord shall not become operative until approved by the Congress and by the State of New York.

The bill avoids any conflict over abstract legal questions or the respective jurisdictions of Federal and State agencies by setting up the machinery for reaching an equitable and practical working arrangement, based upon recognition of the fact that the interests and objectives of the State and the Federal Governments in utilizing the water-power resources of the St. Lawrence River for the public benefit and for national defense are substantially identical. Recognition is also given in the bill to the long and successful record of cooperation by Federal and State agencies to advance the project as a joint enterprise. A different situation would exist, for example, if the Federal Government wished to develop the power, while the State wished to let it remain undeveloped; or if the national power policy favored the transfer of the power plant to a private profit-seeking enterprise, whereas the State power policy favored the retained ownership of the project for the benefit of the people; or if the desire of the United States were to develop the project jointly with navigation, whereas the desire of the State of New York were simply to develop the power, but to leave navigation of the St. Lawrence River under its present severe handicaps; or finally, if the policy of the State were that of selling the power strictly on a cost basis for the maximum benefit of small consumers within economic transmission distances, whereas the policy of the Federal Government were to exploit the project primarily for the benefit of the taxpayers of the United States by selling the power for all that the traffic will bear, in line with the traditional policy of the French tobacco monopoly.

In fact, on every one of these fundamental questions of policy, the objective of the State as embodied in the Power Authority Act, coincides with the established national power policy as embodied in the Federal Power Act of 1920, as amended in 1935, and in the more recent statutes relative to federally financed or federally operated projects in other areas of this country. Under such circumstances any attempt to raise the strictly legal problem of titular ownership of the latent and undeveloped power of the St. Lawrence River to a position where it must be resolved for one sovereign and against the other, would seem to be injected merely with the effect of obstructing the early initiation of the project.

The national power policy itself, as determined by Congress, and as administered by its various Federal agencies, expressly recognized the special rights and interests of the States in their water power resources. Commissioner Scott of the Federal Power Commission in April 1941, declared that—

Federal control and States' rights in water power resources are compatible. The express provisions of the Federal Power Act impel that conclusion.

Among the provisions in the Federal Power Act designed expressly to respect the rights and interests of the individual States in their water power resources are the following:

(a) The provision that in passing on applications for licenses the Federal Power Commission must give preference to applications from States and their subdivisions.

(b) The provision that in the issuance of a license to a State no charge whatever shall be made for the use of the waters, not even the nominal administrative charge which is imposed on private licensees as a means of reimbursing the Federal Government for its out-of-pocket costs of administration.

(c) The omission in the act of any provision for Federal rate control with respect to intrastate charges by State licensees, together with the provision that even the rates of private licensees shall not be subject to Federal control whenever they are subject to control by a State agency.

(d) The provision that excess profits even of private licensees are not to be expropriated by the Federal Government whenever the State itself has decided to expropriate these profits.

(e) The provision that no applicant may receive a Federal license unless it can prove to the Federal Power Commission that it is operating in accordance with the laws of the State in which it is located and that it has received proper authority from the State to develop and operate the licensed project. In the *New River case*, the Supreme Court held that a private company possessing a license from a State must, nevertheless, secure a license from the Federal Government. But under the provision of the Federal Power Act referred to, Congress has forbidden the Federal Power Commission to issue a Federal license unless the applicant has already secured from the State whatever legal authority is required under the laws of that State.

(f) Similar recognition of and respect for the rights and interests of the individual States is embodied in the various congressional acts setting up Federal power projects or authorizing congressional loans and grants for the construction of publicly owned State or local power projects. Thus, when Congress passed the Boulder Canyon Project Act, it provided that this act should not go into effect until the Colorado Power compact had been ratified by at least six of the seven States whose interests were directly involved.

In view of this clear and consistent principle of national power policy, it would indeed be breaking new ground if Congress were now to decide with respect to the St. Lawrence that all the rights, interests, and traditional policies of the State of New York should be left out of consideration.

The merits of the Federal-State accord as proposed in the pending bill: The pending bill was drafted for the express purpose of permitting Congress to exercise its legislative prerogative and to reach a decision on fundamental principles, while leaving for later solution the many detailed questions as to what terms should be embodied in the final agreement between the United States and the State of New York. This arrangement will allow construction to proceed at once while permitting an unhurried settlement of the precise terms of the accord.

The point has been raised whether Congress, instead of providing for the sale of the power at cost should not amend the bill as to provide for the disposal of the power at a handsome profit to the Treasury of the United States. This might be done either by retaining the project under a Federal agency directed to operate the project as a profit-making business, or by transferring the project to the power authority at a price far in excess of the \$93,375,000 which represents its allocated cost.

Impelling reasons of sound public policy argue against the use of this power project, or of any similar water-power project in the United States, as a means of making profits for the Treasury in view of the already firmly established national power policy to the contrary. Certainly the Tennessee Valley Authority, the Bonneville project, and the Grand Coulee project, to take only three examples, are not to be operated on this basis under the congressional statutes which now govern these developments. If the principles applied to these other projects were to be abandoned with respect to the St. Lawrence it would mean a complete reversal of national power policy. It would be a tragically unfortunate reversal working against the interests not merely of the State of New York but of every State in the Nation.

The point has also been made that the payment of \$93,375,000 allocated to the power project under the pending bill would not be guaranteed by the credit of the State itself but would depend, primarily at least, on the receipt of revenues from the sale of power. But its only relevance lies in the implication that the United States Government may be making a bad investment, since it would have no legal guaranty that the revenues from the project will be sufficient to pay the fixed charges due to the United States.

In fact, however, the cost of generating the power, including all fixed charges, will be so far below the cost of alternative power that the United States will have an investment of high security—an investment, the slight risk on which is more than amply covered by the proposed interest rate of 3 percent. The favorable experience not only of New York State but of other regions in the use of revenue bonds as a financial device fortifies this assurance of full reimbursement to the Treasury for the \$93,375,000 outlay.

If there were any material risk of inadequate revenues, that risk would fall just as much on the United States Government were it to operate the project directly as it will fall with the project operated by a State agency. Indeed, the arrangement for a State agency is even more favorable to the United States from a purely financial standpoint. For the State of New York will doubtless be under an impelling practical incentive to prevent an event of default which might result in the recapture of its properties.

A further point has been raised that in this instance the actual construction of the project, including the power plant, will be undertaken by the Federal Government rather than by the State of New York. The cost of this construction, while it is to be financed initially by the United States, will fall ultimately on the consumers of the power; and this would be the case irrespective of the question whether the project would be administered by a Federal agency or by a State agency. Indeed, if the fact of construction by

the United States were germane at all it would seem to give added support to the proposed Federal-State accord. For by retaining control over the construction, the United States Government has the last word as to its design and its speed of completion. The Federal Government therefore will have more control over the whole project than would be the case if the power plant and the dam were to be built by the State of New York.

It is fair to add that not only the proposal for complete construction by the United States but also the proposal for initial financing by the Federal Treasury was made, not at the insistence of the State of New York, but rather at the instance of Federal authorities.

The original intention of the New York Legislature as embodied in the Power Authority Act of 1931 was that the Power Authority itself would both construct and finance the power project under provisions which would facilitate the eventual completion of the navigation project by the United States Government. In the light of the present plan to proceed at once with simultaneous and joint development of the navigation and power facilities, construction by a single agency is in the interest both of engineering efficiency and of fiscal convenience. The arrangement provided by the bill was accepted by the Power Authority as consistent with the spirit of its Act and with the joint interests of the two sovereign Governments.

As General Robins pointed out in his testimony on June 19, the figure of \$93,375,000 was reached by a formula which charges to the power project the entire estimated cost of these facilities on the United States side which are devoted to power as distinct from navigation plus one-fourth of the cost of both the Canadian and the United States facilities which are to be used jointly for navigation and for power development. Broadly speaking, this is identical with the traditionally approved formula that the power should bear all separable costs plus one-half the joint costs of a dual purpose project. The one-quarter of the joint costs of the entire dam corresponds to one-half of the joint costs of the entire United States share of this dam. In reaching this figure of \$93,375,000, not only is the unusually large allowance of 25 percent made for contingencies but, in addition, a further allowance of 12½ percent is added to cover possible increases in actual costs.

Several forcible reasons justify the setting of one definite price upon the power project instead of leaving that price undetermined until the project has been completed and until the realized costs are a matter of record. In the first place, as General Robins pointed out, the Power Authority would be severely, if not critically, handicapped in making contracts and financial arrangements for the sale of the power and for the construction of transmission lines and of other incidental facilities, unless it could make these arrangements on the basis of a fixed and known price for the power plant. This factor alone seems final in favor of setting a definite price at the present time.

In the second place, under the present bill the entire construction of the project, including design, supervision, the making of construction contracts and the decision as to speed of completion, rests with the United States Government without any legal right on the part of the State or the Power Authority to control these arrangements.

In the third place, because of the urgent need of the power for national defense, the timing of the construction will depend primarily

not on considerations of fiscal economy but rather on considerations of the need for power for national defense.

Finally, as General Robins' testimony indicates, the only likelihood of a material enhancement of realized costs over estimated costs is due to the possibility of price inflation rather than of errors in engineering calculation. As Mr. Frank P. Walsh, the first chairman of the Power Authority, pointed out in his testimony relative to the treaty of 1932, the control of general price levels lies not with the State governments but with the Government of the United States. Indeed, such control is today much more firmly held by the Federal Government than it was in 1932.

In the case of other Federal projects like those of the T. V. A., Boulder Dam, Bonneville, and Grand Coulee, natural geography gave to no single State a dominant interest in and responsibility for the project. In the case of the St. Lawrence project, as Chairman Olds of the Federal Power Commission has pointed out, the great bulk of the market for the power will lie naturally in the State of New York and mutually beneficial interchange arrangements for the transmission of power between New York and other adjacent States can be effected. Nevertheless, during the entire period since the creation of the Power Authority in 1931, none of these adjacent States has expressed its desire to cooperate with the State of New York in a joint development of the power from the St. Lawrence River in conjunction with their own undeveloped water-power resources.

This being the case it would seem to be entirely in line with national power policy as expressed in the Federal Power Act to place the custody of the St. Lawrence power project in the hands of the accredited agency of the State of New York, under whatever terms are required to protect the national interests.

Program outlined by the Power Authority for utilizing St. Lawrence power for defense and post-war needs: In its consideration of the Federal-State accord contemplated under section 2 of the pending bill, the Power Authority recognized that, under existing law, the executive branch of the Federal Government has ample authority to utilize all power facilities of the Nation, whether they be under private control or under public agencies of the State, during any period of national emergency.

The Power Authority favors the use of St. Lawrence power to the fullest extent necessary to serve the defense needs of the present crisis, regardless of its duration. The trustees will cooperate in meeting this paramount necessity and exert every effort to expedite the successful conclusions of the accord in the negotiations with the Executive contemplated by the bill.

So far as the peacetime utilization of St. Lawrence power is concerned, during the period of reconstruction which will surely follow the cessation of the present war, the trustees see no point at which long-range plans for the beneficial public use of this great natural resource need conflict in any degree with emergency needs. Once developed, the resources of the St. Lawrence will be available for all time to come for the defense of the Western Hemisphere.

In an approach, therefore, to the broad principles which should be considered in connection with the accord, the trustees propose that no public safeguard should be omitted, whether derived from the

constitutional powers of the Federal Government or from the State, to guarantee in perpetuity the full benefit of the St. Lawrence development for power and navigation to the people of the entire Nation and of the Dominion of Canada.

Among the broad principles which the Power Authority has advocated as a basis for future operation of the St. Lawrence power project in the public interest are the following:

* * * In the operation of the project and the disposition of the power generated therefrom:

(1) No part of the United States' share of the water in the International Rapids section of the St. Lawrence River should be diverted for the benefit of any person or private corporation, nor should the use of any part of said water or the right pertaining to said water be sold, leased, or otherwise alienated to any person or private corporation for the generation of hydroelectric power, nor should the power-generating facilities be sold, leased, pledged, mortgaged, or otherwise alienated to any person or private corporation.

(2) Full recognition should be given to the interests of national defense.

(3) There should be made available and delivered without charge to the War Department so much power as shall be necessary in the judgment of said Department for use in operation of all reservoirs, canals, locks, and other facilities in aid of navigation in the International Rapids section.

(4) The project should be considered primarily for the benefit of the people as consumers of electricity, and particularly for the benefit of domestic and rural consumers, to whom it should be made available at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity.

(5) In disposing of the power generated by the project preference should be given to counties, municipalities, and public power districts; and provision should be made so that municipalities and other political subdivisions and public agencies, now or hereafter authorized by law to engage in the distribution of electric current, may secure a reasonable share of the power generated at the project.

Mr. DONDERO. Dr. Bonbright, are you now setting up what you think the agreement should be or should contain if this project is adopted, as between the Federal Government and the Power Authority of the State of New York?

Mr. BONBRIGHT. Congressman, we are by no means setting up what we think should be the agreement. On the contrary, we are very willing and very glad to undertake the negotiation of the agreement in that leisurely way that is possible after construction of the project has started, so that this is by no means to be understood as representing the terms of the agreement. It is rather to be understood as representing the broad principles which, in our opinion, should be embodied in this agreement and not the terms—not the points of the agreement necessary to carry it in to execution.

Mr. DONDERO. They are simply suggestive of the fundamental principles?

Mr. BONBRIGHT. That is true, Congressman.

Mr. DONDERO. I am sorry to have interrupted you.

Mr. BONBRIGHT. (6). In the event power is sold to any public agency, private company, or individual for resale, the contracts for the sale of such power should include adequate provisions for establishing resale rates, which should be fixed by the generating agency and which not only should provide for passing on to the electric consumer savings in costs of generation, but also should be promotional in character, designed, insofar as reasonably possible, to result in periodic rate reductions. Such contracts must be for a period of time not exceeding 20 years, including renewals.

(7) The power generating agency should have due legal authority to construct, acquire, maintain, and operate substations and transmission lines for the purpose of serving the principal load centers.

The Power Authority has never asserted exclusive jurisdiction over the St. Lawrence River, but, on the contrary, has always recognized and respected the undoubted power of the Federal Government to cooperate with Canada as well as with Ontario and New York, in the improvement of this navigable stream.

The assertion of public rights in the power resources of the St. Lawrence on behalf of the people of the State of New York has not been directed against the Federal Government but rather against a powerful combination of utility corporations and promoters which has sought for years to obtain control of this heritage. The Power Authority of the State of New York freely concedes the rights and the interests of the people of the entire Nation and the jurisdiction of our Federal Government in this improvement within its constitutional powers and limitations. But the trustees do not concede the power of any agency of the United States or of any commission, whether national or international in character, to turn over the power resources of the St. Lawrence under a license or permit to exploitation by private interests, in derogation of the declared public power policy and the duly enacted statute law of the State.

The trustees direct attention to the fact, however, that the necessary improvement of the St. Lawrence River can never be accomplished as a purely Federal project under exclusive Federal control. As a practical matter, three separate units of government would be involved in the ownership, operation, and control of the works to be constructed on the International Rapids Section, even though the State of New York were entirely excluded from what has always been considered a four-party accord, with a reconciliation of the respective rights and interests of all governments concerned. This is true because the St. Lawrence is one of the great international rivers of the world. An agreement with the Dominion of Canada has been required before the pending bill could be presented to Congress. Accompanying this agreement, signed by the United States and Canada on March 19, 1941, is a Dominion-Provincial accord, similar in terms to the arrangement entered into by public agencies of Canada and Ontario in 1932, providing for ownership, operation, and control of the power works to be built in that Province, through the Ontario Hydroelectric Power Commission.

The maintenance of the Federal-State accord which has endured since 1933 is likewise necessary if the public use of St. Lawrence power on the United States side of the same section of the river is to be assured. In view of the Power Authority, the passage of the pending bill, H. R. 4927, will promote this desirable objective. By placing New York on an equal footing with the neighboring Province of Ontario, the continuance of the four-party accord will also extend the effective cooperation of many years which has resulted in the agreement to proceed with the project in this time of emergency. Surely such cooperation is desirable and will contribute to the successful conduct and operation of the project works when they are completed.

The trustees accordingly petition your honorable committee for prompt and favorable action upon the project which is before you,

convinced that it will promote the general welfare of all the people of the United States and Canada and serve their common interest in Western Hemisphere defense.

Respectfully submitted.

POWER AUTHORITY OF THE STATE OF NEW YORK,
 JAMES C. BONBRIGHT, *Chairman*,
 FRED J. FREESTONE, *Vice Chairman*,
 GEORGE STEPHENS REED,
 MAURICE P. DAVIDSON,
 GERALD V. CRUISE, *Executive Secretary*,
Trustees.

GEORGE STEPHENS REED,
 MAURICE P. DAVIDSON,
 RALPH GUNN SUCHER,
Counsel.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Dr. Bonbright, under the treaty negotiated by Secretary Root, the treaty of 1909, Canada was given 36,000 cubic feet per second of water at Niagara?

Mr. BONBRIGHT. Yes, sir.

The CHAIRMAN. And the United States 20,000 cubic feet?

Mr. BONBRIGHT. Yes, sir.

The CHAIRMAN. Who controls the power produced by that 20,000 cubic feet granted to the United States?

Mr. BONBRIGHT. That is, what company is making use of the diversion?

The CHAIRMAN. Yes; and by what authority?

Mr. BONBRIGHT. Well, the company making use of it is the Niagara Falls Power Co., which is a subsidiary of the great Niagara-Hudson Power Corporation. That is the large holding company controlling something like 75 percent, I think, of all of the electrical utilities of up-State New York.

As to the legal authority by which or under which the Niagara Falls Co. operates, in 1920, it secured a basic license from the Federal Power Commission, and that license has been subsequently amended several times. As to its authority to operate under the laws of the State of New York, that authority is today in litigation before the courts of New York State.

The company itself, as I understand it, claims to have received from the Legislature of the State of New York, and also to hold by virtue of a mere status as a riparian owner, rights to exploit much more of the Niagara power than is now permitted by the treaty.

It is my recollection that the company claims that under these State grants, together with riparian ownership, it has the sole right to exploit the Niagara Falls power up to a total of 56,000 cubic feet per second, when, as, and if the treaty with Canada is so modified as to permit the extra diversion.

As I said a moment ago, Chairman Mansfield, the Water Power & Control Commission of the State of New York, which by statute has jurisdiction over the Niagara, has undertaken to get a decision from the New York courts holding those early supposed grants to the Niagara Falls Power Co. invalid on the ground that the New York

constitutional law forbids the alienation of the water power resources of the Niagara River to private persons.

The CHAIRMAN. Then, they obtain their authority from the Federal Power Commission?

Mr. BONBRIGHT. Yes. As I understand it, the Niagara Falls Power Co. concedes that it must have authority from two sources: First, from the Federal Government, and that it declares it has secured from the Federal Power Commission in the form of regular licenses; and, secondly, authority under the law of the State of New York, and that it declares it has secured partly by express statutory enactment and partly by virtue of the operation of what is regarded as the law of riparian ownership.

The CHAIRMAN. Do you know what the limitation of time is there?

Mr. BONBRIGHT. Well, the Federal Power Commission license was a 50-year license. The basic license will expire in 1970.

Mr. RANKIN. Mr. Chairman.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Was there a recapture clause?

Mr. BONBRIGHT. I beg your pardon.

Mr. RANKIN. I say, did not that license have a recapture clause?

Mr. BONBRIGHT. Yes; that license has a recapture clause in it, Congressman; but the date of recapture, under the text of the license, is fixed at 1970. Perhaps I should add that there is now before the Federal Power Commission the possibility of action designed to have that basic license declared invalid on the ground that the terms have been violated; and the Power Authority of the State of New York has intervened in that case and has asked for a finding on the part of the Federal Power Commission declaring the basic license invalid.

Mr. PITTINGER. They secured the license then without any safeguards from the public, from the Federal Power Commission?

Mr. BONBRIGHT. I would put it this way, Congressman: The Niagara Falls Power Co. secured the license with what seems to me to be ridiculously inadequate public safeguards. My colleague, Commissioner Davidson, reminds me that the license was put through under considerable stress in view of a temporary reorganization of the property, both financially and in an engineering way, due to the World War emergency, and the then shortage of power.

Mr. PITTINGER. These licenses out West, at the Grand Coulee and Bonneville, do you know whether or not the public interest is safeguarded in any of those?

Mr. RANKIN. Licenses have not been granted. No licenses have been granted.

Mr. PITTINGER. I understand that they have been.

Mr. RANKIN. They have not. The Government owns that, holds it, and is going to hold it there just like was done on the Tennessee River.

Mr. PITTINGER. Now, they have given license to somebody to use.

Mr. RANKIN. No; they sell some of the power to them, but there is a declared yardstick. They are not going to let them rob the people out there as they do the people in New York, in this instance.

Mr. CULKIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Mr. CULKIN. Dr. Bonbright, I wish to congratulate you on your statement and also to the great services you have rendered to the State of New York.

Mr. BONBRIGHT. Thank you, Congressman.

Mr. CULKIN (continuing). Congratulate you and your commissioners on the splendid fight, sometimes little known to the whole American public, that you have made to preserve the people's rights in that State.

What is this pending power litigation that you speak of; are you plaintiff in that?

Mr. BONBRIGHT. Are you referring there, Congressman, to the pending litigation in the courts of New York State that I spoke about a minute ago?

Mr. CULKIN. Yes.

Mr. BONBRIGHT. No; we are in that case, but in it only as *amicus curiae*. The parties are the *Water Power and Control Commission v. The Niagara Falls Power Co.*, and the Water Power and Control Commission, which operates under the New York State Conservation Law, is undertaking to compel the Niagara Falls Power Co. to pay a rental charge for the use of about three-quarters of the water which it is now diverting on which it pays no charge whatever.

Mr. CULKIN. That is, the original grant was without consideration?

Mr. BONBRIGHT. That is one of the points of contention of the Water Power and Control Commission.

The Niagara Falls Power Co. insists that there was valid consideration, and since the case is pending, and since we are in the case as *amicus curiae*, I doubt if it would be a matter of propriety for me to express my own judgment as to the merits of that point.

Mr. CULKIN. Well, you have been active in this field since 1931.

Mr. BONBRIGHT. Yes, Congressman.

Mr. CULKIN. Your outfit operates under authority of the legislature

Mr. BONBRIGHT. Quite so.

Mr. CULKIN. You were created by legislative act of the New York State Assembly and the Senate?

Mr. BONBRIGHT. Of the New York State Assembly and the Senate, and an act which I understand was passed by a unanimous vote.

Mr. CULKIN. And that power, of course, is continuing; is it not?

Mr. BONBRIGHT. Yes, sir; that power is continuing.

Mr. CULKIN. But you have some studies and some disbursements to make, and it involves the question of annual appropriations from time to time, from year to year?

Mr. BONBRIGHT. We are entirely dependent for our funds on annual appropriations by the State legislature.

Mr. CULKIN. And since 1931, each year, despite somewhat heroic opposition, the New York Legislature has appropriated money for your continuance?

Mr. BONBRIGHT. Yes; it has appropriated a total of something like \$1,250,000 during these 10 years.

Mr. CULKIN. Sometimes the sum was large and sometimes it was smaller.

Mr. BONBRIGHT. Yes, sir.

Mr. CULKIN. Depending upon how much those in power had mollified the opposition?

Mr. BONBRIGHT. Perhaps so.

Mr. CULKIN. Now, is there not a second lawsuit pending, Mr. Bonbright, in which your outfit is a party?

Mr. BONBRIGHT. Well, the second action in which we have been engaged is before the Federal Power Commission.

The Niagara Falls Power Co., a few years ago, applied for an amendment to its license permitting it to divert a small amount of water in excess of the diversion permitted under the preferred Power Commission license.

Well, while the amount of water involved, 275 cubic feet per second, was not great, the Power Authority was convinced that the principle involved was very important and we, therefore, sought, and secured leave from the Federal Power Commission to intervene in the case and intervened in the case, and to ask the Federal Power Commission to deny the application for an amendment to the permanent license of the company permitting the right to divert extra power, down to the year 1970.

Mr. CULKIN. That is the suit you have already described?

Mr. BONBRIGHT. Well, those are the two suits.

Mr. CULKIN. Yes.

Mr. BONBRIGHT. Using the word "suit" in a broad sense; on the one hand, a lawsuit before the New York courts in which the Water Power and Control Commission is the plaintiff and in which we are *amicus curiae*, attacking the so-called perpetual grants made by the legislature to the Niagara Falls Power Co.; on the other hand, this action before the Federal Power Commission in which the Power Authority has intervened to ask the Commission to deny the company's application for a further permanent diversion license.

Mr. CULKIN. That is pending here in Washington?

Mr. BONBRIGHT. That is pending here in Washington and down to date the Federal Power Commission has taken no action.

Mr. CULKIN. Well now, without getting into too many details, in connection with this matter you participated in in an attempt, and a successful attempt, to lower the domestic and industrial rates in New York City recently, will you tell us something of that?

Mr. BONBRIGHT. Well, in the prepared statement which is before you, Congressman Culkin, we outline briefly some of the work of the Power Authority of the State of New York. We go into that at some length, and I wonder if you would like me to read a few sentences.

Mr. CULKIN. I do not believe that will be necessary. I will just ask a couple of brief questions.

Mr. BONBRIGHT. Yes, sir.

Mr. CULKIN. It is a fact that you did participate by technical and other advice and activities in an attempt to obtain rate reductions in New York City, and did obtain them, whereby you succeeded in getting a \$9,000,000 reduction in New York City?

Mr. BONBRIGHT. Let me put it this way, Judge Culkin: We did participate by furnishing our expert services and cost analysis studies. The result of the negotiations was very favorable and we have every reason to believe that our participation was helpful, influential par-

ticipation. Possibly some other persons who may have been directly concerned might go a little further with respect to the aid given by the Power Authority.

Mr. CULKIN. That is the particular proceeding in which you participated with your technical advice and it resulted in \$9,000,000 reduction, or approximately that, in the power rate; \$2,000,000 on street lighting and \$7,000,000 on other categories.

Mr. BONBRIGHT. That is correct, Judge Culkin.

Mr. CULKIN. Now, you also had a hand in farm electrification?

Mr. BONBRIGHT. Yes; we also had a hand in the recent rather remarkable progress in the State of New York in farm electrification. There, too, we supplied the services of our experts and my co-trustee, Mr. Freestone, who, I think, was then master of the New York Farm Grange, and is now chairman of the executive committee of the National Grange, participated very actively, and we think very successfully.

Mr. CULKIN. And Mr. Freestone is now, you say, chairman of the executive committee of the National Grange?

Mr. BONBRIGHT. That is correct.

Mr. CULKIN. He is a member of the Power Authority and has been?

Mr. BONBRIGHT. Yes; he is a trustee and vice chairman of the power authority. In fact, he is a charter member.

Mr. CULKIN. And, as you say, in 1931 the power authority was created by the Legislature of the State of New York and was actually a precursor of the National Federal Power Authority, so far as principles were concerned?

Mr. BONBRIGHT. I would say it was a precursor. It set a standard for subsequent national power policy. In order to illustrate that point, may I read a very short quotation from the public papers and addresses of Franklin Delano Roosevelt, volume 2, page 123, year 1933? In January 1933, said President Roosevelt:

I visited Muscle Shoals with a group of officials and experts; and thereafter planned for the development of the entire Tennessee Valley by initiation of a public authority similar to the public authorities created in New York while I was Governor; for example, the Power Authority.

Mr. CULKIN. I think that is all, Mr. Chairman.

The CHAIRMAN. Dr. Bonbright, one more question.

Mr. BONBRIGHT. Yes, sir, Mr. Chairman.

The CHAIRMAN. With reference to the Beauharnois, which operates down near Montreal; from what source does it get its power?

Mr. BONBRIGHT. That is from the St. Lawrence River.

The CHAIRMAN. Have they got a dam in the river?

Mr. BONBRIGHT. Is it out of order if I ask our acting chief engineer, Mr. Cruise, who knows about the Beauharnois, to answer your question.

The CHAIRMAN. No; you may ask him.

STATEMENT OF GERALD V. CRUISE, ACTING CHIEF ENGINEER, NEW YORK POWER AUTHORITY

Mr. CRUISE. Beauharnois has a slight diversion dam and a canal about 15 miles long which conveys the water from Lake St. Francis to a basin above Lake St. Louis. There, the water is passed through

Mr. CULKIN. Depending upon how much those in power had mollified the opposition?

Mr. BONBRIGHT. Perhaps so.

Mr. CULKIN. Now, is there not a second lawsuit pending, Mr. Bonbright, in which your outfit is a party?

Mr. BONBRIGHT. Well, the second action in which we have been engaged is before the Federal Power Commission.

The Niagara Falls Power Co., a few years ago, applied for an amendment to its license permitting it to divert a small amount of water in excess of the diversion permitted under the preferred Power Commission license.

Well, while the amount of water involved, 275 cubic feet per second, was not great, the Power Authority was convinced that the principle involved was very important and we, therefore, sought, and secured leave from the Federal Power Commission to intervene in the case and intervened in the case, and to ask the Federal Power Commission to deny the application for an amendment to the permanent license of the company permitting the right to divert extra power, down to the year 1970.

Mr. CULKIN. That is the suit you have already described?

Mr. BONBRIGHT. Well, those are the two suits.

Mr. CULKIN. Yes.

Mr. BONBRIGHT. Using the word "suit" in a broad sense; on the one hand, a lawsuit before the New York courts in which the Water Power and Control Commission is the plaintiff and in which we are *amicus curiae*, attacking the so-called perpetual grants made by the legislature to the Niagara Falls Power Co.; on the other hand, this action before the Federal Power Commission in which the Power Authority has intervened to ask the Commission to deny the company's application for a further permanent diversion license.

Mr. CULKIN. That is pending here in Washington?

Mr. BONBRIGHT. That is pending here in Washington and down to date the Federal Power Commission has taken no action.

Mr. CULKIN. Well now, without getting into too many details, in connection with this matter you participated in in an attempt, and a successful attempt, to lower the domestic and industrial rates in New York City recently, will you tell us something of that?

Mr. BONBRIGHT. Well, in the prepared statement which is before you, Congressman Culkin, we outline briefly some of the work of the Power Authority of the State of New York. We go into that at some length, and I wonder if you would like me to read a few sentences.

Mr. CULKIN. I do not believe that will be necessary. I will just ask a couple of brief questions.

Mr. BONBRIGHT. Yes, sir.

Mr. CULKIN. It is a fact that you did participate by technical and other advice and activities in an attempt to obtain rate reductions in New York City, and did obtain them, whereby you succeeded in getting a \$9,000,000 reduction in New York City?

Mr. BONBRIGHT. Let me put it this way, Judge Culkin: We did participate by furnishing our expert services and cost analysis studies. The result of the negotiations was very favorable and we have every reason to believe that our participation was helpful, influential par-

ticipation. Possibly some other persons who may have been directly concerned might go a little further with respect to the aid given by the Power Authority.

Mr. CULKIN. That is the particular proceeding in which you participated with your technical advice and it resulted in \$9,000,000 reduction, or approximately that, in the power rate; \$2,000,000 on street lighting and \$7,000,000 on other categories.

Mr. BONBRIGHT. That is correct, Judge Culkin.

Mr. CULKIN. Now, you also had a hand in farm electrification?

Mr. BONBRIGHT. Yes; we also had a hand in the recent rather remarkable progress in the State of New York in farm electrification. There, too, we supplied the services of our experts and my co-trustee, Mr. Freestone, who, I think, was then master of the New York Farm Grange, and is now chairman of the executive committee of the National Grange, participated very actively, and we think very successfully.

Mr. CULKIN. And Mr. Freestone is now, you say, chairman of the executive committee of the National Grange?

Mr. BONBRIGHT. That is correct.

Mr. CULKIN. He is a member of the Power Authority and has been?

Mr. BONBRIGHT. Yes; he is a trustee and vice chairman of the power authority. In fact, he is a charter member.

Mr. CULKIN. And, as you say, in 1931 the power authority was created by the Legislature of the State of New York and was actually a precursor of the National Federal Power Authority, so far as principles were concerned?

Mr. BONBRIGHT. I would say it was a precursor. It set a standard for subsequent national power policy. In order to illustrate that point, may I read a very short quotation from the public papers and addresses of Franklin Delano Roosevelt, volume 2, page 123, year 1933? In January 1933, said President Roosevelt:

I visited Muscle Shoals with a group of officials and experts; and thereafter planned for the development of the entire Tennessee Valley by initiation of a public authority similar to the public authorities created in New York while I was Governor; for example, the Power Authority.

Mr. CULKIN. I think that is all, Mr. Chairman.

The CHAIRMAN. Dr. Bonbright, one more question.

Mr. BONBRIGHT. Yes, sir, Mr. Chairman.

The CHAIRMAN. With reference to the Beauharnois, which operates down near Montreal; from what source does it get its power?

Mr. BONBRIGHT. That is from the St. Lawrence River.

The CHAIRMAN. Have they got a dam in the river?

Mr. BONBRIGHT. Is it out of order if I ask our acting chief engineer, Mr. Cruise, who knows about the Beauharnois, to answer your question.

The CHAIRMAN. No; you may ask him.

STATEMENT OF GERALD V. CRUISE, ACTING CHIEF ENGINEER, NEW YORK POWER AUTHORITY

Mr. CRUISE. Beauharnois has a slight diversion dam and a canal about 15 miles long which conveys the water from Lake St. Francis to a basin above Lake St. Louis. There, the water is passed through

a head of approximately 83 feet. They have installed at the present time fourteen 50,000-horsepower units there. Does that answer your question, Judge?

The CHAIRMAN. I think so, sir. I was just wondering how they got their power, because I did not think there was any dam across the St. Lawrence at that point.

Mr. CRUISE. No, sir.

The CHAIRMAN. Is it in private ownership?

Mr. CRUISE. It is under private ownership. It is owned now by the Montreal Light, Heat & Power Consolidated. The canal is on the south side of the St. Lawrence River.

The CHAIRMAN. Yes. Thank you.

Mr. DONDERO. Mr. Chairman.

The CHAIRMAN. Mr. Dondero.

FURTHER STATEMENT OF JAMES C. BONBRIGHT

Mr. DONDERO. Mr. Bonbright, I listened with great interest to the principles you enunciated in your statement. I gathered the impression from that statement, that the State of New York, by the inclusion of section 2 of this bill, recognized the ownership and control of the power that might be developed, but that the State of New York had priority in the right to purchase or at least to distribute that power. Am I right about that?

Mr. BONBRIGHT. Well, I would put it this way, Congressman: In the first place, section 2 of the bill as now presented has not been passed upon by the State of New York in the official sense. I suppose when one says that the State of New York approves a particular bill, one means that a resolution of approval has been passed by both branches of the legislature and signed by the Governor. Am I not right about that, Congressman?

Mr. DONDERO. It must come from the final decision of the people's representatives.

Mr. BONBRIGHT. Yes.

Mr. DONDERO. By reason of your riparian ownership or your riparian geographic location, the State of New York feels that it should be given the right, perhaps, to distribute that power within reasonable economic distances.

Mr. BONBRIGHT. Well, I will put it this way, Congressman: As Governor Lehman said, the technical, legal position of the State of New York, going back for many, many years, has been that the State of New York has a right to develop the power resources of the navigable rivers of that State subject to the constitutional—dominant constitutional—power of the United States Government.

It would be a wrong construction, however, of the Power Authority's position on section 2 of this bill to assume that it is a position premised on any claim of titular ownership or of constitutional right to do with the river as it pleases.

Mr. DONDERO. Now, this is the reason for this discussion.

Mr. BONBRIGHT. Yes.

Mr. DONDERO. It may develop here before this committee, and it has been suggested, that New England, Pennsylvania, and perhaps some other adjacent States may be excluded entirely from the right to pur-

chase some of this power even though it would be within economic distribution distances and within the watershed of the St. Lawrence River.

Mr. BONBRIGHT. Yes. Congressman, it is my distinct understanding, from a careful reading and discussion of this bill, that the bill expressly intends that the Federal-State accord which shall be negotiated first between the President and the Power Authority and then later must go back for ratification to Congress and the State of New York; I say that the bill expressly intends that one of the very terms of this Federal-State accord shall be a provision assuring the use of this power for the maximum benefit of the people, even though the maximum benefit of the people may, and very likely will, involve the transmission of some of this power beyond the boundaries of the State of New York.

The CHAIRMAN. And that provision would repeal any other law in conflict with it?

Mr. BONBRIGHT. Yes. In view of the fact that this accord must be ratified by the New York State Legislature, such ratification would, of course, repeal any existing law which might be in conflict.

The CHAIRMAN. Certainly.

Mr. BONBRIGHT. Let me add this, however: I note in reading some of the hearings of previous days, the opinion has been expressed by witnesses that, under the Power Authority Act as it now stands, the Power Authority may not export St. Lawrence power outside of the State of New York. That is not the construction placed on the present Power Authority Act by the trustees of the Power Authority and by the counsel for the Power Authority. That is to say, in our opinion, the Power Authority Act now permits the exportation of power from the State of New York. We do not have, to the best of my knowledge and belief, a State policy similar to that which was adopted, for very special and perhaps very cogent reasons a number of years ago by the State of Maine, a law forbidding the export of power from the State; but even if we were all wrong on that point, then in order to make the question 100 percent clear, the terms of the accord could require the legislature to insert an amendment into the Power Authority Act specifically permitting the Power Authority to export power.

The CHAIRMAN. Any further questions?

Mr. DONDERO. Just one more question. I am going to risk it.

Mr. BONBRIGHT. You scare me, Mr. Congressman; I am trembling.

Mr. DONDERO. Suppose that the New York State Power Authority and the Federal Power Commission, and the Federal Government could not agree; under section 2 what would be the result?

Mr. BONBRIGHT. Well, the first result is that in the meanwhile General Robins would be a considerable distance toward constructing this great national-defense project and that the project when constructed would be used, and would be used somehow for the benefit of the people of the United States, and I doubt not very largely for the benefit of the State of New York, because of the natural geography. Now what would be the legal result, I do not know. Perhaps the legal result would be several years' delay until finally more intelligent and more reasonable negotiators did agree.

Mr. DONDERO. I have no personal fear about it, Dr. Bonbright.

Mr. BONBRIGHT. No.

Mr. DONDERO. I am trying to look down the road or ahead to see how we could meet that contingency, should it arise.

Mr. BONBRIGHT. Yes.

The CHAIRMAN. Would it not be this way; would it not be in the hands of the Federal Government, just as the Bonneville power and just as the Grand Coulee power is?

Mr. DONDERO. That would be my own opinion.

Mr. BONBRIGHT. I beg your pardon.

The CHAIRMAN. Would it not be in the hands of the Federal Government?

Mr. DONDERO. I wanted to know what Dr. Bonbright thinks about it.

Mr. BONBRIGHT. If the views of several of the committee members with respect to the implications of these recent Supreme Court decisions are right and, not being a lawyer, I do not have the slightest opinion as to whether they are right or not right—I say, if these views are right—then the project would remain with the Federal Government and then I assume, according to their own interpretation of the law, the State of New York would have no right of action whatever. If on the other hand the views of those persons who insist that the *New River case* has not hit this case on the nose are right, and if the Supreme Court were to hold otherwise, why then there would no doubt be litigation between the State and the United States Government. But to those who are confident of the implications of the *New River case* as those implications have been stressed here, I should not think that would be a matter of any concern at all.

Mr. DONDERO. My only purpose in raising that question is to obviate the contingency by some possible means now if it could be done. I have confidence, of course, in the public bodies, that they will solve the problem.

Mr. BONBRIGHT. Well, Congressman, the difficulty of obviating all possible litigation, however remote its likelihood within any very short time, is extremely great, because there is no doubt that, while the Supreme Court has passed on issues that in many ways are similar, it has never faced an issue of precisely this type and, as I understand it, the Supreme Court is very reluctant to give declaratory judgments. I suspect a petition from the Congress to the Supreme Court to give a declaratory decision would receive short shrift from it. So that it seems to me that in view of the extreme emergency of this time, from the point of view of the national defense, the thing to do is to put first matters first.

We seem all to be agreed that the project should be built and should be built forthwith. We seem all to be agreed on the objectives of the project, on the basic features of the operation, and the risk that a Federal-State accord may be impossible to reach, while it is not zero, is so small that it seems to me many, many times worth taking for the purpose of getting this great national-defense project started. That is my position on that, Mr. Congressman.

Mr. DONDERO. That is all.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Mr. Chairman, I first want to ask the gentleman from Michigan (Mr. Dondero) on the question of conflict of authority between the State and the Federal Government over this project.

That question was raised by the Governor of Alabama over Muscle Shoals, which is located in the State of Alabama and he

found that he did not have a leg to stand on. So, if there is any conflict or any failure to reach an agreement between the Government and New York, the Power Authority and the Federal Power Commission, or anybody else about the distribution of this power, it would remain in the hands of the Government, and the mere fact that the Government has the right to build the dam under the *Oklahoma case*, as well as under the *Appalachian Power case*, it would have title to the power.

Now, Doctor, I want to ask you some questions about this Niagara situation:

You say that there is some controversy about the legality of that permit; that there is a question now pending before the Federal Power Commission over its cancelation?

Mr. BONBRIGHT. Yes, sir.

Mr. RANKIN. The company is owned by a holding company, you say?

Mr. BONBRIGHT. Yes; the majority of the stock is held by a holding company.

Mr. RANKIN. Where does the Aluminum Co. of America fit into that picture?

Mr. BONBRIGHT. Through investment tie-ups. The interrelation, the financial interrelationship, between the Niagara Hudson Power Corporation, the holding company for the Niagara Falls Power Co., and the Aluminum Co. of America were gone into in very great detail, not by us as intervenors, but by counsel for the Federal Power Commission itself and were argued at great length by both parties in that case.

My own memory for detailed financial statistics is not very good, Congressman, and I could not offhand tell you the precise nature of these stock tie-ups, but I could very easily get the information for you from the records in the Federal power case.

Mr. RANKIN. I wish you would, and put it in the record at this point.

Mr. BONBRIGHT. Yes. How shall I do that?

Mr. RANKIN. Just give it to the reporter and have him insert it at this point.

(The matter referred to is to be inserted in the record at this point at a later date.)

Mr. RANKIN. Now, the majority of the power distributed throughout the Ontario—

Mr. BONBRIGHT. Might I interrupt, Judge?

Mr. RANKIN. Yes.

Mr. BONBRIGHT. My colleague reminds me there is one other point in connection with the *Aluminum case* that is important here. The Aluminum Co. of America is a white-haired boy of the Niagara Falls Co. I mean that it is now getting power in the case of mechanical power at a rate very much lower than any other company in Niagara Falls is permitted to get—I think about half.

Mr. RANKIN. About what per kilowatt-hour; about what price per kilowatt-hour?

Mr. BONBRIGHT. The price which the Aluminum Co. pays for mechanical power is \$8 per horsepower-year; a horsepower-year. That power it has to convert in its own generators which are actually located

in the Niagara Falls Power Co.'s plant, at its own cost, which is estimated at about \$2 per horsepower-year, making the equivalent of approximately \$10 per horsepower-year by the Aluminum Co. to the Niagara Falls Power Co. for a good share of its power.

Mr. RANKIN. Well, how much is that per kilowatt-hour?

Mr. BONBRIGHT. Mr. Cruise tells me that it works out about a mill and a third per kilowatt-hour.

Mr. RANKIN. A mill and a third?

Mr. BONBRIGHT. Yes, sir.

Mr. RANKIN. So that is what becomes of the power generated on the New York side and Niagara Falls.

Mr. BONBRIGHT. Yes.

Mr. RANKIN. Now I will give you the figures here that show what would happen to the people of the State of New York if that power were distributed in the same manner that it is distributed on the Canadian side.

If the people of the State of New York got their power at the same prices, the same rates, as the people in Ontario get theirs, or got theirs in 1940, the domestic consumers would have saved \$73,000,000 in round numbers. That means householders, residential consumers. The commercial consumers would have saved \$90,000,000; the industrial consumers would have saved \$37,000,000—making a total of \$200,000,000, in round numbers, overcharges to the people of New York, paid last year, because these special interests have crept in there and gobbled up this power and prevented its use as a yardstick for the protection of the people of that area.

I am very jealous about what happens to this power. I am much more interested in the power than I am in transportation.

If this power is handled through the New York Power Authority or any other power authority, they must be agents of the Federal Government; is that correct?

Mr. BONBRIGHT. Well, not being a lawyer, I do not know whether that is strictly law; in a broad sense, that may be true; but I just do not know whether the term "agency" applies under a contractual arrangement.

Mr. RANKIN. The Federal Government should retain the right to control the distribution of this power and fix the retail rates.

Mr. BONBRIGHT. Would you say that again; I did not understand you.

Mr. RANKIN. Yes, sir. The Federal Government should retain the right to control the distribution of this power and fix the retail rates.

Mr. PITTINGER. Will the gentleman yield?

Mr. BONBRIGHT. You mean fix the rates?

Mr. RANKIN. That the ultimate consumer should pay.

Mr. BONBRIGHT. That the ultimate consumer pays?

Mr. RANKIN. Yes.

Mr. BONBRIGHT. I have no doubt the Federal Government will be very much concerned to join with the Power Authority in an agreement whereby the base upon which the rates are to be fixed shall be definitely set. In that broad sense I think you are quite right; that would be a joint partnership action of the two governments interested in the same thing in an agreement, whereby that could be controlled.

Mr. RANKIN. Of course, where the two governments are interested, the Federal Government and the State government, of course the Federal Government is supreme over any property that the Federal Government has or to which the Federal Government has original title.

Now one of the blunders made, one of the terrific blunders made, one of the great blunders in the creation of Boulder Dam, was taking in partnership the Southern California Edison. As a result of that, the people of California are overcharged \$30,000,000 a year, even with a yardstick provided by Los Angeles.

We avoided that on the Tennessee River and, therefore, the people within the distribution radius of those dams on the Tennessee River are getting their power at rates based upon cost of generation, transmission, and distribution.

Do you not think that same precaution should be taken here?

Mr. BONBRIGHT. Well, let me see if I understand what you mean, Congressman. The great mistake which you indicate was made with respect to Boulder Dam is that a large part of the power was in effect sold to a great private company without any arrangement whereby the rates of that private company would be controlled under the terms of the contract.

Mr. RANKIN. We reserved no right to control the retail rates of any of it. Los Angeles happens to be a great public power city and it provides low rates.

Mr. BONBRIGHT. Yes.

Mr. RANKIN. And for that reason it has held the rates down. If it were not for that; if it were not for the yardstick provided by the city of Los Angeles, I am satisfied that the overcharge in that State would be considerably more than \$100,000,000 a year, but the yardstick provided by Los Angeles alone has, to some extent, saved, or softened the blow that the Boulder Dam Act would have given the people of that section.

Mr. BONBRIGHT. Yes. I am inclined to think, Congressman, that the Boulder Dam Act was passed before the technique of control of rates by contracts had been developed and there I do take the liberty again of noting the passage of the New York Power Authority Act, which I think in a way sets a new precedent, a precedent which in many respects has been adopted by subsequent Federal law.

Mr. RANKIN. Now, suppose that the Federal Power Commission should set aside and cancel the permit to which you referred awhile ago. That would leave the American side of the Niagara power in the hands of the Federal Government, would it not; and if that is done—frankly, that would be the effect, as I see it—and I am doubtful whether the permit they have gives them title to the river at any rate; but if that is done, do you not think that power at Niagara, this power generated on our side of the St. Lawrence, or part of this power, should all be handled by one authority covering that entire area?

Mr. BONBRIGHT. Well, I think that the Niagara power and the St. Lawrence power are tied together both in an economic and to some extent in a water-flow manner, so that coordinated operation of the two great power resources from New York State is very much to be desired. That coordinated operation was precisely what the Power Authority proposed and developed in great detail in its eighth annual report.

Mr. RANKIN. You would not expect us to leave this in such a way that this power could be turned over to these very private power companies that are overcharging the people in New York \$200,000,000 a year, would you?

Mr. BONBRIGHT. No; I should hope not. The very object of the Power Authority Act is to preclude that, and I hope and believe that that also not only is but will continue to be the policy of Congress.

Mr. RANKIN. I will say to you, frankly, I am very friendly to this proposal, because of the power proposition involved; but I am terrifically interested in seeing that this power is made available to everybody within the distribution radius, and that it be distributed on a basis of cost of generation, transmission, and distribution, and unless that is done, we will probably do a great injury to the people of that area instead of benefiting them.

Mr. BONBRIGHT. I do not think I have any quarrel at all with you there.

As to point No. 2, that you make, that is the very objective of the Power Authority Act and the intent of the trustees as to distribution of the power within the economic transmission area.

I have just one qualification to that, and that is that while I do not by any means mean that the power should be entirely in one State, I think there is a danger that if the power from the St. Lawrence, which after all, in that great market is not such a tremendous amount, is spread too far, the beneficial effect of the power in reorganizing a rate structure may be too much dissipated. I would like to see the power—

Mr. RANKIN. You need not be worried about that. Wherever you take cheap electricity it furnishes a yardstick to force rates down if not to those levels, approximately to those levels. For instance we provided the T. V. A. power for Tarrant City and Bessemer on each side of Birmingham. I have the rates here. I can bore you with them, but we broke the rates in Birmingham \$1,000,000 a year. Birmingham gets her power through the Birmingham Electric which is owned by the Electric Bond & Share, and they buy from the Commonwealth & Southern, and they get that power at the Gorgas plant, and yet they have been charging 10 cents per kilowatt-hour up to a few years ago in that area. They brought those rates down approximately to T. V. A. rates in Birmingham proper.

So, this is going to be a yardstick. It will be just one yardstick, but if we provide electricity for a city out 300 miles away and it is known that this power is available to that area and the area through which this line passes, it would have the very salutary effect of forcing rates down to the ultimate consumers throughout the territory. And for that reason I do not think you need to worry about spreading it too thin. Besides, there are some of these New England States that are closer to this dam than some portions of the city of New York.

Mr. BONBRIGHT. Yes; and I do not think one wants to forget there, that there is some very good undeveloped power in the New England States, so that it would be a matter of give and take between the New England States and New York.

Mr. RANKIN. I understand; and that could be connected up when we get that development.

Now, I want to say to you that also the record shows that the six New England States were overcharged \$97,000,000 for their electricity, compared to the Ontario rates.

Now, I happen to live, my district touches the Tennessee River, and my district was considered outside of the valley but not outside of the distribution radius, and we have had this question to wrestle with so long I know just what the boundary will involve. And I would not want it to be understood that we are closing the door to anybody within the distribution radius, which I will say extends from 300 to 350 miles from the dam.

Mr. BONBRIGHT. Well, my understanding, Mr. Congressman, is that one of the very objects of this Federal-State accord would be to avoid closing the door to the transmission of this power to States where it will do the most good. That does not mean that one merely takes a ruler and finds out which power market is nearer and gives the power first to that, and then afterward if there is anything left to find a power market that is 50 miles farther away. The problem is manifestly more complicated than that. You have to take into account your load, your base-load possibilities, and your political factors; just as the T. V. A. did. The T. V. A. did not roll out from this dam in perfect concentric circles.

Mr. RANKIN. No; but the T. V. A. when it distributed, gave to the cities a retail rate—

Mr. MACIEJEWSKI. The thought I had was brought out very clearly by Congressman Rankin and one of the other members, and time is very valuable and I will pass; I will not take up any more time.

Mr. PITTENGER. Not if it is worth \$1,000 an hour.

Mr. BEITER. Did I understand you correctly, sir, that because of delays the Government is losing \$1,000 per hour?

Mr. BONBRIGHT. Well, any delay, Congressman, in the completion of the power project on the United States side alone, without reference to the other indirect benefits or to the special national defense benefit and without taking even into consideration the seaway benefits, any delay may, just to get the general picture, be regarded as having the economic cost of more than a thousand dollars an hour. That figure is reached simply by taking the \$10,000,000 a year savings or advantage from having the power project on the United States side, and dividing by the total number of hours in a year. I do not mean to attach any scientific importance to it, of course, as a precise figure.

Mr. BEITER. You quoted from the testimony of Mr. Tallamy, and I assume you heard him state that steam can be developed in 2 years, while it takes 4 years to develop power at the International Rapids section?

Mr. BONBRIGHT. Yes; I did hear something to that effect.

Mr. BEITER. So the difference in the time required in the construction would be 2 years or 17,520 hours?

Mr. RANKIN. Would the gentleman yield?

Mr. BEITER. No; just a minute.

Mr. BONBRIGHT. Let me see; on that hypothesis that a particular steam plant could be constructed in 2 years, and that the St. Lawrence would be constructed in—how many years did you say?

Mr. BEITER. Four years.

Mr. BONBRIGHT. And the St. Lawrence could be constructed in 4 years; then I take it that your computation of the number of hours difference is about correct.

Mr. BEITER. 17,520 hours. Now, using your own figure of \$1,000 per hour, it would cost the Government exactly \$17,520,000 to construct the waterway as you figure it, would it not?

Mr. BONBRIGHT. You are talking now about the seaway?

Mr. BEITER. Well, the power, the St. Lawrence-International Rapids section, the power end?

Mr. BONBRIGHT. You mean, the entire International Rapids development for that side of the river?

Mr. BEITER. That is right.

Mr. BONBRIGHT. Power and navigation. Now, what are your figures, Congressman?

Mr. BEITER. I said, using your own figures, in view of the fact it would require 2 years to construct a steam plant and 4 years to develop International Rapids section plants, at your own figure of \$1,000 an hour, it would cost the Federal Government \$17,520,000 to develop the International Rapids section, as compared with a steam plant developed in 2 years?

Mr. BONBRIGHT. I do not think that follows. I feel sure that your arithmetic is right. I do not see the significance of the conclusion. No; I do not think it follows at all, Congressman. How did I get that \$1,000 an hour savings?

Mr. BEITER. I don't know; you are the one that made it.

Mr. BONBRIGHT. No; that was a rhetorical question, and I was going to answer it, myself. I got it by dividing \$10,000,000 per year savings, that is the advantage of having this over having a steam plant, by the total number of hours in a year. Now, that \$1,000 an hour represents the advantage, the advantage in terms of monetary economics; not a sum expressive of national-defense values, but the monetary economic advantage per hour.

Mr. BEITER. That is what I am trying to get at, the advantage.

Mr. BONBRIGHT. Of having a hydro plant over against a steam plant.

Mr. BEITER. That is, the advantage of construing a steam plant when needed at this time, as compared with the development of the St. Lawrence, the economical advantage that you point out.

Mr. PITTENGER. He did not state that.

Mr. BONBRIGHT. Why don't you assume the responsibility for that statement, because that is not my figure at all.

Mr. BEITER. I beg your pardon?

Mr. BONBRIGHT. Why don't you assume responsibility for that statement? I do not understand how you reach your conclusion.

Mr. BEITER. I do not understand how you reach your figure, for that matter.

Mr. BONBRIGHT. I am sorry—

Mr. PITTENGER. The rest of us understood.

Mr. BEITER. I assume you did.

If the Federal Government develops it, would the New York State Power Authority still advocate the construction as vigorously as it does at the moment?

Mr. BONBRIGHT. Let me see; if the Federal Government—

Mr. BEITER. Developed the International Rapids section?

Mr. BONBRIGHT. Were to develop it? Well, I understand that is the proposal.

Mr. BEITER. Well, after it is developed, it turns it over to the State of New York?

Mr. BONBRIGHT. Yes.

Mr. BEITER. To the New York State Power Authority. Now, if they do not turn it over, if they develop it and do not turn it over, would the New York State Power Authority still advocate it as vigorously as it does at the moment?

Mr. BONBRIGHT. Well, I think the New York Power Authority would then be estopped by the act of the State legislature to advocate the development of the project, regardless of what might be the individual feelings of the trustees.

Mr. BEITER. Would not the New York State Legislature likewise estop the New York State Power Authority if they attempted to sell this power to interests outside of the State of New York, after contributing \$93,375,000 as its share toward its construction?

Mr. BONBRIGHT. Oh, no; I do not think—

Mr. BEITER. Do you think the New York State Legislature would approve it, after they made that contribution, and they would say, "All right; go ahead and sell this power outside the State"?

Mr. MACIEJEWSKI. Mr. Chairman, I suggest the witness be allowed to answer the question.

Mr. BONBRIGHT. Of course, Congressman, you are asking me a difficult question, and that is to forecast what the legislature in Albany will do. Now, if you want to rephrase it, I would be very glad to answer what my own feeling is as to what it might wisely do. But I cannot tell you what will be the action of the New York State Legislature.

Mr. BEITER. From your experience with the State legislature in trying to get your yearly appropriations, do you suppose they would grant you that authority?

Mr. BONBRIGHT. You mean, do I think that the New York Legislature will reach any accord with the Federal Government under which the power will not be retained entirely within the State of New York?

Mr. BEITER. That is right.

Mr. BONBRIGHT. Well, now, if that is your question, of course, again I cannot say what I think the New York Legislature will do. But I think the New York Legislature would very wisely reach a reasonable accord. Because, among other things, you must remember that the interchange of power between various areas is not something that is bad for the State out of which the power goes, and good merely for the State into which the power goes.

I think very likely the State would benefit by these mutual arrangements that I conceive of, whereby, if some of the New England area, for instance, would like to take some of our power, the answer would very likely be, "Why, gentlemen, we are very, very glad to negotiate reasonable arrangements, but we do want you to cooperate with us in developing your natural resources and in interchanging power to the best of your ability." That would seem to me a reasonable attitude.

The New York State Legislature may look at it in another way; it may refuse to concede the transmission of one single kilowatt-hour of this power outside. I should be very much surprised if it

did so, because I think, on the whole, their actions on power matters have been very reasonable.

Mr. BEITER. How many projects have been developed by the New York State Power Authority in the streams in the interior of the State?

Mr. BONBRIGHT. Well, we do not have jurisdiction to develop there, Congressman. It would be ultra vires for us under our present act to develop any other projects.

Mr. BEITER. Well, then, what has been the experience of the New York State Power Authority in handling projects of this type?

Mr. BONBRIGHT. Well, we have—

Mr. PITTENGER. Mr. Chairman, that has nothing to do with it.

Mr. BEITER. I am asking the witness a simple question.

Mr. BONBRIGHT. Yes; and I am trying to answer it as well as I can understand. We have spent 10 years devoting the best part of our lives and the best part of our energies to working on this project and studying it, and we have had a vast amount of experience; I suppose more experience and more knowledge of the St. Lawrence power situation than any other organization in the country. We have not had the experience of operating the St. Lawrence project, or of any other project, because we have not been an operating organization.

Mr. BEITER. So that you have no experience whatever in the operation of projects of this magnitude or any other size, for that matter?

Mr. BONBRIGHT. Well, as a corporate agency of the State; no. Of course, we would have, as a matter of good sense, the most competent and experienced operators who have had years of experience in the operation of projects of this sort.

Mr. BEITER. Well, don't you think it would be unwise for the Federal Government, then, to turn over a project of this magnitude to men who have had no experience in the operation of such plants?

Mr. BONBRIGHT. Well, I think Mr. Olds' answer to that with respect to the Federal agency is pretty convincing; that any agency, Federal, State, or local, which starts with a new project of this sort, is generally an agency which at the start is inexperienced. After all, it is the promotion of a new venture, and you are forming this as you do any private business, with a new corporation.

No; my answer to your question is quite definitely "No," Congressman.

Mr. BEITER. If the project is constructed I understood you to say, then, that you would sell the power outside of the State of New York?

Mr. BONBRIGHT. Well, let me say this: The present bill provides for a Federal-State accord, and the clear implications of the present bill are that one of the terms of the accord shall be that that power shall be available for use not merely to the State of New York but also within reasonable economic transmission distances. Now, what terms may be imposed, what terms the President may negotiate, what terms with respect to that you as a Congressman may decide to impose when the time comes to negotiate and then to ratify the agreement, is another question.

Mr. BEITER. I have just one or two questions, Mr. Chairman.

The CHAIRMAN. We will have to hurry.

Mr. ANGELL. Mr. Chairman, I have quite a number of questions to ask.

The CHAIRMAN. I know; that is why I want to hurry along.

Mr. BEITER. On page 8 you refer to the fact that it is to be held in trust under the inalienable ownership of the people. I think Mr. Carter raised that question awhile ago. Is that to the people of the State of New York, or to the people of the United States? On page 8, line 5.

Mr. BONBRIGHT. Now, you realize that anybody who is not a lawyer who attempts to interpret the meaning the courts will place on a legally drafted document is running a risk. But I am very glad to give you my opinion, and all the more so because I am not a lawyer; since, not being a lawyer, I am not responsible for any expressed opinion as to the law.

My guess is that what the legislature had in mind when it said, "in trust under the inalienable ownership of the people"; my guess is that it had in mind primarily, at least, the people of the State of New York. But I do not interpret that to preclude the exportation of power outside of the State, even under the present Power Authority Act. And you must remember that an amendment to the Federal Power Authority Act can be made and will be made if the Federal-State accord, when concluded, requires such amendment.

Mr. BEITER. Now, you said that the subject has given rise to much interest. Who has expressed this interest? Have the labor organizations of the State of New York expressed interest in it? Or has the New York State Port Authority, or the New York State senators, for that matter, or the shippers of the State of New York or the port authorities of the State of New York expressed an interest at any time?

Mr. BONBRIGHT. Oh, yes; the shippers and the individual members of the New York Port Authority have expressed very keen adverse interest to the seaway project. Other organizations like the so-called—and falsely called, by the way—Chamber of Commerce of the State of New York, have been against the seaway, and quite as much against the power. I think they regard it as rank socialism to have any hydro plants, or any other kind of plant owned except for profit-making purposes.

Mr. BEITER. What has labor's position been in regard to it?

Mr. BONBRIGHT. Well, labor—what do you mean by "labor"?

Mr. BEITER. Labor organizations, such as the Railroad Brotherhoods, or the American Federation of Labor—

Mr. BONBRIGHT. Yes.

Mr. BEITER. Or the C. I. O.; what has been the position of these groups?

Mr. BONBRIGHT. Yes. Well, I cannot give you any details, because, frankly, I am not politically minded.

Mr. BEITER. You have never had any resolution from them opposing it?

Mr. BONBRIGHT. I do not think we have had any resolution of any kind. I have seen in the press—

Mr. BEITER. Would you give us whatever you have—

Mr. MACIEJEWSKI. Mr. Congressman, can we not speed this matter up a little bit?

Mr. BEITER. Yes; Mr. Rankin had the floor for 45 minutes, and I have had it for 10.

Mr. PITTENGER. That is another reason why we ought to all have an equal share.

Mr. ANGELL. Mr. Chairman, will the witness be able to be here in the morning?

Mr. BONBRIGHT. I can, if really essential.

Mr. ANGELL. I make a point of order of no quorum present.

Mr. BONBRIGHT. May I just speak with Mr. Angell?

Mr. MACIEJEWSKI (acting chairman). We will adjourn till 10:30 tomorrow morning.

Mr. ANGELL. The reason I do it is that most of the committee members have gone, and this gentleman is a very important witness, and I desire to question him.

Mr. BONBRIGHT. Could I speak with Mr. Angell a moment personally?

Mr. ANGELL. I will be very glad to speak with the gentleman.

(Mr. Bonbright converses with Mr. Angell.)

Mr. ANGELL. May I make a suggestion? The witness just informs me that owing to sickness in his family he may have to leave tonight, and if he does he will be very glad to come back, he informs me. If he does have to leave, he will return at the request of the committee at some later date.

Mr. CULKIN. His examination is completed with the exception of one more questioner?

Mr. BEITER. I have one or two questions.

Mr. CULKIN. I thought you had finished?

Mr. BEITER. No.

Mr. PITTENGER. I think the questions should be limited to 10 minutes to each member.

Mr. MACIEJEWSKI (acting chairman). We will adjourn till 10:30 tomorrow morning.

(Whereupon, at 4:55 p. m., the committee adjourned till tomorrow, Thursday, July 3, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

THURSDAY, JULY 3, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment, for further consideration of H. R. 4927, Hon. Joseph J. Mansfield, chairman, presiding.

The CHAIRMAN. Gentlemen of the committee, we have with us today Governors Moses of North Dakota and Stassen of Minnesota. Governor Moses has his reservation to leave in a few hours, and I hope we can get through with him as soon as we possibly can.

STATEMENT OF HON. JOHN MOSES, GOVERNOR OF THE STATE OF NORTH DAKOTA

The CHAIRMAN. Governor, we will be very glad to hear from you, sir. Just make your statement in your own way.

Governor MOSES. I will read my statement, if I may.

The CHAIRMAN. Yes, sir; that will be all right.

Governor MOSES. Thank you, sir.

Gentlemen, appearing in behalf of the State of North Dakota, I would like to read a statement which I have prepared and which contains what we believe to be the reasons why we are in favor of the project.

North Dakota is a border State, located in the north central portion of the United States approximately 1,500 miles from each coast. It has a land area of 70,183 square miles; a water area of 654 square miles, making a combined area of 70,837 square miles. It had a population as of 1940 of 641,935 people. It had a population density of approximately 9 people per square mile. The State of North Dakota leads all the States in the Union in the production of spring wheat, durum wheat, rye, and flaxseed. In addition, it is a large producer of oats, barley, wild hay, corn, and potatoes. Lignite coal is produced in volume and fine clay is found in portions of the State.

The State borders on the Dominion of Canada for approximately 350 miles. It is needless to say that the peoples of both North Dakota and Canada have in the past and at the present time continue to live in amity and comity.

North Dakota's interest in the seaway: For 20 years or more North Dakota has advocated the development of the seaway project. Its legislatures have adopted resolution after resolution in support of its early development, and the past 14 governors, regardless of party affiliation, have consistently urged its completion. The legislatures have not only passed resolutions, but they have appropriated money for the successful consummation of the project.

Economic angle: Looking at this project from an economic angle, its development presages enormous benefits both to North Dakota producers and consumers. As stated hereinbefore, North Dakota is situated about equal distances from the Atlantic coast and the Pacific coast. Being so located, long distances must of necessity be encountered to transport products of North Dakota to market and likewise, merchandise consumed in North Dakota must encounter similar long-haul transportation in order to reach the North Dakota consumer.

North Dakota suffers along with other Middle Western States, from the effects of the Panama Canal. As long as the coast cities enjoy such favorable water rates as now exist in the coastwise and intercoastal trade, there is little hope for the development of competitive industry in the Middle West.

North Dakota shows the effect of these conditions when it is noted that the 1930 census report gave North Dakota a population of 680,845, whereas the 1940 census gives North Dakota a population of 641,935 people, a loss in the last decade of 38,910 people. Likewise, without burdening the committee with figures, let me state that the industrial development of North Dakota is at a practical standstill.

With the State facing these conditions, we, as a matter of self-preservation, must look for a cheaper outlet for our products, not only to world markets but to the heavy consuming domestic markets in the East. That the completion of this project will furnish just that thing for our products is obvious to any one who will take the trouble to glance at the map of the continental United States. If we can bring cheap water transportation to within 250 miles of our borders, it is self-evident that such an accomplishment would immediately reflect itself in immeasurable benefits to the people of our State.

North Dakota is the largest producer of spring wheat in the United States. According to the Northwest Miller Almanac, North Dakota produced in 1940, 97,054,000 bushels of spring wheat, which was 42 percent of the total United States production of spring wheat.

North Dakota is the largest producer of durum wheat. Its production in 1940, according to the same source, was 27,082,000 bushels, or 80 percent of the total United States production of durum wheat.

Spring wheat is used largely in the making of bread—used for domestic consumption. Durum wheat is largely an export wheat and is used in the manufacture of macaroni and vermicelli and similar products.

North Dakota is a large producer of flour. The most recent study which I have seen on the estimated savings that may be expected on wheat and flour from western points to eastern destinations, both domestic and export, are as follows:

Estimated savings on wheat and flour, domestic and export, from western points to eastern destinations

	Ton	Saving per ton	Savings
Wheat, export.....	527,660	1.74	\$916,000
Wheat, domestic.....	204,700	1.20	245,700
Flour, export.....	180,000	3.00	540,000
Flour, domestic.....	380,000	1.00	380,000
Total.....	1,292,300	.....	2,081,700

North Dakota in 1940, according to the Miller Almanac, produced 15 percent of the total production of wheat in the United States. If North Dakota used this route to the extent that its production would warrant and I think this is a reasonable assumption, in fact a conservative assumption, considering the proximity North Dakota will bear to the western terminus of the proposed route, North Dakota might reasonably and conservatively expect the following savings:

The savings on wheat would be \$164,255 annually; the savings on flour because of our large production would be enormous. I do not have the exact figures to indicate the definite figure on the flour savings.

That such a savings would be of tremendous benefit to North Dakota farmers is without question.

May I make another illustration:

North Dakota is a large producer and shipper of dairy products. By this I mean, butter and eggs. North Dakota produced these commodities in the following amounts in 1938: Butter, 22,342 tons; eggs, 315,000,000 dozen.

The authority for these figures are the agricultural statistics of the Department of Agriculture.

A very large proportion of North Dakota butter and a sizeable proportion of North Dakota eggs move to New York, Boston, and Philadelphia. It is estimated that 80 percent of North Dakota butter, approximately 17,874 tons, moves to these three points.

The cheapest rate which North Dakota enjoys on dairy products via rail-lake-rail route to New York today is \$24.20 per ton for transportation and \$4 per ton for icing, a total of \$28.20 per ton. I have conferred with traffic men and I am informed that the completion of the project will permit the movement of dairy products from Duluth to New York for \$10 per ton and this will include the cost of ice. The present rate from Fargo in North Dakota, as illustrative, to Duluth, is \$6.40 per ton and that includes the cost of ice, so that with the completion of this project, there will become effective from Fargo to New York a combined rate of \$16.40 per ton for the transportation, including ice, on dairy products laid down in New York. This will result in a saving per ton of \$11.80. Considering further, that there will be no additional movement influenced and taking simply 80 percent of the production as of 1938—namely, 17,874 tons shipped—and apply to that a saving of \$11.80 per ton, we arrive at a saving annually on butter alone of \$210,913. No consideration is given to eggs because we do not have any definite information as to the amount of eggs that might use this route. However, for the information of the committee, I may say that the movement of eggs is comprehensive at the present time via rail-lake-rail routes and is constantly growing. It is needless to say that any such savings as these will attract a continued movement of eggs to that route.

Incidentally in passing, let me say that the North Dakota farmer, following educational campaigns conducted by the United States Department of Agriculture and by State agricultural colleges, for the past decade have been diversifying their crops. They are not depending entirely upon wheat for their livelihood and the increasing production of dairy products indicates the widespread resort to dairy production following up these educational programs. Again let me say that dairy products is a cash industry. It furnishes the cash

for the farmer in off-seasons and any such savings as are in sight by the development of this project are tremendous and it would be hard to estimate any single thing that would be of greater help to the farmer of North Dakota in the conduct of his everyday life.

National-defense angle: The foregoing portions of this testimony have been devoted to the economic justification of the completion of the St. Lawrence project and its consequent effect upon my State of North Dakota. Without trying to minimize these effects, there is at the present time, in my opinion, a greater need for the development of this project than its economic benefits to the State of North Dakota. I have reference to its national-defense aspects.

That this country is facing the most critical international situation at the present time of its history is without question. According to press reports the leaders in whom we have placed the responsibility for the safe conduct of this Nation's affairs during these critical times have appeared before this committee and asked the completion of this project on the grounds of national defense. The Commander in Chief by message has so requested. He has been supported by the Secretaries of War, Navy, and Commerce. In addition the head of the O. P. M. is urging the completion of this project on the grounds of national defense. This is enough, gentlemen, for the State of North Dakota. Whether this project had economic benefits or economic disadvantages for the State of North Dakota is immaterial. Under existing conditions, North Dakota, on the grounds of national defense, urges the earliest possible completion of this project.

One other point I would like to draw the committee's attention to and that is this project is not and should not be political. It has been advocated uniformly by as many or more Republican administrations than it has Democratic. Politics have always stopped at the border and certainly in the present instance, with the country at large facing an international situation as it is, there is nothing to do except complete this project at the earliest possible moment.

This concludes the testimony, Mr. Chairman, which I wish to give.

The CHAIRMAN. Yes. Governor, I want to thank you, sir.

I was very much interested in the agricultural importance of your State, in the production of wheat and dairy products and other things. I was surprised that you take such a lead in those products.

Mr. Carter, do you wish to ask any questions? Mr. Beiter? Judge Culkin?

Mr. CULKIN. I just want to ask a couple of questions: Governor, you feel that the construction of the Panama Canal more or less marooned your section?

Governor MOSES. Well, yes; I do.

Mr. CULKIN. It handicapped your section as against the Western States and some other areas?

Governor MOSES. Yes.

Mr. CULKIN. Well, is it your judgment that the construction of the St. Lawrence canal will correct this economic handicap created by the construction of the Panama Canal?

Governor MOSES. Yes; I think it will, Congressman. I think it will give to our section, our State, and the great Northwest some of the advantages that the coastal regions have enjoyed through the Panama Canal.

Mr. CULKIN. And it will make your way of life easier and less difficult?

Governor MOSES. Yes; it will.

Mr. CULKIN. And you have been going through a rather difficult period?

Governor MOSES. The last 10 years have been very hard on us, with the continued drought.

Mr. CULKIN. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Dondero?

Mr. DONDERO. Just a question or two, Governor: You have expressed rather clearly the advantage to North Dakota on the things you ship out. The State of North Dakota would also enjoy some benefit from the things that are imported from other countries?

Governor MOSES. Yes; the benefits would be commensurate with the same advantage of cheaper transportation.

Mr. DONDERO. You did not touch on that, but it is equally true. Governor MOSES. It is equally true.

Mr. DONDERO. That is all.

Mr. BEITER. At that point, does that include Argentine corn, also? Would it not?

Governor MOSES. We produce corn in North Dakota amply sufficient to take care of the needs of the State.

The CHAIRMAN. Mr. Angell?

Mr. ANGELL. No questions.

The CHAIRMAN. Governor, one more question: Your wheat, at present, what market does it reach; does it go to Minneapolis, or Duluth, or where?

Governor MOSES. It goes to both places.

The CHAIRMAN. Both places?

Governor MOSES. Yes. The wheat that moves east goes to Duluth and over from Duluth by lake and then again by rail.

The CHAIRMAN. I see. Do you remember what the rail rate is to Duluth?

Governor MOSES. I do not, Congressman—possibly our traffic expert knows. It is 24 cents a hundred from the closest North Dakota point to Duluth.

The CHAIRMAN. Yes, sir; now, your dairy products go by rail to the eastern markets, do they?

Governor MOSES. No; by lake; by rail, lake and rail.

The CHAIRMAN. They go by lake, too?

Governor MOSES. Yes.

The CHAIRMAN. They take the lake at Duluth?

Governor MOSES. They take the lake at Duluth.

The CHAIRMAN. Yes; I believe that is all.

Governor MOSES. About 100,000 tons moved on that route last year.

The CHAIRMAN. Yes. Well, Governor, I want to thank you, sir, very much indeed for the information you gave.

Governor MOSES. Thank you, and thank you, gentlemen.

FURTHER STATEMENT OF JAMES C. BONBRIGHT, CHAIRMAN, NEW YORK STATE POWER AUTHORITY

The CHAIRMAN. Doctor, as I understand it, we did not quite get through with you yesterday evening, and some of the members want to ask you some more questions, I believe.

Mr. PITTENGER. Mr. Angell is the only other one, I think.

Mr. BEITER. I have one question.

The CHAIRMAN. You ask yours, then.

Mr. BEITER. In reading your statement, I see you have recommended the sale of power outside of the State of New York. From the testimony you gave yesterday and the day before, do I understand you now recommend the sale of power outside the State?

Mr. BONBRIGHT. No; I didn't recommend it. What I did say is that the Power Authority Act by no means precludes the sale, and what I also said in all probability was that the sale of power outside the State of New York is no detriment to New York itself. On the contrary under favorable interchange agreements, agreements whereby other States, such as New England States, would develop their natural resources, thus cooperating with the major development of coordinated water power and steam resources of that area of the country, the sale of some of the power outside of the State of New York might well be beneficial and in the very self-interest of the people in the State.

I think I should also add that to the best of my knowledge and belief no State outside of New York has ever asked us to share any of the St. Lawrence power with it, and I think that goes not only so far as concerns requests made specifically to us, but also goes so far as concerns requests made to this committee.

It is very significant, it seems to me, that the witnesses from New England who have appeared to oppose this project have indicated quite clearly that they do not want our power because it is too cheap and it will ruin their savings bank and it will deprive the port of Boston of the opportunity to transport coal to the steam plants of their private companies. It may be that they will want to set up an anti-import law, forbidding the importation of St. Lawrence power into the States of Massachusetts, and so on. At any rate, the only interest so far as I can see that those opposing witnesses have expressed in the Federal State accord, and no one other than the opposing witnesses has expressed anything adverse to it, is that they hope that by raising objections to this Federal-State accord they will split the friends of the project and defeat the project.

Congressman Parker, of New York, during a discussion of the early joint resolution in 1933 relative to the State accord was very frank about it. He was one of those relatively few Congressmen who did not approve the joint resolution which passed the House of Representatives. Oddly enough he was from New York State. He did not like the treaty because he said he opposed the seaway, and he voted against the joint resolution explaining publicly, explaining in the Congressional Record, that he did not want the Federal-State accord because it would make the treaty more desirable, more palatable, and he did not want to do anything that would help the treaty pass.

Well, now, it is perfectly plain that the opposition witnesses who have appeared here representing merchants' associations, chambers of commerce, and so on, are not in the least interested in extending the implications of the New River case. That is not where they live. They are constitutional State rights people, and their motives are obvious, and that is precisely the reason why the present proposed Federal-State accord has been proposed and why it is being defended, not only on the part of those of us who represent the State of New York and the Power Authority, but on the part of those who represent the

Federal Government. That is to say, it affords a reasonable, amicable, friendly arrangement whereby the Federal Government and the State pool their joint and common interests, thereby avoiding a controversy that will inordinately delay this great project. That is what the opposition knows, and therefore it is hitting against section 2 for reasons that are entirely extrinsic to any interest in that section.

Mr. BEITER. Thank you for your lengthy reply to my inquiry. On the next inquiry just say, "Yes" or "No." I don't want a lengthy answer.

Have you ever advocated a plan for the future development of Niagara Falls?

Mr. BONBRIGHT. Yes.

Mr. BEITER. That is all.

Mr. PITTINGER. In other words, this attempt here to raise the question as to who is going to get the power, and so forth, is just another attempt on the part of the opponents to defeat the St. Lawrence seaway project?

Mr. BONBRIGHT. Oh, clearly. Just look at the people who are raising it among the witnesses; Mr. McGrath, Mr. Davis, our friends from Buffalo. There is no need of arguing it. Just read the record.

Mr. CARTER. Doctor, I raised that question initially with Governor Lehman. I think your statement is most unfair.

Mr. BONBRIGHT. I was referring to the witnesses, and I am delighted to know that the question is being raised by friends of the project.

Mr. CARTER. I want to be guided by the law in the case. I think we can ascertain what the law is by looking at these cases, and I think your statement is eminently unfair when you blanket everybody in that category.

Mr. BONBRIGHT. I think, Mr. Congressman, if you will read just what I have stated you will see precisely to what people I have referred. I refer to the witnesses who have appeared before this committee and raised objections to section 2, and every one of those witnesses is opposed to the project. I haven't raised any point with respect to questions raised by members of the committee, and I am very delighted to find that these questions are raised by you and Mr. Angell, who are apparently in favor of the project from what you just told me.

Mr. CARTER. I don't know what Mr. Angell has told you, but I am sure I haven't told you anything to that effect.

Mr. ANGELL. I haven't said whether I was for or against. We are acting as judges here to determine what the issues are and what the facts are.

Mr. DONDERO. What Mr. Bonbright said referred to what the witnesses have testified to, and not to the members of this committee at all.

Mr. ANGELL. First, Dr. Bonbright, what was your training before you became a member of the New York Power Authority?

Mr. BONBRIGHT. Mr. Angell, I am an economist. I am professor of finance at the School of Business of the Columbia University. The term here refers to private finance—corporation finance. So my training has been that of an economist, with many years of special interest in public-utility problems, and also with problems of valuation of property for legal and other purposes, together with an interest in corporation finance.

Mr. ANGELL. Do you devote all your time to the power commission? Is that a full-time job?

Mr. BONBRIGHT. No; the trustees of the Power Authority are not on a salary. They are allowed a per diem, which was originally \$100 per day, and which was later reduced to \$75 per day when the State reduced its budget generally, subject, however, to a limited number of days, 100 per days year. I have found it necessary since becoming chairman to spend very much more time on the Power Authority, and so have one or two of my colleagues, than the per diem permits, with the result that for the last 3 months preceding the June 30 end of the fiscal year, I have devoted nearly all of my time to the Power Authority without any compensation whatever.

Mr. ANGELL. You are still on the faculty at Columbia?

Mr. BONBRIGHT. Quite so.

Mr. ANGELL. Well, we have one point in common anyway. I am a graduate of Columbia.

Mr. BONBRIGHT. I am delighted to hear that, Mr. Congressman.

Mr. ANGELL. I noticed in your prepared report on page 52, which is presented by the Power Authority as a whole, you say this:

Under such circumstances any attempt to raise the strictly legal problem of titular ownership of the latent and undeveloped power of the St. Lawrence River to a position where it must be resolved for one sovereign and against the other, would seem to be injected merely with the effect of obstructing the early initiation of the project.

Mr. BONBRIGHT. Yes.

Mr. ANGELL. Do I understand from that it is your position and the position of the Power Authority that the members of this committee if they raise a question of that sort are to be labeled as doing so from an ulterior motive; namely, obstruction?

Mr. BONBRIGHT. Oh, no; the motive would not be ulterior. I understand that Congressman Rankin, who has raised that issue, has already definitely expressed himself as friendly to the project. The point that we are making in that statement is that the raising of this question of titular ownership, not the mere raising of it, but the raising of it to a point where it is deemed to be a critical and primary matter, seems to us to have the inevitable effect of delaying construction, and I understand, Mr. Angell—please correct me if I am wrong—that you yourself have suggested, merely suggested, that it might be wise to postpone the action on the passage of this bill until that titular question has been definitely resolved.

Mr. ANGELL. No; I made no such suggestion.

Mr. BONBRIGHT. Then I stand corrected. I simply misunderstood you in that case.

Mr. ANGELL. Nor any remark I have made could not be so construed.

Mr. BONBRIGHT. Good. Then I withdraw the comment.

Mr. ANGELL. Has the State of New York, through the Power Authority, the legal right to sell this power outside of the State?

Mr. BONBRIGHT. Yes, in my opinion.

Mr. ANGELL. Has there been any decision of the courts on that.

Mr. BONBRIGHT. No. You see, we have not operated a project under the Power Authority Act, because we do not have a project, and therefore no court has ever had occasion to pass on the interpretation of anything whatsoever in the Power Authority Act.

Mr. ANGELL. Is there any express language in the act itself giving the Commission the authority to market power outside of the State of New York?

Mr. BONBRIGHT. No affirmative language, but no negative language, and the absence of any language precluding that is to my mind very significant, in view especially of the fact that it has been the power policy of enterprises, including private enterprises, operating in the State of New York, to transmit power out of the State and to receive importations of power in the State. Perhaps I should add, Mr. Angell—repeating what I said yesterday—that if there is any uncertainty on this point in the Power Authority Act, it certainly can be resolved by an amendment to the Power Authority Act.

Mr. ANGELL. If this project is approved by the Congress and the State of New York, how will it be financed by New York? The act calls for a payment of \$93,375,000, if I recall.

Mr. BONBRIGHT. Yes. It would be financed primarily at least out of revenues. As Governor Lehman said, the only alternative would be by annual legislative appropriation, but certainly as to the bulk of the necessary funds that would be financed out of revenues in the same way in which publicly owned projects are financed by revenue bonds, such as the plant at Seattle, for instance.

Mr. ANGELL. The State of New York cannot commit itself to an annual payment under existing law.

Mr. BONBRIGHT. By that you mean it cannot commit itself in such a way that it pledges the full faith and credit of the State?

Mr. ANGELL. Yes.

Mr. BONBRIGHT. No; it cannot.

Mr. ANGELL. I call your attention to a statement made by Governor Lehman, which appears on page 121 of our hearings, No. 2:

I can say this to you, that it will not be a direct obligation of the State of New York.

The Governor was referring to the financing of the purchase by New York.

Under our Constitution the credit of the State of New York cannot be placed behind this project.

Is that correct?

Mr. BONBRIGHT. That statement of Governor Lehman's accords, I think, with my own statement.

Mr. ANGELL. In other words, the faith of New York cannot be pledged to the payment of any sum that might be agreed upon here, which should be refunded to the United States.

Mr. BONBRIGHT. That is correct.

Mr. ANGELL. Do you mean, therefore, that the project would have to be paid for out of the revenues of the project itself?

Mr. BONBRIGHT. True, unless the legislature were to make annual appropriations. That would be the only other alternative that I can see.

Mr. ANGELL. But as I understand it, in entering into the contract, the State cannot bind itself to do that, so such payments would be voluntary on the part of New York. There could be no commitment to do so.

Mr. BONBRIGHT. I think you are quite correct in stating that the legislature cannot bind itself, although here I would put in the caveat

that I am not a lawyer, but I assume the accuracy of the statement. I would point this out, although I do not think it is really important, because I think it is so obvious that the revenues would be altogether adequate; namely, that the legislature might make an appropriation in order to avoid an event of default, which would result in action by the United States Government to secure relief for the nonpayment of an installment due to it.

Mr. ANGELL. That would be, however, a mere voluntary payment; it would not be a definite payment in keeping with a binding pledge made in the agreement.

Mr. BONBRIGHT. That is quite true.

Mr. ANGELL. Because the legislature cannot pledge the State's credit under the New York Constitution?

Mr. BONBRIGHT. So I understand.

Mr. ANGELL. Governor Lehman also said on page 33 of our report:

You are perfectly right in saying that it is a self-liquidating project.

Mr. BONBRIGHT. Yes; I agree with him.

Mr. ANGELL. Now, what is a self-liquidating project?

Mr. BONBRIGHT. As Governor Lehman used the term, which is the ordinary use of the term, as I understand it, it means a project the money revenues of which will finance the cost of the project, a project the cost of which is not ultimately borne by persons other than the purchasers of the power to be produced by the project.

Mr. ANGELL. In other words, the Federal Government under this program would build this project, pay for it out of its own funds, and then transfer it completely to the State of New York, with the only commitment on the part of the State of New York indirectly through the Power Authority to repay the Federal Government out of such proceeds as the Authority may receive from the net revenues from the project itself, this fixed sum of \$93,375,000.

Mr. BONBRIGHT. That would be the only money commitment. There would doubtless be other commitments as to terms of operation, which are provided for in this bill, indicating that the terms must protect the interest of the United States, and so forth.

Mr. ANGELL. While I am not intimating that such might be the result, if the proceeds were insufficient to meet that, there is no obligation on the part of New York to meet the financial obligation?

Mr. BONBRIGHT. No, Congressman Angell; I quite agree that there is no obligation which pledges the full faith and credit of the State. The whole situation would be essentially on a parallel with projects that are financed by revenue bonds, like the New York Port Authority projects, or the many public electric enterprises financed out of revenues.

Mr. ANGELL. Dr. Bonbright, I call your attention to another statement in your prepared report, on page 66, which reads as follows:

But the trustees do not concede the power of any agency of the United States or of any commission, whether national or international in character, to turn over the power resources of the St. Lawrence under a license or permit the exploitation by private interests, in derogation of the declared public power policy and the duly enacted statute law of the State.

Does that meet with your approval, that statement?

Mr. BONBRIGHT. Yes; the statement is to the effect that the trustees do not concede the power of anyone, not even of the United States, to turn over this public project for exploitation by private interests in the manner in which the Niagara Falls power was.

Mr. ANGELL. I agree with that as to exploitation by private interest, but that is a mere parenthetical statement which does not go to the meat of the proposition laid down in that sentence.

Mr. BONBRIGHT. It was the meat of our proposition, Mr. Angell. It was the very nubbin of that sentence.

Mr. ANGELL. In other words, I take it—well, first, is that the viewpoint of your Power Authority?

Mr. BONBRIGHT. Excuse me?

Mr. ANGELL. Is that the viewpoint of your power authority?

Mr. BONBRIGHT. That is the unanimous viewpoint of the trustees of the Power Authority, that they do not concede the power or right, or perhaps even more important, the wisdom of any action on the part of Congress to turn this great power resource of the State over for exploitation by private profit-making interests.

Mr. ANGELL. I agree with that absolutely, but that is not the point I am making. Just leave out "or permit exploitation by private enterprises." That is an additional thought, in the sentence I have quoted to you. There are two subjects there; one is turning it over without the consent of New York, and the other is turning it over to private exploitation. You have them separated by the word "or." Just leave out "or permit the exploitation by private interests," which, of course, we all agree should not be done. The point is, the position of your authority and the State of New York is that before the United States can issue a license for the use of this power or turn it over it must require the approval of the State of New York.

Mr. BONBRIGHT. Congressman Angell, I think I see the reason for our difficulty in the interpretation of that sentence. There is a word here which is ambiguous, and the ambiguity results from the fact that I think you construe the word "permit" as a verb, whereas we intended it to be a noun. The sentence would therefore read—

But the trustees do not concede the power of any agency of the United States, or of any commission, whether national or international in character, to turn over the power resources of the St. Lawrence, under any license or any permit for exploitation by private interests. * * *

That is a rephrasing of the sentence which I think will clarify the intended meaning.

Mr. ANGELL. The exploitation by private interests modifies "or permit," does it not?

Mr. BONBRIGHT. It would if the word to which you refer were intended to be a verb, but the word was intended to be a noun, and I am quite ready to concede that our use of language was ambiguous, because in writing it it did not occur to us that p-e-r-m-i-t might be construed alternatively as a noun or as a verb. We dictated it as a noun having "permit" with the accent on the first syllable in mind, but you quite naturally have construed it to be a verb, and the trouble is that our rhetoric was not very good.

Mr. ANGELL. Just eliminate the grammatical question which has arisen. Under what authority does New York claim to have the right to be consulted first before the United States Government shall make any disposition of this power?

Mr. BONBRIGHT. As I understand you, you refer to our statement here, and you would like to know by what authority we challenge the right of any agency of the United States to turn these resources

over under a license or under a permit to exploitation by private interests?

Mr. ANGELL. Under a license to any person or agency, even to prevent it from private exploitation. It might be just the reverse of private exploitation.

Mr. BONBRIGHT. We would contend in the first place that under constitutional law any such attempt to alienate our resources to private interests would successfully be challenged by the State.

Mr. ANGELL. That, of course, goes back to the proposition that New York claims ownership of this water power?

Mr. BONBRIGHT. That goes back to the proposition that this natural resource is, in our opinion, an inalienable resource of the people, and whether or not it is a resource of the people of New York State or the people of the Nation, in any event, it is an inalienable resource of the people, and we should litigate in court to the last ditch any power of anyone, including the State legislature, to alienate this great natural resource of the people of the State of New York. We might very possibly be defeated. We may be wrong on the question of legal power, but we do not think that the question will be raised, because we do not think that either the Legislature of the State of New York or the Congress, will desire to do any such thing in view of the sad history of the license given to the Niagara Falls Power Co.

Mr. ANGELL. It would seem you perhaps will have to wait until the complexion of the Supreme Court is changed before you will be able to uphold that position in the Supreme Court of the United States since the *New River case* was decided.

Mr. BONBRIGHT. You mean to suggest that under the present complexion of the Supreme Court Congress has such complete domination over these resources that it can alienate the resource to private interests?

Mr. ANGELL. To guard against exploitation by private interests, as well as turn it over for exploitation, both. One is supplemental to the other. If the United States can do one, it can do the other. But no one would suggest the United States would surrender the project for exploitation.

Mr. BONBRIGHT. No; I very much question whether that is true.

Mr. ANGELL. I don't mean the legal right to exploit the power, but if the United States has the power to alienate, logically the power to alienate would carry with it the power to convey to a private interest or other agencies which might utilize the power in derogation of the rights of the people. On the other hand, we may be sure under any license the United States will grant it will preserve the public's rights under definite restrictions and impositions Congress will lay down.

Mr. BONBRIGHT. Possibly that is good Blackstonian law, Congressman Angell, but I have very much in mind that the Supreme Court has turned more and more away from traditional formal-logic type of law and is looking very carefully into the specific facts of the case. I am not arguing that this contention of ours, as I read it in that sentence, would be upheld by the Supreme Court. I hope it would. But we may fail on that. We would fight any alienation of these resources to any private interest by any agency. We would fight it to the last ditch, going right up to the Supreme Court, as long as we are trustees of the Power Authority. We might lose, and we would, of course, in that case just take our licking.

Mr. ANGELL. Don't misconstrue my position in the matter. My position in seeking to have certain restrictions thrown upon the alienation of this natural resource is to protect the people's rights, not to give latitude to New York Power Authority or any other agency to dispose of this power so that they may exploit the people.

Mr. BONBRIGHT. I think I fully understand that, Congressman, but as long as the question of the interpretation of the particular sentence was raised, I was merely trying to make perfectly clear our own point of view, and in no way undertaking to disagree with your point of view.

Mr. ANGELL. You agree, then, with Governor Lehman when he said in his testimony at page 122:

Well, of course, we have always maintained and I believe very soundly, that the power in the St. Lawrence River that touches the State of New York belongs to the State of New York.

Mr. BONBRIGHT. Well, I certainly agree that the State of New York has always maintained it, because that is a matter of record. I do not disagree with the statement that the State has done so very soundly. In fact, I affirmatively agree with him, in view of the fact that had it not been for that historic position of the State of New York, then in all probability today the St. Lawrence power resources would have been in the hands of a private company and very likely under a Federal license granted by the Federal Power Commission which in its early days was utterly unwilling or unable to protect the interests of the public.

Mr. ANGELL. Do you take the position that the Federal Government is not in as strategic position to protect the interests of the public as the State of New York?

Mr. BONBRIGHT. No; I am inclined to think that the Federal Government, with one possible exception, is in an equally strategic position to protect the public. The single exception is one that would never have occurred to me except that one or two of your questions raises it in my mind and worries me a bit. As we construe the law of the State of New York, not even the legislature may alienate the water power resources of a river of this kind to private interests.

Mr. ANGELL. You came pretty near doing that, did you not, in the Niagara case?

Mr. BONBRIGHT. We came very near doing it; I am sorry to say.

Mr. ANGELL. I am not so sure you didn't do it.

Mr. BONBRIGHT. The legislature in the nineties tried to, and the attorney general of the State, on behalf of the Water Power and Control Commission, is arguing before the appellate division that that attempted alienation was unconstitutional. I think that this lack of power on the part of our legislature to alienate would be interpreted also as a lack of power on the part of Congress, but I do not know that it would, and I am worried about that. It seems to me that the safest way to safeguard the water-power resources on the St. Lawrence River for the people, whether of the State or of the Nation, is to have a joint accord whereby you have two hurdles to overcome should any later reactionary State legislature or reactionary Congress attempt alienation.

Mr. ANGELL. What is the objection to leaving control in the Federal Government, as laid down under existing Federal enactments, namely, Public, No. 280, creating the Federal Power Commission and defining

its powers? What is the objection to leaving this project under that control and under the law the same as other projects have thus far been left?

Mr. BONBRIGHT. You ask me whether or not the proposed transfer to the State of New York should not be under the terms of a license of the traditional type provided for by the Federal Power Act of 1920, as revised, rather than under the terms of this specific arrangement?

Mr. ANGELL. Exactly so.

Mr. BONBRIGHT. Congressman, from the point of view of the peculiar interests of the State of New York, such an arrangement would be more favorable to the State. The representatives of the Federal Administration with whom I have consulted have insisted upon an arrangement which, in their opinion, will subject those power resources to much closer control by the Federal Government, and, therefore, they have—with our acquiescence, by the way—they have assented to a bill, the present bill, referring to section 2, which will impose on a State project more control on behalf of the Federal Government than has ever been imposed upon any sovereign State in the history of the United States.

Mr. ANGELL. Am I to understand, then, from the statement you have just made, that it is perfectly agreeable to New York State to have this control under Public, No. 280, under the Federal Power Commission, and just leave section 2 out of the bill?

Mr. BONBRIGHT. Congressman, if section 2 is left out of it, and nothing else inserted in its place, then that objective will not be reached. If you want to do that, then the only thing to do would be to amend section 2 and to insert instead a clause instructing the Power Commission to issue an unconditional license to the Power Authority of the State of New York. That is the type of license which the Power Authority, in the opinion of counsel, feels that it could accept, even without further legislation here, because we already have that authority. But, I am not recommending that procedure. On the contrary, I am recommending the retention of the present bill, because the object of the present section is to secure an agreement, an assent to the bill, on the part of all reasonable persons representing both the Federal interests and the State interests.

Mr. ANGELL. You understand, Doctor, that Congress is the body which determines this policy? Congress is the only authoritative body which may do so.

Mr. BONBRIGHT. Yes; I understand that Congress is the authoritative body to determine that.

Mr. ANGELL. When you speak of arriving at certain conclusions, the Federal Government is now seeking, through this committee and through the Congress to arrive at a policy. We have not determined yet what should be done.

Mr. BONBRIGHT. Quite so, Congressman. The point I am making is that, in answer to your question, the Power Authority of the State of New York would not make any objection to the receipt of a Federal license, under the provisions of the Federal Power Act, similar to the license given the South Carolina Power Authority with respect to the Santee-Cooper project.

Now, it is only fair to add that such a license would be very much less restrictive on the State than this license would be, and I fancy that objections would be raised by persons who fear that a license of that

type would not adequately protect the interests of the United States. I am not raising that objection, but the point I am making is that we are so eager to get General Robins started on this project that we are willing to give our approval to a bill which goes further than any has ever gone in history in imposing on a State project conditions designed to safeguard the national interest.

Mr. ANGELL. Would you be willing, and would the State of New York be willing, to allow this project to be handled in the same way that T. V. A. is handled, and Bonneville and Grand Coulee and Boulder Dam, or any other Federal power project that the Federal Government has constructed?

Mr. BONBRIGHT. No, indeed, Congressman; and much the larger part of this written statement undertakes to indicate why, in our opinion, such an arrangement with respect to this particular project would be very unwise.

Mr. ANGELL. Why? New York State is still in the Union; is it not?

Mr. BONBRIGHT. I have always assumed so.

Mr. ANGELL. Is there any need for setting up any special way for handling a power project because the State of New York is involved in it and not the State of Tennessee, or Arkansas, or Colorado, or Oregon, or the State of Washington?

Mr. BONBRIGHT. Now, Congressman, those are your words and not ours. If our written statement implies that our argument in favor of this particular arrangement is an argument based on the fact that this is the State of New York, and, therefore, that the State of New York, as the Empire State, deserves special consideration, then our entire work has gone in vain.

Mr. ANGELL. Well, I think perhaps it has.

Mr. BONBRIGHT. Well, I am sorry.

Mr. CULKIN. Does the gentleman hope that—

Mr. ANGELL. I will be glad to yield in a minute.

My point is this, Doctor: I am just trying to find out, if I can, why it is that the State of New York feels that it is in a special position distinguished from the other States of the Union in the development of this power project, which is no larger or different than others we have developed in some other States.

Now, we have the decision in the Appalachian Power Co. case, holding that the Federal Government owns this power and can do as it sees fit with it, you say that the Federal Government can not license this power without the consent of New York State. The question I am seeking to have answered is why New York State occupies this preferential position over the other States with reference to power projects?

Mr. BONBRIGHT. I would be very glad to attempt to answer that question right now.

Mr. ANGELL. I do not care for a long discussion, because the time is short, and I know you are anxious to go. I think it might be answered briefly, as to why New York claims that preferential treatment.

Mr. BONBRIGHT. In the first place, I do not think it is preferential treatment, but, passing that point, let me state that, in the first place, New York State would be by no means the only State which Congress has seen fit to entrust with a power project. We have already noted the South Carolina project.

Mr. ANGELL. Can you name a single one where the Federal Government has constructed a power project from its own funds and then transferred title to a State?

Mr. BONBRIGHT. Yes; but the point of the matter is that the funds would be merely advanced as a banker advances funds. Incidentally, that proposal that the United States should advance funds to construct was not insisted upon by the State of New York. It was gladly acquiesced in by the Power Authority as a means for carrying through this joint seaway and power project in the most efficient manner.

Mr. ANGELL. Doctor, I do not want to seem impertinent, but I do not believe you have answered my question. You said there were other Federal projects handled as it is proposed to do here. Can you name a single project where the Federal Government has, with its funds, constructed, not loaned the money for construction, but constructed a project by itself, as it will do here, and, after having constructed it, then transferred it to the State in which it is located? That is, a project located on a navigable stream, developed and constructed pursuant to commerce clause of the Constitution for the development of navigation.

Mr. BONBRIGHT. In the first place, where the United States has loaned funds—

Mr. ANGELL. I was leaving that out, because I am not interested in a project where the United States has made loans.

Mr. BONBRIGHT. Excuse me, I thought you were interested both in the fact of the loaning of funds and also in the fact of construction.

Mr. ANGELL. Loans have nothing to do with it. You said there were other projects like this, similar projects, where the United States has built the project with its own funds, not loaned the money on it but built it, and then turned it over to a State.

Mr. BONBRIGHT. No; I am not aware of any case where, in figurative terms, it would be the Government that has done the construction. I confess I do not see the relevancy of that fact. In fact, if it is relevant, it indicates, rather, that the United States here, by placing the designing, construction and completion, and all of those things in the hands of its own engineers, is assuming control, and, therefore, safeguarding itself much more with respect to this project than it has done with respect to projects which, while financed even to the extent of large grants, have been constructed by the various States and local divisions of government.

Mr. ANGELL. Those are not in point. Of course, the relevancy, according to my way of thinking, is this—I note your associates seated back of you are heckling me a bit. I admit it is a little warm in here. Maybe these gentlemen may be a little more comfortable outside if it is too warm in here.

Mr. BONBRIGHT. I am sure I would be more comfortable.

Mr. ANGELL. The relevancy is this, and I am trying to seek information from you, Dr. Bonbright, as to why New York is placed in this preferential position, and I am asking you if you know of any other project similar to this one where the Federal Government has done as you are asking us to do here. If that is not a legitimate question and a pertinent question, I do not know what it is.

Mr. BONBRIGHT. Mr. Congressman, every one of your questions is legitimate and fair.

Mr. ANGELL. Your associates seated back of you there were laughing when I asked questions. This is a serious proceeding. You have been very fine in your treatment of the committee. I cannot say as much of these gentlemen who do not seem to take these proceedings seriously.

Mr. CULKIN. I object to that, Mr. Chairman. I hope the gentleman will strike it out.

Mr. ANGELL. I ask for the regular order, Mr. Chairman, and I would like to proceed with my examination, if the gentleman will permit me.

Mr. CULKIN. I suggest you proceed.

Mr. ANGELL. Mr. Chairman, so do I. If you will keep these gentlemen from interfering, I will be glad to do so. Will you answer that question, Doctor?

Mr. BONBRIGHT. The question is a strictly factual question, is it, Congressman?

Mr. ANGELL. Yes; is there any other single project where the Federal Government has done as you are asking us to do here?

Mr. BONBRIGHT. Do I know of a single project which has been originally constructed by the United States?

Mr. ANGELL. That is it, such as this or parallel to this.

Mr. BONBRIGHT. And, having been constructed, has later been transferred to a State or to any State agency?

Mr. ANGELL. Yes.

Mr. BONBRIGHT. And, of course, you are referring to a hydro electric project?

Mr. ANGELL. Yes.

Mr. BONBRIGHT. No; I am unaware of any such project.

Mr. ANGELL. Of course, the point I am seeking to make is that we are now traveling on new ground, we are going into new territory, and the Congress is entitled to know why we are doing it, putting New York State in a special position.

Mr. BONBRIGHT. I hope we would be traveling in new territory, Congressman, and particularly the newness is a proposal to impose upon the State stricter controls than have ever been imposed upon any State project before, and to leave to Congress the decision as to how the plant shall be constructed and at what time.

Mr. ANGELL. I beg to differ with you there, Doctor, on that point, because I think we are giving much more latitude to the State of New York in this proposed legislation than we have ever done in any of the other projects. In all of the other projects, the Federal Government reserved title, and the license was limited to 50 years where licenses were issued, and there is a recapture clause, and the Federal Government reserves absolute control. In this project we are passing title to New York State. The only strings we will have left are just such conditions as may be put into this contract that will be drawn up. So, we are giving greater latitude to New York under this proposal than we have ever done in the case of any of the others.

Mr. CULKIN. Will the gentleman yield for a pertinent question?

Mr. ANGELL. I would prefer to complete my examination, because the time is so short.

Mr. BONBRIGHT. I certainly appreciate your cooperation in letting me, for personal reasons, get off, Congressman.

I am distinctly under the impression that, with respect to the other State and district projects, like the South Carolina Power Authority, title to the physical structures is in the hands of the State or of the State agency, and not in the hands of the Federal Government, so that here we have a parity between the proposed situation to transfer title to the physical plant to the State of New York, and the fact that with respect not only to these State projects, but also with respect to private projects financed under the Federal Power Act, the title is in the licensee and not in the United States Government, so far as concerns the physical plant.

Mr. ANGELL. But there is a limitation of 50 years with the right of recapture, so that the Federal Government may, at least at the end of that time, take the property back.

Mr. BONBRIGHT. That is true, Congressman, but as I examined Chairman Olds' testimony on that point, he indicated, and I agree with him, that the Federal and State accord, which is to be negotiated, may include whatever terms are necessary in order to protect the interests of the United States, with the result that if a 50-year recapture clause is found necessary by the Congress, which must approve of this Federal-State accord, then, in that event, the 50-year recapture clause could be inserted here.

Mr. ANGELL. Would that meet with your approval and the approval of your authority?

Mr. BONBRIGHT. Whether or not it meets with the approval of the authority, I cannot say, because the authority has deliberately, at my strong suggestion, agreed to make no commitments with respect to the terms of this project. After further negotiation, those terms would be taken up, and they must be approved by Congress, and if Congress decides that a 50-year recapture clause is necessary, then a 50-year recapture clause would have to go in, or the State would not get the project.

Mr. ANGELL. Will it meet with your approval, personally, then? You say you cannot speak for the Commission?

Mr. BONBRIGHT. My present reaction is that the 50-year recapture clause is a very unimportant thing from the point of view of protecting the interests of the United States.

Mr. ANGELL. Even so, are you willing to have it go in?

Mr. BONBRIGHT. I will not commit myself, now, Congressman, but I do not express any present unwillingness to have it go in.

Mr. CULKIN. You could not do it without conferring with your colleagues?

Mr. BONBRIGHT. No; I could not do it without conferring with my colleagues on the Power Authority, and it would also be only fair—I do not think it would be legally necessary—but it would be only fair to discuss entering any new accord with the chief executive of the State of New York.

Mr. ANGELL. No; but I am asking you for your personal opinion. You are appearing here in behalf of the Power Authority of the State of New York, are you not?

Mr. BONBRIGHT. Oh, yes.

Mr. ANGELL. So, you are not appearing without authority; you are here representing the State of New York, and, in fact, you are the only one who can represent the State of New York, because the Power Authority is the one with which the United States Government is dealing, and you are the chairman of the Authority.

Mr. BONBRIGHT. Yes; I am here in my official capacity.

Mr. ANGELL. If you cannot express the views of the Power Authority, particularly your own views, as chairman, who can?

Mr. CULKIN. I object to that as being a lecture, and irrelevant and immaterial, Mr. Chairman.

Mr. BONBRIGHT. Congressman, the point of the matter is that I just have not any definite views on that, because the problem of getting this project started has been so vitally important and has given rise to the necessity of giving all of our attention to going along with this thing, that the further question of precisely what terms should be inserted into the accord has not received any adequate consideration. Will it not do if I simply say that my present feeling is that if a 50-year recapture clause is reasonably necessary to protect the interests of the United States, then I think that a 50-year recapture clause should go in.

Mr. ANGELL. Did the State of New York, in this case of *United States of America v. Appalachian Power Company*, appear as a friend of the court? I know 41 States appeared in that proceeding.

Mr. BONBRIGHT. I do not know officially, but I have excellent hearsay evidence that it did.

Mr. ANGELL. Do you agree that that decision holds, in effect, that complete control and domination over power in navigable streams, in connection with the development of the streams for navigation, rests with the Federal Government?

Mr. BONBRIGHT. With respect to the streams for navigation?

Mr. ANGELL. For navigation, yes, and, of course, that is what this project is.

Mr. BONBRIGHT. Well, it is some time since I have read the opinion, but I surmise that that is the decision that we have been following—

Mr. ANGELL. May I read this brief pertinent portion of this decision I am reading from page 698 of our hearings? The decision was put in the hearings [reading]:

The Federal Government has domination over the water power inherent in the flowing stream. It is liable to no one for its use or nonuse. The flow of a navigable stream is in no sense private property; "that the running water in a great navigable stream is capable of private ownership is inconceivable." Exclusion of riparian owners from its benefits without compensation is entirely within the Government's discretion.

Possessing this plenary power to exclude structures from navigable waters and dominion over flowage and its product, energy, the United States may make the erection or maintenance of a structure in a navigable water dependent upon a license.

Do you understand that as sound law upholding the right of the Federal Government to complete control and domination of this power?

Mr. BONBRIGHT. What I do understand very definitely, Congressman, is that, according to that decision, a private company, even though it possesses a license to operate from a State agency, may, nevertheless, not operate unless and until it has secured a license from the Federal Power Commission. That, I take it, is the decision. Now, some of the rest of that sentence goes beyond the decision, and may very well be dictum. I do not say that it is, but, of course, in reading each sentence of the opinion of the court in apologizing for its decision, that is likely, at least, to be pure dictum. I do not mean that it is; I say that merely by way of opinion.

Mr. ANGELL. You would not say that this one sentence that I first read "The Federal Government has domination over the water power inherent in the flowing stream" is dictum?

Mr. BONBRIGHT. Yes; I suspect it is, because the holding of the case, all that was necessary in order to decide the case, was to decide that a private company, although possessing a license from the State, had to get a Federal license. Anything said in that decision that goes beyond the point required in order to sustain that thought is, as I understand it, dictum, as I understand the term. It may very well represent the law, or the law as it will be construed; I am not arguing the case. You may be quite right in your construction of the *New River case*, and the State of New York, for all I know, may be wrong. I am just not arguing it. In the first place, I am not a lawyer, and, in the second place, I question whether this is the proper forum in which to argue that.

Mr. ANGELL. I am only seeking to obtain the position of your Authority and the State of New York. As I understand that decision, the point at issue was whether or not a State had authority, in contravention of the power of the Federal Government, to license power within its State to a private concern, which is identically the question raised here. We are transferring here, it is true, to a State, but the State has no greater authority than a private concern, as far as securing a license from the Federal Government is concerned, under the Federal Power Act, the States are placed in the same category with private individuals and municipalities.

Mr. BONBRIGHT. Under that act, it is recognized, as Commissioner Scott indicated, that Congress, at least as a matter of policy, if not as a matter of constitutionality, recognizes States' rights or interests in their water-power resources.

Mr. ANGELL. You would be inclined, then, I take it, from your answer, to raise the issue as to whether the Supreme Court decision to which I have referred is controlling and gives control and domination over power development in projects for navigation to the United States.

Mr. BONBRIGHT. I would not be inclined to raise that issue, Congressman, because the very object of this section 2 is to avoid raising the issue. In view of the fact that our common objectives are the same, that we want to do the same thing, why get into a long, expensive, costly, dragging dispute as to where the Supreme Court would decide that the legal power lies? If we really got into a legal controversy over it it would—

Mr. ANGELL (interposing). Now, just one other question. The power to be developed here comes from the great system of Lakes and the St. Lawrence River. Without the Lakes, of course, there would not be much power, and one witness has testified that perhaps 25 percent of that whole area in the Central Northern part of the United States is in that watershed, and a large portion in Canada. Do you feel that the State of New York has any greater interest in that great national resource than do all of the other States contiguous, within the economic area of the power development in this project?

Mr. BONBRIGHT. Well, with respect to that, no; when you put it that way, my answer is I do not, because under this very bill, this great national resource is to be developed for navigation and that is designed very largely though not entirely, to benefit the western

States. As to the power, I think that geography has determined that the western States, such as Minnesota, and so on, have no direct interest in the power development, though I do think they do have a very important indirect interest in the fact that history shows that where low power rates are brought about in one area, that good example spreads to others.

I remember that the chairman of one of the New England public utilities told me 3 years ago, when I asked him to speak at the American Economic Association in Chicago, that the example of the T. V. A. rates was going to force him, away off in New England, to reduce his rates in 3 years to a point that he had not previously intended to reduce them to in 10 years.

Mr. ANGELL. As to power development, under such circumstances, would it not be more reasonable to lodge the control and leave the control in the Federal Government rather than in an individual State?

Mr. BONBRIGHT. Mr. Reporter, will you read that question?

(The reporter read the record as requested.)

Mr. BONBRIGHT. No, Congressman; I think it would be very much more practical and more desirable to have the custody of the power project in the hands of the State agency.

Mr. ANGELL. Well, then, that would apply to Bonneville and Grand Coulee, and Boulder Dam, would it not, and also the T. V. A.?

Mr. BONBRIGHT. No; I do not think it would. Take the T. V. A., for instance. A number of States are very directly involved, and while there is a possibility, of course, that that problem of multiplicity of States all very much involved in the same way, could be handled by a State compact; State compacts are very difficult things to secure, so that I think that in the T. V. A. the situation is quite different from the St. Lawrence situation where the basic natural market for the power, as Chairman Olds has testified, would be in New York State. I do not mean that the power will be used entirely in New York State, but I am convinced that even under a Federal agency, the great bulk of that power, as a matter of good engineering and more particularly of good economy, would be marketed in the State of New York.

Mr. ANGELL. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Culkin.

Mr. CULKIN. Now, Mr. Bonbright, did not the gentleman from Oregon (Mr. Angell) adopt the language and theory of the utilities in his line of questioning here?

Mr. BONBRIGHT. Well, some of the language is certainly quite different from the language of the utilities. The utilities are understood to hate the implications of the New River case. What did you have particularly in mind, Judge Culkin?

Mr. CULKIN. Well, I mean with reference to throwing a lot of confusion around this present issue.

Mr. ANGELL. Mr. Chairman, I object to that question.

The CHAIRMAN. I think it is improper.

Mr. ANGELL. I think it is unfair, entirely.

Mr. CULKIN. I do not know how I can express it more feebly.

Mr. ANGELL. I do not either.

Mr. CULKIN. I might express it more vigorously, but I do not desire to do that.

The CHAIRMAN. I think it is unfair. The question asks a witness to criticize a member of the committee.

Mr. PITTENGER. I do not think it is fair to the witness.

The CHAIRMAN. No.

Mr. CULKIN. Some suggestion has been made here with reference to the payment by New York State. Now, that in effect is something which insures the floating, if past procedure is followed of \$93,000,000 worth of bonds in the State of New York as a payment on this project.

Mr. BONBRIGHT. Judge Culkin, there are two alternative ways of financing the obligations to the United States Government for \$93,000,000. One would be by merely contract arrangements whereby payments would be made periodically on terms and at times set by this Federal-State accord without the issuance, however, of any negotiable instrument evidencing that debt.

Mr. CULKIN. Yes. Now, to get it down concretely so that the members of the committee present will understand it, that has been done by the New York Port Authority, has it not, successfully?

Mr. BONBRIGHT. Oh, the Port Authority is very successfully financed.

Mr. CULKIN. They do not pledge the direct credit of the State of New York in their enterprises?

Mr. BONBRIGHT. No; they are not permitted to pledge the direct credit of either of the two States.

Mr. CULKIN. The particular enterprises, the tunnel or the bridges affords the public some basis of credit for the issuance of bonds.

Mr. BONBRIGHT. Yes, sir; and they have excellent credit.

Mr. CULKIN. And that is found to be a substantial and effective device in many important phases of transportation in and around New York Harbor?

Mr. BONBRIGHT. Oh, very much so.

Mr. CULKIN. And it runs into many, many millions of dollars.

Mr. BONBRIGHT. A great many millions of dollars; but Congressman—

Mr. CULKIN (interposing). In that case the credit of the State is not pledged.

Mr. BONBRIGHT. In that case the credit of the State is not pledged; it is not pledged any more than it would be here, sir.

Mr. CULKIN. It is nonetheless an effective device for the purpose of giving the people greater convenience of living and added transportation facilities.

Mr. BONBRIGHT. Very effective, and redounds to the excellent security of the holders of the bonds.

Mr. CULKIN. Just one more question. Your board has expressed here already its willingness to accept any terms that may be imposed by the Federal Power Authority; any reasonable terms that are in the public interest?

Mr. BONBRIGHT. The Power Authority, Mr. Congressman, is glad and willing to accept any reasonable terms necessary to protect the public interest, including the interests of the United States.

Mr. CULKIN. Yes; just one more question.

Mr. BONBRIGHT. May I add just one more sentence?

Mr. CULKIN. Yes.

Mr. BONBRIGHT. It is only fair to say that even after this agreement has been negotiated between the President on the one hand and the Power Authority of the State of New York on the other hand, Congress must find that the terms are acceptable, as well as the State legislature.

Mr. CULKIN. Yes; I understand that; but do you know of any project that has been before Congress involving the development of power in a navigable river where a State has voluntarily offered to pay any substantial sum toward the completion of the project?

Mr. BONBRIGHT. Congressman, I do not know of any case where an offer of terms as liberal as these, imposing as much of the financial responsibility of the project on power, relative to the cost, has ever been made.

Mr. CULKIN. Now, just another question. That figure of \$93,000,000 was agreed on generally by the Federal Power Authority, by the engineers, and your group?

Mr. BONBRIGHT. It was agreed upon in a conference which Judge Mansfield called in these chambers, an informal conference, in a discussion with General Robins and—

The CHAIRMAN. Mr. Olds.

Mr. BONBRIGHT. Mr. Olds, Chairman of the Federal Power Commission; and Mr. Berle, Assistant Secretary of State. He raised no objection, but took occasion to indicate that his direct interest was only in diplomatic problems. All of those were present. Well, I was there, I should say, and I think the executive secretary of the Power Authority.

Those were the Federal and State officials, as I recall it, that were in that conference.

The CHAIRMAN. And in that conference they followed the formula laid down by the Committee on Interstate and Foreign Commerce in a report made by Mr. Rayburn (when he was chairman of that committee), to Congress several years ago.

Mr. BONBRIGHT. That was it, Chairman Mansfield, with this difference, that the present arrangement is much more liberal to the United States than the old joint resolution.

The CHAIRMAN. By nearly \$4,000,000.

Mr. BONBRIGHT. Yes; and the formula is more liberal too. Under the old joint resolution the State of New York, or rather, the Power Authority, was to pay \$89,000,000, or its share of the actual cost if that share should turn out to be less.

The CHAIRMAN. Certainly.

Mr. BONBRIGHT. The State of New York, or the Power Authority, was to have the option, if it should choose, of doing its own construction of the power plant.

In the present arrangement the \$93,375,000 which represents, broadly speaking, all of the estimated separable costs of the power, plus 50 percent of the estimated United States half of joint cost of the power and navigation works—that \$93,000,000, I say, was reached by an arrangement under which first an allowance of 15 percent for contingencies was made, which was an unusually liberal allowance. That was included in the basic estimates, and secondly, an additional allowance on top of that of 12½ percent was added to contingencies for good measure.

The CHAIRMAN. Now, the question has been raised as to whether or not anything of this kind has ever been done in any other project where power is developed incidentally to navigation, and exception has been made to the proposition of the Power Authority agreeing to pay the \$93,000,000 on the ground that the State of New York does not guarantee it and cannot guarantee it under its constitution. On the other hand, would not this power still remain with the Federal Government unless the New York Power Authority, by some means, raises this \$93,000,000 and pays it on the costs of construction?

Mr. BONBRIGHT. Chairman Mansfield, I assume that the Federal negotiators and that the Congress will insist on a—

The CHAIRMAN. Safeguard to that effect?

Mr. BONBRIGHT. On a safeguard whereby if there should be a default in the obligation, then the United States Government will have perfectly adequate remedies.

The CHAIRMAN. Now, so far as I know—and I guess I am in a position to come about as near knowing as the average person—there is no other project where local interests have agreed to pay in any way for the power facilities in any navigation project. This is the only one that has ever been called to my attention, and I am sure that Congress has not enacted one to that effect.

Mr. BONBRIGHT. I think you are right, Mr. Chairman. I was not sure about it; so I asked some of my colleagues who are very familiar with these other Federal projects, and they confirm just what you say.

The CHAIRMAN. Well, Doctor, we are very much obliged to you.

Mr. BONBRIGHT. Thank you, Mr. Chairman.

STATEMENT OF JOHN H. ROSS, CHAIRMAN OF THE LEGISLATIVE COMMITTEE OF THE NEW YORK STATE WATERWAYS ASSOCIATION, INC.

The CHAIRMAN. Mr. Ross has been here for several days and has been detained. I have told him several stories about being able to get on. We will hear him now.

Mr. ROSS. Thank you, Mr. Chairman. My name is John H. Ross. I am chairman of the legislative committee of the New York State Waterways Association, Inc.

I appear before you as a representative of the New York State Waterways Association, Inc., a membership corporation of some 600 members consisting of individuals, various forms of business enterprises, trade and civic associations, and quasiofficial organizations. It is a nonprofit making organization that directs its energies to the care and preservation of the waters of New York State in the public interest.

With a full realization of the extensive duties of your committee with regard to H. R. 4927, providing for the improvement of the Great Lakes-St. Lawrence Basin, I do not propose to encroach on the committee's time or encumber its proceedings by a presentation of technical or statistical information, which is already contained in the authentic and voluminous reports prepared by engineers of recognized ability, who have preceded me before this committee.

It will suffice to say that the New York State Waterways Association, Inc., is unalterably opposed to the enactment of this bill into law.

I thank you, gentlemen.

The CHAIRMAN. Mr. Ross, I thank you, sir. I would have gotten you on sooner if circumstances would have permitted. I am sorry that you have been detained for 3 days here, unnecessarily.

Mr. Ross. Thank you.

The CHAIRMAN. Now, gentlemen, shall we adjourn until 2 o'clock?

The committee will stand in recess until 2 o'clock.

(Thereupon, at 12:17 p. m., the committee took a recess until 2 p. m. of the same day.)

AFTER RECESS

The committee reconvened at the expiration of the recess, at 2 p. m.

The CHAIRMAN. The committee will please come to order.

I happen to be a Democrat in politics, and sometimes vote the ticket. I live farther south than any other member of this committee. I am going to break the rule that generally prevails, and call on a rank Republican, who lives farther north than any other member of the committee, to preside. Mr. Pittenger, please come forward, sir, and preside and introduce the Governor of your State.

Mr. PITTINGER. I want to thank Chairman Mansfield for this compliment. He may be unfortunate enough to be a Democrat, but he is one of the great Americans in Congress, and the American people are fortunate in having him here.

Mr. RANKIN. Now, since you are both together, don't you think we better vote on the bill?

Mr. PITTINGER. I don't think we will have any trouble on that.

STATEMENT OF HON. HAROLD E. STASSEN, GOVERNOR OF THE STATE OF MINNESOTA

Mr. PITTINGER (acting chairman). I now take pleasure in presenting Governor Stassen, of Minnesota.

Governor STASSEN. Congressman Pittenger, Chairman Mansfield, and gentlemen, I am appearing before this committee this afternoon on behalf of the people of Minnesota to support the proposed St. Lawrence seaway and the project as it is now before this committee.

I support it not only from the standpoint of the local historical background of support for the project from the people of my State, going back for many years, but also in a very deep sense at this time in the recognition of the project as the type of development of our resources that will add to our strength from both an economic and a military or defense standpoint. We feel that development of resources of this nature, adding a very excellent means of transportation and at the same time developing very considerable amounts of electrical power, is the type of a thing that is basically sound. We feel that this great country of ours can better afford to have a surplus of methods of transportation and a surplus of power, than it can afford to be caught short in either respect; whether it be a matter of defense needs in these future years, or the future development of this Nation and this continent in an economical sense and in its relationship to the rest of the world.

I might further emphasize that, as we look upon this project, it is in its broadest sense not either sectional or partisan. It is true, of course, of almost anything that the Government of these United

States enters in upon, it might affect to a greater degree some particular group of our people or some particular section of our country; but if it is sound and properly carried on the effect of it on a particular group of people or a particular part of the country is, after all, just a part of building up the total strength of these United States.

For many years our legislators in the State and our Governors, regardless of party, in the variations that take place in our part of the country, which perhaps do not occur in the same way in that great State of the Chairman; but nevertheless, through these changes that take place in our part of the country, the support of and the interest in this seaway has been continued, and not only continued, but active. Our legislators who take considerable care of public funds, have nevertheless seen fit year and year to appropriate a moderate sum of money to officially support a project of this kind. Through the official appointment of commissions and in cooperation with other States and other agencies, we have been in the forefront in urging the support of a program such as you now have before you.

We have always been instrumental in our State in the national conventions of both national parties to support the resolutions, and planks of platforms that have from time to time been adopted in both parties, in support of this measure.

Consequently, as the Governor of Minnesota, a State with a little less than 3,000,000 people, a State which has within it about 80 percent of the best iron-ore resources of the country, now very vital for national defense and always vital for industry, a State which produces right up in the front rank of all types of agricultural products, particularly dairy products, ranking first in butter, and ranking right up near North Dakota in spring wheat and other types of grains, and also having rather important industrial development that is gradually opening up, and being in the very center of the northern and mid-western section of this country and at the head of the Mississippi River; and looking at the entire situation from the standpoint of our State and its willing contributions to progress of strength for other parts of the country, and feeling that it is consistent with the basic attributes of our system of a free economy; we appear to urge the support of and the setting in motion of what we consider to be a very important matter.

We feel that, in looking at history and looking at the other countries of the world, in those areas and in those nations where the means of transportation were well developed, where natural resources were properly cared for, that in those places do we find a stronger economic development and strength of every kind. It is with that background that I appear today to support the matter before you.

That is all I have as a preliminary statement, Mr. Chairman.

Mr. PITTENGER. The committee members will probably want to ask you some questions. Chairman Mansfield?

The CHAIRMAN. No questions.

Mr. PITTENGER. Judge Culkin?

Mr. CULKIN. No questions.

Mr. PITTENGER. Judge Bell?

Mr. BELL. No.

Mr. PITTENGER. Mr. Dondero?

Mr. DONDERO. Governor, in your State is located the splendid city of the unsalted seas, Duluth.

Governor STASSEN. Correct; and that city is served by a very able Congressman in this body.

Mr. RANKIN. And he is unsalted, too?

Governor STASSEN. And I might say, so far as the comment of the chairman in presenting him is concerned, I had the pleasure of a brief visit in Galveston, which I believe is in the Ninth Texas Congressional District, served by the chairman; and that the people who have been sending the chairman back here year after year as a Democrat and as Democrats, are people of the same kind who have year after year been sending Congressman Pittenger back here as a Republican.

Mr. DONDERO. Governor, it was in reference to Duluth that undoubtedly the greatest satire and the most eloquent satire ever uttered in the Congress of the United States, was delivered in relation to Duluth, Minn., by Proctor Knott, of Kentucky, in 1871. Are you familiar with that speech?

Governor STASSEN. I would not say I was familiar with it. I would say I had heard of it.

Mr. DONDERO. Everything that Proctor Knott said in derision and ridicule of Duluth, Minn., has come true in fact since that day. You may not be familiar with the speech, but I commend it to you as an example of some of the finest ridicule and satire that can be found anywhere in the English language.

The CHAIRMAN. I have been told it killed him politically, because the people could not be convinced he was telling the truth.

Mr. DONDERO. It was later, however, that the Chamber of Commerce of Duluth tendered him a banquet because everything he said about it came true.

Mr. CULKIN. I remember some of that speech.

Mr. PITTENGER. I will see that you all get copies of the speech, including the Governor. I have some in the office.

Mr. DONDERO. I have just one more statement to the Governor: You feel that if the St. Lawrence seaway is opened, that it will provide a freer method of transportation and a lower cost for the products of your farms, to the markets of the world?

Governor STASSEN. I believe so, unquestionably.

Mr. DONDERO. And in return, such articles as the people of your State may need, they can receive them from the ports of the world at a lower cost.

Governor STASSEN. I believe that would be the effect of it.

Mr. DONDERO. That is all.

Governor STASSEN. It is one of the effects, of course.

Mr. PITTENGER. Congressman Rankin?

Mr. RANKIN. Governor, let me say to you in the beginning that I am primarily interested in this project because of the water-power development involved. From the transportation standpoint, I do not put it ahead of the Florida ship canal or the Tombigbee waterway. But I realize to get this development voted, that these questions are involved, and inextricably involved.

Do you have any undeveloped water power in Minnesota?

Governor STASSEN. Yes; we do.

Mr. RANKIN. How much?

Governor STASSEN. I do not know the amount of it.

Mr. RANKIN. The Red River of the North goes through Minnesota does it not?

Governor STASSEN. Yes; on the border between North Dakota and South Dakota and Minnesota.

Mr. RANKIN. It empties into Lake Winnipeg above the city of Winnipeg, does it not?

Governor STASSEN. Yes.

The CHAIRMAN. Hudson Bay.

Governor STASSEN. It goes through Winnipeg and on up into Hudson Bay.

Mr. RANKIN. And Minnesota uses that water that goes up through Winnipeg. I wonder if you knew that Winnipeg had the cheapest electricity in the world?

Governor STASSEN. I was not informed as to that.

Mr. RANKIN. Winnipeg has the cheapest electricity I have been able to find in the world and the most widespread use; it is used for heating of houses, and has been for years and years. They are even below Ontario. Ontario touches Minnesota, does it not, on the north, the Province of Ontario?

Governor STASSEN. That is right.

Mr. RANKIN. How far is Minnesota from, I will say, from Windsor, Canada?

Governor STASSEN. From Windsor?

Mr. RANKIN. Yes.

Governor STASSEN. I do not know. Congressman Pittenger, do you know about that distance?

Mr. PITTENGER. No; but he will answer his own questions.

Mr. RANKIN. I don't know about that, but I will ask the question I am driving at: The State of Minnesota, if the water power were utilized and you had the same rates in Minnesota that they have in Ontario, you would save \$22,000,000 a year. When I make that statement, always somebody on the other side jumps up and says that Ontario pays no taxes. So I just brought along the taxes that the power companies pay in Minnesota, including the holding companies, including also State and Federal taxes; and they amount to \$4,509,000. Which, taken from the \$22,493,000 leaves approximately \$18,000,000 of overcharges the people of Minnesota pay for electricity every year.

Now, the only way to remedy that situation, as I see, is through some form of public ownership. And I am wondering if there is enough water power in Minnesota if it is developed to supply the needs of that State?

Governor STASSEN. Enough water power in the State if it is developed to supply the needs?

Mr. RANKIN. Yes.

Governor STASSEN. Well, obviously, Congressman, that is an engineering question.

Mr. RANKIN. I understand.

Governor STASSEN. I am not an engineer, and I do not know the various premises on which you base your arithmetic. But I do say this: Basically I agree to the soundness of the development of cheap electrical energy, and if the method in a particular situation as presented by competent engineers is to develop it by means of water power under public ownership, then I support that on the basis of the technical and expert opinion. But I would not give an opinion without those basic facts verified by engineers.

Mr. RANKIN. There is no coal in Minnesota, is there?

GOVERNOR STASSEN. No.

MR. RANKIN. No coal, and you have no oil?

GOVERNOR STASSEN. No.

MR. RANKIN. You have no natural gas?

GOVERNOR STASSEN. Yes. That is, not native, but piped in.

MR. RANKIN. Piped in. But so far as Minnesota herself is concerned, your only source of power from your own resources is the water power?

GOVERNOR STASSEN. Substantially true; yes.

MR. BELL. Will the gentleman yield?

MR. RANKIN. Let me ask you again on this question of public ownership: My reason for favoring public ownership of power facilities is this; in the first place, electricity has become a necessity of our modern life, and in the next place, it is a natural monopoly. You cannot have four or five different outfits serving electricity to the same municipality, even; it must be handled through some form of monopoly.

Then again, it is generated by a natural resource invariably which is owned by the Federal Government, such as a water power in all navigable streams and their tributaries; and for that reason, and that is as far as I go on public ownership; for that reason I have contended that power facilities should be publicly owned, the Government should build these dams and own them and build the transmission lines and sell this power to municipalities or cooperative associations to be distributed to the people of a given area at rates based upon the costs of generation, transmission, and distribution.

Now, that is what they do in Canada, and that is the program we are following in the Tennessee Valley area. And I will say for your information that had you received your electricity in Minnesota at the T. V. A. rates, you would save \$19,000,000 in the State of Minnesota. So that is my reason for wanting to see this project carried through, in order to provide cheap electricity for those areas that are now paying these tremendous overcharges. That is all.

MR. BELL. Will you yield to me now? I just want to ask one question.

GOVERNOR STASSEN. I might just say I do not think you should overemphasize either one phase or the other phase of this project. I think they are both interrelated and should be conducted together.

THE CHAIRMAN. You can hardly separate them?

GOVERNOR STASSEN. No; it would not be economically sound, certainly, to separate them.

THE CHAIRMAN. It would result in an economic waste to one or the other.

MR. PITTENGER. Mr. Bell?

MR. BELL. Governor, the gentleman from Mississippi brought out a thing that brought up a question in my mind: You said you had no coal in your State. I just want to know where you get your coal; where is your nearest source of coal there?

GOVERNOR STASSEN. Well, of course, there is some coal down in Iowa. But the main supply comes up the river by barge from the general coal fields.

MR. BELL. Of the Middle West?

THE CHAIRMAN. Southern Illinois, Judge, is it not?

Governor STASSEN. Some southern Illinois, and I judge further east of that, the real coal fields.

Mr. BELL. You do not get any coal from Michigan or over in that neighborhood, along the Lakes?

Governor STASSEN. There is a return haul to a limited degree of the iron ore barges of coal going back into the head of the Lakes.

Mr. BELL. Does that amount to anything, Governor?

Governor STASSEN. I would not know the tonnage. Mr. Keiser, our traffic consultant, says it is about 10,000,000 tons a year that goes back in over the lake.

Mr. PITTEMBERG. Some of that goes back up into Minneapolis?

The CHAIRMAN. It does not all go to Duluth?

Mr. KEISER. Yes, sir; it goes to Duluth originally, and is distributed throughout the State and goes up along the river.

Mr. BELL. Eastern coal?

Mr. KEISER. Yes, sir; Pennsylvania, Kentucky, and West Virginia—all through there.

Mr. BELL. What is the total volume of that on the lake?

Mr. KEISER. Runs around 10,000,000 tons.

Mr. BELL. Thank you.

Mr. PITTEMBERG. Is that all? Congressman Rodgers?

Mr. RODGERS. My compliments to the governor, and I pass.

Mr. PITTEMBERG. Mr. Beiter?

Mr. BEITER. Governor, the seaway would be closed 42 percent of the year because of ice conditions, would it not?

Governor STASSEN. That would be a matter for the engineers. I doubt if it would be quite 42 percent. But there would naturally be the winter period when the Great Lakes are not open. It is the same thing that now affects the iron-ore movement. In fact, the present iron-ore movement is very naturally against the operation of this proposed project.

Mr. BEITER. So that, in order for your State to benefit, it would have to have some kind of an auxiliary or stand-by?

Governor STASSEN. No; I disagree.

Mr. BEITER. Then you would want the railroads to take the "skimmed milk," in other words?

Governor STASSEN. Not at all; not at all.

Mr. BEITER. Well, would you so plan all of your shipments so they could be sent out during the summer months when the seaway would be open?

Governor STASSEN. No; but obviously the harvesting of grain is not a year-round matter; it is a seasonal matter.

Mr. BEITER. That is true.

Governor STASSEN. And consequently your transportation can be seasonal. Likewise, in other respects there are major movements and minor movements.

My position so far as the railroads are concerned, very frankly, is I want to see strong railroads in this country, and cooperate toward that end. And I believe that to properly visualize the future of a system of free enterprise such as we have, we should not permit ourselves to be confined to wondering who is going to do a present volume of business or who is going to handle a present volume of transportation; but rather to visualize an expanding volume of transportation and of enterprise in which all can participate. I think one of the

greatest dangers to a system of free economy is if we seek to create monopolies to hold things in their present status, and do not commence to use the opportunity to develop alternative means of expanding in the ultimate benefit of all. I think that is the basic thing so far as the relationship between railroad travel and water travel is concerned. I do not take a stand of one against the other. I do take the position that for the best possible future of this Nation, both should be developed to their greatest sound economic degree.

Mr. BEITER. You spoke of the grain being a seasonal commodity. Of course, the grain is threshed in the fall of the year, and by the time it is ready for shipment it usually gets pretty late in the fall. Don't you suppose that the grain would be bottlenecked if it relied entirely on the St. Lawrence seaway?

Governor STASSEN. Of course, I do not propose that we rely entirely upon it. But I would say that if it became feasible, all of our grain could be moved out before the seaway closes. And I say that because the peak flow of our grain is September 1. And they move iron ore up to December 1, so that those 2 months can very well take care of substantially all the grain that was needed in eastern or European areas.

Mr. BEITER. According to your studies, Governor, what is the maximum amount of money that would be saved in the shipment of a bushel of grain from your State to some foreign country?

Governor STASSEN. Frankly, I do not claim to be able to testify as to details of a figure of cents per bushel on that saving. I believe that all of the, shall we say, neutral economists and engineers agree that it will be substantially less.

Mr. BEITER. I think most of the proponents have stated it to be about 3 cents per bushel; but don't you believe, Governor, that if it were that maximum of 3 cents per bushel—

Mr. CULKIN. I challenge that.

Mr. BEITER. That the foreign competitive vessel owner would absorb that 3 cents?

Governor STASSEN. Well, I would assume that in the calculations of cost, that would include the vessel cost and all costs of the owner of the vessel and his endeavor to secure a fair profit. In other words, when you are computing costs, you compute all costs in comparison.

Mr. BEITER. Yes; but it is usually absorbed, is it not, by the purchaser?

Governor STASSEN. I do not follow your analogy, sir.

Mr. BEITER. You say there is a saving of 3 cents per bushel?

Mr. PITTINGER. He did not say that.

Mr. BEITER. That is the maximum that has been claimed by the proponents.

Mr. CULKIN. That is utterly wrong.

Mr. BEITER. I have heard 8 or 10 cents, but that is out of reason. It does not cost anywhere near that to ship it, and if you take 10 cents per bushel there would not be any cost.

Mr. DONDERO. Let me say to the gentleman from Buffalo that it is estimated in the reports from 5 to 8 cents.

Mr. BEITER. The average claimed by a majority of the proponents has been 3 cents. Of course, you say 8 cents. It is just like the engineering estimates that this thing is going to cost \$1,500,000,000, and so forth. We know that figure is—

Mr. CULKIN. False.

Mr. BEITER. False, definitely. Of course that is a false figure; yes. But this figure has also been stretched. I think the fair figure to use would be 3 cents. In most of the surveys and studies that I have seen this 3-cent figure has been the average.

Mr. RANKIN. Let me say to the gentleman from New York, if you will yield for a moment, that during the discussions on the floor, I read into the record time and time again the price of wheat at Winnipeg and at Minneapolis. Although you had 42 cents tariff on wheat in this country, wheat was 10 cents a bushel higher in Winnipeg during practically all those years than it was in Minneapolis. And the reason was the cheaper freight rates that Winnipeg enjoyed to the Atlantic Ocean. Now, there was a difference of 10 cents a bushel, I know, and that was the only reason that anybody ever gave, was that they had cheaper freight to the Atlantic Ocean. And if this canal were completed, it would give them all that same cheap freight rate. And I am sure that the amount was 10 cents a bushel.

Mr. BEITER. You could not take the entire amount, could you, Congressman? It would certainly cost something to ship that over that same route, whether it would be by rail or by water?

Mr. RANKIN. If you had this inland waterway, so we could load this wheat on ships there and not have to unload it again, the chances are that the saving per bushel would be greater; because under the old system when they got to the Atlantic seaboard they had to take this wheat off the train and load it on ships to ship it to Europe or to the markets of the world.

Mr. CULKIN. I do not wish to permit myself to be bound by the assertion of the gentleman from New York that 3 cents is the maximum. I think more nearly, with the proper carriers and through transit, the saving to New York would be below the Liverpool market, which is considered as a saving of 8 cents, I have always heard. I think it is going to exceed it, that is my opinion.

Mr. BEITER. Suppose we figure this as 8 cents, then. Don't you suppose that 8 cents will be absorbed by the purchaser?

Mr. CULKIN. No; I do not. Just for the reason given by my friend from Mississippi, that because the transit costs from Winnipeg are one-half of what they are from there by rail to the coast, the wheat that brings the farmer 10 cents addition. Now, if we had this transportation abroad, say to the Liverpool market, over the short route, the northern route, my belief is, and I do not claim to be any economist, it would be in excess of 10 cents. But the assertion is that it will be a saving of at least 8 cents, that is what I have always heard.

The CHAIRMAN. Where is the Winnipeg wheat turned over; at what point?

Mr. RANKIN. Shipped by rail to the Atlantic seaboard, I understand.

Mr. BEITER. That railroad is subsidized. The Canadian wheat is shipped in over a subsidized railroad, so you would have to meet that competition.

Mr. CULKIN. The road I had in mind is the Canadian National, which is privately owned. As I understand, the rates over that route, on grain, either to Port Arthur, Judge Mansfield, or to the seaboard, are just one-half what they are on the American road. That road

is not a subsidized road. There is some differential, I will say to the gentleman, in shipping out there

Mr. BEITER. You don't know what that differential is?

Mr. CULKIN. It is not considerable.

Mr. BEITER. Isn't it a fact that the bulk of the wheat sent from the grain-growing sections of Canada is shipped over the Canadian, the old, not the privately owned railroad? It is my understanding most of it is shipped over the government-owned railroad.

Mr. CULKIN. It comes mostly from lake ports. But obviously, if we could put this system into effect, whereby a 10,000-ton boat can carry wheat from Duluth to Liverpool, instead of breaking the cargo at Buffalo, as it is necessary to do at the present time, the cost would be tremendously less, in comparison with any such differential.

Mr. Hamlin had no question about that.

Mr. RANKIN. Would the gentleman yield there? Let me say another thing: If you have ever studied marketing, this increase in the price of wheat brought about by this reduced transportation—now, listen to this—would not only affect the wheat that is shipped out, but it would be reflected in every bushel of wheat sold on the market or bought on the market. Now, down our way we had an 85-cent differential between New Orleans and New York, because of the difference in transportation. And we invariably sold our cotton based on New York. Now, anything that raised the price of cotton in the New York market was reflected in every single bale of cotton in the Cotton Belt. So that no matter how much you shipped or whether you ship any or not, if this is the point of your market—it will either be Minneapolis or Chicago, as I understand it; I am not a wheat man, but that is my understanding where your markets are—if it reduces the cost of the shipment of the wheat to markets of the world 8 cents a bushel, it would be reflected to that extent or almost to that extent in every bushel of wheat sold in the wheat belt, even if it is sold from one farmer to another.

Governor STASSEN. I would gather—

Mr. PITTENGER. Mr. Beiter has the floor, and I would say, if he wishes, we have a traffic expert from the Northwest, Mr. Keiser, who can answer a lot of his questions about wheat, if you have finished with the Governor.

Governor STASSEN. May I say here, Mr. Chairman, I would gather that the viewpoint of Congressman Beiter, which he was presenting at the time the discussion started, was the viewpoint that any savings in the transportation of wheat over this seaway would actually be absorbed by those who were conducting the transportation and would not get back to the farmers. I might say that I think that is economically incorrect; that is, if a product is being sold on an open market that is not controlled, then the price at the point of origin will build back from the market place. In other words, if wheat is 50 cents at Liverpool, the price builds back in a deduction of the transportation cost. In a deduction of the elevator cost and other handling charges, until finally we get to the price of the farmer in the field. If the price at Liverpool is \$1, it will again build back so that if these deductions change, so that instead of deducting, shall we say, 15 cents for transportation, you are deducting 10 cents, then clearly the 5 cents will come back to the farmer who is producing the wheat. The only

variation between that basic economical principle, principle of economy, is if the final sale is on a controlled market, so that those who are handling it can control and absorb the savings made en route, but clearly that is not true of a market such as the wheat market, which is internationally an open market, highly competitive, and seeking its proper level.

Mr. BEITER. That may be correct if all things are equal, but here we will have to compete with the Canadian farmer who ships his grain over a railroad that is subsidized to the extent of \$89,000,000, so we have to absorb that first.

Governor STASSEN. Congressman, what you are saying is that this project would put the American farmer in a better position to compete with his wheat for the world market than he now is. If you are saying that, I would agree with you, and say that is a good reason for the support of the project now before us.

Mr. BEITER. I think any saving that might accrue in a shipment of wheat, whether 3 cents or 5 cents, would be absorbed by the shippers and the purchasers.

Governor STASSEN. Every basic principle of economy, Congressman, is to the contrary.

Mr. BEITER. Do you in your area fear the imports of foreign materials being shipped in foreign tramp ships, through the St. Lawrence seaway?

Governor STASSEN. No; we do not. We contemplate that this Congress will properly handle that situation in keeping with circumstances at the time, and that there is no reason why we should have any problem at our inland ports different than we now have at all the present coast line ports.

Mr. BEITER. That is true, but we have a very fine development in the Great Lakes area, a high standard of living on existing transportation systems. Now, if we should open our ports to foreign labor coming in through the seaway we are creating competition for our own workmen.

Governor STASSEN. You advocate that we pass legislation that no ship might dock on our shores?

Mr. BEITER. Oh, no; positively not.

Governor STASSEN. That would be the logical follow-through of your argument.

Mr. BEITER. No; I don't think so. What I am trying to do is to protect our workmen and the fine standards we have in this particular area.

Governor STASSEN. Congressman, do you mean to state or infer that there is a higher standard of wages on the Great Lakes now than there is at the ports of New York or San Francisco?

Mr. BEITER. Oh, yes; that was brought out at this hearing by a man who operates vessels on the Great Lakes.

Governor STASSEN. Oh, you mean the sailors themselves. You are not talking about the workmen at the ports. I don't believe the facts would justify that statement as to the workmen on the land. What conditions you have on the vessels themselves is another matter, and has to do with where they are plying and what commodities they are handling.

The CHAIRMAN. Will the gentleman from New York yield?

Mr. BEITER. Yes.

The CHAIRMAN. I think you misunderstood the evidence. As I understood it, the matter that you call attention to was the wages paid by the foreign ships that came into Atlantic ports.

Mr. BEITER. That is right.

The CHAIRMAN. But not of American ships.

Mr. BEITER. No, no; I am talking about the wages paid to men who operate foreign ships. They are so much lower and their conditions on the boats are so much worse. Now, by building the seaway you will have our men who are receiving a good wage and living under model conditions on our boats competing with coolies, on these foreign ships. That is what I mean.

Governor STASSEN. Well, Congressman, frankly, I can't follow that argument, and I don't believe that either present existing conditions or the rules of commerce and enterprise would justify following through your viewpoint.

Mr. DONDERO. May I say that our law now provides that foreign ships cannot engage in domestic commerce.

Governor STASSEN. I was just going to say that there was no reason why ships plying in this inland waterway would be any different than coastwise ships now engaged in serving various ports under American ownership in this country. The wage situations you referred to are under other flags, of other countries, and in conclusion of this particular position, I would like to state that it is my opinion that the economic conditions, the relative annual earning power and the economic status of the people residing along the Great Lakes engaged in traffic on the Great Lakes would be improved rather than decreased by the successful conclusion of the Great Lakes-St. Lawrence project.

Mr. BEITER. Isn't it a fact that foreign ships would be almost exclusively used on the seaway?

Mr. STASSEN. No.

Mr. BEITER. Well, there are very few American vessels with sufficiently shallow draft.

Mr. PITTINGER. Are you talking about the 14-foot draft now, or the 27-foot?

Mr. BEITER. Fourteen foot.

Governor STASSEN. Is that the project before this committee?

Mr. BEITER. No; but I say that if the seaway is authorized, vessels flying foreign flags would be the only ones using it.

Governor STASSEN. That is not my information on the engineering situation.

Mr. BEITER. Well, I am trying to clarify the testimony you and others have given on this phase of the matter and I gather that ships flying foreign flags will be the principal users of the seaway. American vessels that are now coastwise vessels won't come in and use it; there won't be any reason for them to. They won't come in and pick up wheat and deliver it to Liverpool.

Governor STASSEN. Why not?

Mr. BEITER. Why should they?

Governor STASSEN. Well, if it is business that they want to engage in—

Mr. BEITER. One of the witnesses said oceangoing vessels have to have certain types of rudders. Lake vessels in order to ply in the ocean, would have to have certain rudders constructed.

Governor STASSEN. I am just enough of a believer in this country and its people to feel that if there is anything that is required in order to handle this commerce that our people will be able to build the ships to handle that commerce.

Mr. RANKIN. If you shut out foreign trade by tariff, all you do is unload an additional burden on the farmers of the country, because you cannot ship wheat to Europe unless they ship something back in the boats.

Mr. BEITER. That is just it. They will have return cargoes, and they will use ballast, which means they probably will bring in coal and compete with our own coal industry here, and throw all of our miners out of work.

Mr. RANKIN. You can't expect the farmer to feed and clothe you for nothing.

Mr. CULKIN. Having finished with the witness, the distinguished gentleman from New York is testifying himself.

Mr. BEITER. I am contending that this project will encourage and foster competition with our own industries.

Mr. RANKIN. Do you think these farmers are going to continue to compete in an open market and buy stuff in a protected market?

Mr. ANGELL. Governor Stassen, in the development of these national resources, such as hydroelectric waterpower in navigable streams, where the economic area to be serviced by them crosses over State lines, is it your judgment that the long-range policy the Federal Government should pursue is to retain control over hydroelectric power produced in such projects?

Governor STASSEN. I would say that that policy might vary under the existing circumstances, and the possibility of agreements between States, or between a State and the Federal Government. In other words, I am a strong believer in the Federal system of government that we have with States that also have certain sovereign rights, so that I believe that proper agreements between State and Federal Governments is a sound method of procedure if from the standpoint of engineering and planning it fits a given situation.

I might say, so far as this power question, and since the gentleman from Mississippi has returned, on the question he raised before as to public ownership; since he raised it, I would just like to state my position, and that is, whenever anything can be done equally well by Government and by private enterprise, I favor private enterprise, but I do not favor private enterprise to a degree to prevent a sound development that must take place through the Government or not at all, if it is beneficial to the people. That is my basic philosophy upon that point. I did not want the record to close without it.

Mr. RANKIN. Governor, I don't think we are far apart on that proposition.

Mr. ANGELL. In this particular project here, do you think the Federal Government should retain some sort of control and have some sort of recapture clause, in the event the project should not be carried out by the State according to the desires of the Federal Government?

Governor STASSEN. Frankly, that would be a phase of the project on which I would feel I had not sufficient information to give an opinion. I do not have sufficient detail on that.

Mr. ANGELL. That is all.

Mr. CULKIN. Governor, you believe that water transportation fits especially into the field of bulk transportation, do you not?

Governor STASSEN. That is correct.

Mr. CULKIN. And you think that bulk transportation by water can be done much more cheaply than actual rail transportation?

Governor STASSEN. I believe that is the universal accepted theory.

Mr. CULKIN. And don't you believe that in an ordered civilization that rail and water, where water is present, should each play their own part in the transportation system?

Governor STASSEN. That is right, and I would go beyond; I would say trucks and air. Each must find their proper part.

Mr. CULKIN. In other words, America will find herself in a very unhappy state if she does get into a position where one type of transportation exercises a monopoly.

Governor STASSEN. I wouldn't say there is any danger of that. happening, but I would say fundamentally that is right.

Mr. CULKIN. That would be a most unhappy thing if it did happen.

Governor STASSEN. Yes.

Mr. CULKIN. I might observe there, following the lead of my distinguished friend from New York, I think that is what we are heading toward.

Mr. RANKIN. We have not as yet a great a monopoly in transportation as we have in power facilities.

Mr. DONDERO. I just want to observe, Governor Stassen, that in answer to the fear expressed by our distinguished colleague from New York, as to the characters of cheap manufactured products coming into this country, it has been testified before this committee that in spite of the restricted low draft of 14 feet in the St. Lawrence seaway, that the mayor of Milwaukee welcomed 45 foreign ships to his port last year. I looked up the census of Milwaukee and I find they are still growing and prospering in spite of that, so that the fear of cheap commodities coming into this country is groundless.

I should like to put in the record that one of the largest ports in the Great Lakes shipped one-fifth of her products, and that one-fifth of her workmen are employed on foreign export, in spite of the restricted water draft we have.

Mr. BEITER. We heard also the testimony of Mr. Brown, of Boston, Mass., who testified that a great many of the vessels flying foreign flags were dumping cheap coal in the markets there, competing with our own mines.

Mr. DONDERO. I heard the testimony. It was Mr. Davis. Mr. Brown was the engineer from the city of Cleveland. The man from the Chamber of Commerce of Boston made some such statement. I have looked up and I found the imports of coal on the entire Atlantic seaboard was less than 560,000 tons in a year.

Mr. BEITER. When?

Mr. DONDERO. Last year.

Mr. BEITER. But remember that was a war year.

The CHAIRMAN. It never has been very much.

Mr. RANKIN. If the gentleman is through, I have some questions.

Governor, if we did what tariff advocates usually do, we would go off in this tariff labyrinth and meet ourselves coming back. As a matter of fact, it doesn't make any difference, whether you are in the

Great Lakes or on the Atlantic seaboard or the Pacific seaboard, if you are going to sell to foreign countries, you have to buy from them.

Governor STASSEN. That is right.

Mr. RANKIN. You are going to have to exchange goods.

Governor STASSEN. That is right.

Mr. RANKIN. And the mere fact that these ports you are speaking of are on the Great Lakes does not alter that situation, does it?

Governor STASSEN. Not at all. That is why I pointed out what is happening in New York, Boston, San Francisco, and Seattle.

Mr. RANKIN. As a matter of fact, when this war closes, you fellows in the industrial area will find wages out of all economic proportion to agriculture. They are now. If we were on a parity with them as I pointed out to Leon Henderson yesterday, we would get 25 cents a pound for cotton and \$2 a bushel for wheat. Now, when this war is over you can just get ready for it, regardless of how it comes. They are not going to burn any factories in Europe, but every one of those factories will be turned into domestic production. They are going to find markets for their products somewhere, and if you gentlemen from the industrial centers have the idea that you are going to unload your manufactured articles in South America and bring back wheat and cotton and beef in competition with the farmers of this country, you might as well forget it.

If you are going to trade with any country it is going to be a reciprocal proposition, whether it is on the Great Lakes, the Atlantic seaboard or the Pacific seaboard or the Gulf coast, so that the mere fact that a few selfish interests that have clamored for high protective tariff, that has wrecked this country in the past, are opposed to allowing anything in this country, certainly ought not militate against this project, whether I am for that part of it or not, because it wouldn't change the picture to open up this traffic into the Great Lakes any more. It would not change it from what it is on the Atlantic or Pacific seaboard or the Gulf coast.

Governor STASSEN. In other words, I would say your views upon the tariff should not in any way affect your views upon the Great Lakes-St. Lawrence seaway. They are two entirely different questions, because the ports of the Great Lakes will be in exactly the same position as the ports on the present seaboard, and consequently they are not affected by any different factors. I might say further that of course there is the matter of what you trade with the other countries. That is very important. I might make the further comment that I think in our general outlook it is important that we do not engage in a too restricted or narrow a competition for present markets. Rather we should grasp the possibilities of new and expanding markets in a developing civilization throughout this globe.

Mr. RANKIN. When we had the tariff, as I pointed out a while ago, of 42 cents a bushel on wheat, it was not worth a thing in the world to the American farmer, because they shipped out about 200,000,000 bushels more than they shipped in, and as a result, as I pointed out, because of cheap transportation, wheat was 10 cents a bushel higher in Winnipeg than it was in Indianapolis. We people in the agricultural States have to compete with agriculture all over the world, and this idea that you have got to build another tariff wall to bring about another economic collapse, and in that way penalize the people along

the Great Lakes, when really it will have no effect on the situation at all, I do not agree with. I cannot even comprehend it.

Mr. BEITER. I can't agree with my colleague from Mississippi. If we place our ports on the Great Lakes on a par with those on the Atlantic coast or along the seaboard, then we are inviting this cheap competition. At the present time these foreign ships come in and they dump the materials along the seaboard. In order to get them into the ports along the Great Lakes and the interior country, they have to ship through existing facilities, which of course brings their price up so that we can compete more readily with that type of merchandise—isn't that a fact?

Governor STASSEN. No, Congressman. I might answer you this way. You name the locations on our seaboard where there are excellent harbor facilities and you will thereby be naming those metropolises that have been expanding and prospering as our economy has developed. I think that is a very definite answer to your argument. In other words, the points at which there has been a maximum supply of transportation facilities are also the points at which the people have had the greatest opportunity to expand and develop.

Mr. BEITER. Well, take the city of Detroit; why did that expand as rapidly as it did? I think that every one of these cities you cite developed rapidly because of some contributing factor.

Governor STASSEN. In Detroit, it was, of course, the automobile industry, primarily. I don't say those were the only locations that developed. I say that you can't point out any great harbors on our coast line that has withered away or been subjected to economic depression. They have been the last places to suffer. The places that have suffered have been in the inland territories, the isolated territories, the agricultural territories. They are the people who really have suffered in this last decade.

Mr. BEITER. No; I don't agree with you there. I think the people living in the cities were the first to feel the depression, and they felt it greater than those in the rural areas. That is proven by the number of persons on relief rolls in the cities, as compared to agricultural regions.

Mr. CULKIN. Isn't it a fact, Mr. Governor, that the rails have had their greatest prosperity when they met with the water?

Governor STASSEN. That is also true. The heavy volume of travel on land is on the whole at the point where it joins a harbor.

Mr. CULKIN. And that would be true also in the lake area, in your judgment?

Governor STASSEN. Yes; it is true, in fact. One of the greatest tonnage movements in this whole country is that into the port which is served by Congressman Pittenger, and there it goes over water to the steel mills, a great iron-ore movement. In fact, there is a greater tonnage over that now, I believe, than over the Panama Canal.

Mr. PITTENGER. If there are no other questions, I will turn the committee back to the chairman.

Mr. RANKIN. Right on this point. The gentleman from New York, just like most of these city fellows, has the idea that the farmers did not suffer in this depression. That is where the depression started, and right today you are fixing wages by law—violating all the laws, in my opinion, in the bill of rights, by fixing wages by law, and what are you doing? The farmer, the cotton farmers, get just about the same

for their labor as the wheat farmers or the corn farmers. A cotton farmer makes 1 cent an hour for every cent a pound he gets for his cotton, so that today he is working for 4 cents per hour, and that is just about what the wheat farmers and the corn farmers are making. We have a situation now where the farmers cannot continue to bear this burden, and anything that gives them cheap transportation, that enables them to get their products to the markets of the world and overcome in a slight way this inequality, and at the same time permit them to buy goods cheaper, will have to iron out this situation, before he gets to the place where there will be a violent upheaval in this country, which I think it is bound to reach unless we readjust that parity between agriculture and industry.

Mr. BEITER. But in every single depression we have had the first effects are felt in the cities. You cut off the buying power in the cities.

Mr. RANKIN. No, no; you cut off the buying power of the farmer, and—

The CHAIRMAN. Will you permit me to make a statement for the record here?

Mr. RANKIN. Yes.

The CHAIRMAN. In the Statistical Abstract of the United States, on page 785, it will be seen that the imports of coal for that year was 539,000 tons; the production of coal from the mines of this country was 312,000,000 tons.

In the Annual Report of the Chief of Engineers of the War Department for 1935, 3 years before the war, one of the largest imports ever made, perhaps the largest, of coal, amounted to 1,137,000 tons.

Mr. BEITER. But that is just one commodity, Mr. Chairman.

The CHAIRMAN. Coal was the only thing under discussion.

Mr. PITTENGER. Mr. Chairman, I want to thank the Governor for his testimony. I will turn the gavel over to the chairman, and I would like to request that Mr. Fred Kayser, who deals in traffic figures for the Northwest, give testimony here in connection with those questions asked about the shipments of wheat by the gentleman from New York.

Governor STASSEN. Thank you, Mr. Pittenger, and thank you gentlemen for your attention, and may I simply conclude by stating that I feel that this project does not involve the question of rural versus urban, nor does it involve the question of your views on tariff, but rather basically an opportunity to develop in a dual phase the tremendous resources of this continent that should not be left undeveloped for either our security, from the standpoint of national defense, or the future economic welfare of the people of this Nation.

Mr. RANKIN. And in that connection, Governor, let me say the tariff killed the merchant marine, and if we are going to attempt the same kind of discrimination against agriculture and raise a high protective tariff wall, we might as well not build this canal at all.

Mr. ANGELL. Will the gentleman yield? Is it the gentleman's opinion that we should let down the bars and let Argentine beef and Argentine grain and British Columbia shingles and British Columbia pulp and various products produced in India and elsewhere and from slave or starvation wages, come into this country free, and put our own American citizens out of work? We are producing those things here.

Mr. RANKIN. The unfortunate thing is, so far as that is concerned those commodities are already coming in, and besides all cotton growers have to compete in open, unprotected markets, with the cotton growers of India and South America all the time, and you cannot continue to live off the unprotected farmers in this country with a high protective tariff. If you are going to enclose this canal with a high protective tariff, you might as well not built it.

Mr. ANGELL. Would you let down the bars and let those things in?

Mr. RANKIN. Unless you are willing to give us protection to raise agriculture up to the level of industry, you might as well tear all these things down.

Mr. ANGELL. The policy the gentleman is now advocating is what is throwing America on the rocks. It is not the high protective tariff. We had the highest prosperity in this country under that program.

Mr. RANKIN. No; we didn't. You drove us into the panic of 1929, which wrecked this Republic almost, because you had a favored few strung out of line with the great masses of the people.

Mr. ANGELL. You had over 10,000,000 men out of employment for the last 10 years until the defense program came along.

Mr. RANKIN. You had them all out of employment, and if we hadn't done something, we might have had a revolution in this country.

Mr. DONDERO. Governor, we are testifying for you today.

Governor STASSEN. May I say I have enjoyed the appearance and also the discussion between the committee members; thank you.

STATEMENT OF F. S. KEISER, TRAFFIC COMMISSIONER, CHAMBER OF COMMERCE, DULUTH, MINN.

The CHAIRMAN. Mr. Keiser, will you please give your name to the reporter?

Mr. KEISER. My name is F. S. Keiser; I am traffic commissioner for the Chamber of Commerce of Duluth; traffic manager for the Board of Trade of Duluth. I have been in those positions 20 years and have had about 35 years' experience in western traffic.

The CHAIRMAN. Tell us something about wheat now between Canada and the United States.

Mr. KEISER. There has been some confusion here about this Canadian versus American wheat. It is true Canadian wheat moves, particularly up to Port Arthur and Port William on a much lower basis than it does from equidistant points in the United States up to the primary markets of Chicago, Milwaukee, and Duluth. It runs about 50 to 60 percent of the rates.

That is the result of what is known as the Crows Nest Pass agreement, which was an agreement between the Canadian Government and the Canadian Pacific and the Canadian National Railroad, whereunder in perpetuity they would haul Canadian grain on the least possible rates, so that if you checked today from a point in Montana to Duluth, checked that rate, you would find it is about 40 to 44 cents a hundred, and if you came across into Canada you will find the same rate, for a little longer distance into Port Arthur, is about 25 to 28 cents.

This St. Lawrence waterway is not going to relieve that situation to amount to anything. It will help it some; it will help both Canadian

grain and American grain in the foreign markets; there is no question about that. But it will not remove this disparity, this disparity that the member is apparently confused about.

The CHAIRMAN. It is something over which we have no control.

Mr. KEISER. None whatever, except the Interstate Commerce Commission might, after investigation, reduce these American rates into the markets. I am sorry to say they conducted an investigation here right along those lines, and rates were put in, in 1935, that raised our rates instead of reducing them, about 25 to 30 percent, although we brought up Canadian competition and tried to get them to see this thing, that they should put in Canadian-compelled rates.

There is one other thing I would like to clarify while I am here, and that is this; everybody talks about the short season on the Lakes. True enough, the boats do not operate except from approximately the first week in April to and including the first week in December; but I want to make this clear if I can, all of those rates that apply over that lake route go in effect, are restored and made effective about March 1 every year and they are canceled about December 15.

Mr. ANGELL. What rates do you mean?

Mr. KEISER. Water rates via the lake. Coupled with that early opening or early publication of rates, there are great storage warehouses located at Buffalo and at Duluth, at Detroit and at Cleveland, so that in the fall you will find all this merchandise moving into these points, staying there and going out at the opening of navigation next year. The rate that is paid on a shipment in transit, so to speak—and all these commodities can move in there and move out later on the rate that was in effect at the time the shipment started. For example, if a shipment moves into Duluth in the fall, eggs for example, and they are stored there and moved out in the spring, the rate that is paid is the rate that was in effect at the time this shipment started. With all these storage places at the lake, and with these rates in effect, practically the entire year, you have no actual closing down of the Lakes the entire year round.

I would like to make that clear, because no traffic man who knows anything about it and is honest, will come up here and try to confuse this committee about this thing being closed 5 months in the year. It is closed in actual practice, but the people can get the benefit of the rate just the same.

Mr. BEITER. If the seaway is authorized would that same thing apply to foreign ports?

Mr. KEISER. No, no—oh, to foreign ports; it might—

Mr. BEITER. That is where this grain is going to be shipped?

Mr. CARTER. No, no. The relation of that shipment will be about 73 intercoastal and coastwise versus foreign.

Mr. BEITER. How will it compare between American grain and Canadian grain? What will be the percentage there?

Mr. KEISER. Canada has a big grain crop, and they have tremendous facilities. For example, the elevator capacity at Port Arthur and Port William I think is larger than any point in the world. It is 92,000,000 bushels. Buffalo, for example, has 48,000,000, or maybe 51,000,000. Canadian grain always has and always will move in volume. That we cannot stop. American grain moves in large volume, but not to the extent of Canadian, for the reason that the great bulk of our grain is used in our own milling. Our domestic market is the best

market in the world for wheat. Up in the northwest we raise a very small proportion of Durham wheat, a hard wheat, which goes into macaroni, which is export wheat. Then our cull wheat, which does not come up to grade, is export, but the great bulk of our No. 1 Dark Northern wheat would not go in the export trade. There is too good a market here for it. New York is a good market. The Buffalo mills are a big market. So the only thing we can ever hope to do is have an outlet for our low-grade wheat and an outlet for our Durham wheat.

On the other hand, in Canada, they have a big northwest supply, and they have pretty close relations with Great Britain, and they have to export, even at a sacrifice and always will export much more wheat than we will. That we cannot help. They are doing it today and will continue to do it.

For example, Buffalo received in 1939 56,000,000 bushels of Canadian wheat. Buffalo is the garden spot of the world when it comes to a milling market. You can't beat it, and you can't take it away from them. Buffalo is sitting in the golden seat, and that is why it has developed to be the milling market of the world, and no transportation agency or anything else is going to take that away from you.

Mr. BEITER. The wheat you say would be subject to export would be the second grade wheat and the hard Durham wheat?

Mr. KEISER. It would be Durham wheat, in the first instance, and wheat that does not come up to milling grade. You see milling grade runs about 11 percent protein. If you don't get that much in it you don't make good baker's bread. Consequently any wheat that does not come up to 11 percent protein is subject to export business.

Mr. BEITER. So that the wheat you would be able to ship out through the seaway would have to compete—or you would try to get it to compete with Canadian first-grade wheat?

Mr. KEISER. There is no question about that. It always has competed with Canadian grain and always will have to, not only Canadian grain, but all foreign grain. That is why it is absolutely necessary that that kind of grain must have the benefit of that transportation for an outlet. One-quarter of a cent a bushel will change the routing on it. For example, here is a man in Nebraska who has got some export wheat. If he could get into New Orleans at a better rate, he is going to go to New Orleans; if he can get it through Duluth at a better rate, he is going to go through Duluth. One-quarter of a cent a bushel will change it. If he can get a better rate through Chicago, he is going through Chicago. He is going where it will make the cheapest transportation cost for him, and that is why this is so essential for us, because it takes care of the surplus that we have got no other place for, except possibly in feed.

Mr. BEITER. In view of your statement that the greater bulk of grain shipments will be Canadian, do you believe the tentative agreement that has been drawn up whereby we pay the greatest share of the cost of the construction of the seaway is fair?

Mr. KEISER. If we were stopping with grain alone, I think Canada would have it on us a little bit, but when we go in the other direction we have it on them just as badly. It is dog eat dog. The agreement is beautiful the way it is.

Mr. BEITER. Isn't grain the greatest commodity?

Mr. KEISER. It is the greatest in volume, but I don't think in money. I think dairy products are ahead of it; butter, eggs, cheese, dressed poultry.

The CHAIRMAN. You have plenty of cheese up there.

Mr. KEISER. Wisconsin is the biggest cheese State in the country.

Mr. BEITER. Don't your commodities find their way down the Mississippi Valley?

Mr. KEISER. Oh, yes; you bet they do. We have to use the Mississippi Valley on a lot of commodities. We even ship to Baltimore and use the water in order to get around to the Pacific coast which is just ridiculous and absurd. The last shipment of machinery we made at Duluth—

Mr. BEITER. You could use more water in the Mississippi Valley.

Mr. KEISER. Oh, yes; we could; we would like to see the Mississippi Valley have 30 feet of water if they would get it. Nobody would ever hear a first-class traffic man who is not controlled by a railroad say that he did not want more water transportation.

Mr. BEITER. By making Lake Michigan an international lake, which would be done—

Mr. CULKIN. I object to that. That is not a fact.

Mr. KEISER. There isn't anything in the agreement which makes Lake Michigan an international lake. But what of it?

Mr. BEITER. You wouldn't object?

Mr. KEISER. I wouldn't, from a transportation standpoint, but this agreement does not do it. Looking at it from a transportation angle, however, it wouldn't make any difference to me at all.

I don't know whether I have covered everything you wanted me to cover here or not.

The CHAIRMAN. About how much wheat is shipped from Port Arthur and the other Canadian ports?

Mr. KEISER. To Buffalo it runs between 56 million and 118 to 130 million in 1 year.

The CHAIRMAN. That is bushels?

Mr. KEISER. Yes; and I would say equally that much moves to the other Canadian ports. There is about 82,000,000 elevator capacity on the lower Lakes. They handle as much as Buffalo.

The CHAIRMAN. About how much wheat is shipped out of Duluth over the Lakes? Doesn't it run around 80 million?

Mr. KEISER. Yes; it runs more than that. I have seen a hundred million bushels of wheat go in and out of Duluth in 30 days. It is the fastest market in the world.

Mr. PITTENGER. You said something about a movement of machinery, and you were interrupted.

Mr. KEISER. The last shipment of machinery from Duluth before our plants closed down, we shipped from Duluth to Norfolk and paid 59 cents a hundred. We took that slack up out of our profits and shipped it around the west coast, and I think there were five or six carloads, and we saved \$1,200 or \$1,400 in freight alone.

Mr. BEITER. Wouldn't the extra pilotage and the added insurance costs and slowing down of the vessels through the canal about equalize it?

Mr. KEISER. No, no. Congressman, let us get this thing straight. A boatman will go anywhere where there is traffic, and just as long as any traffic develops, you will find the insurance rates begin to

come down, and the insurance rates on the St. Lawrence inside of 1 year's operation will be down where they won't bother a thing. I don't think they will bother even at the start. That is just a bugaboo. You know there is a lot of tonnage in there and it is going to move out.

Mr. BEITER. That is true, but the rapids section is a dangerous section, and they certainly cannot avoid that when it comes to the matter of insurance?

Mr. KEISER. Well, I have talked that over pretty thoroughly with engineers and boat captains on the Lakes, and they are all just itching to get them opened up, and they will show you how quick they will go down there, and I know they will go down there. I know what I am talking about. You open that up, and inside of a very short time you will have double the capacity, and Buffalo will be one of the biggest users.

Mr. BEITER. I hope you are right, but I have grave doubts.

Mr. KEISER. I know I am right.

The CHAIRMAN. You must live in Buffalo.

Mr. KEISER. No; I do not, but I know the situation in Buffalo very well. I am very close to Buffalo, and I am very close to the interchange of business connection in Buffalo, and I am astounded at the attitude of the Buffalo Chamber of Commerce traffic man, because he really knows traffic, and he is a smart boy, and I cannot help but believe he has not made the kind of a study here he should have made, and he is not right, and neither was Andy Brown right.

Mr. CULKIN. You are taking exception to Mr. Brown's statements?

Mr. KEISER. He knows better than that. You cannot get a traffic man, that is, an unbiased traffic man who has not had some pressure on him, any traffic man who is not under pressure will tell you that this is the biggest possible development for this United States from a transportation angle, and that includes Mr. Beiter's town.

Mr. BEITER. What area do you represent? It is very obvious, Mr. Chairman, that he is not from Buffalo.

Mr. KEISER. Duluth, Minn.

Mr. BEITER. Duluth, Minn.?

Mr. KEISER. Yes, sir.

Mr. BEITER. You have not had any pressure from your Governor on this, have you?

Mr. KEISER. That is, to make me for it?

Mr. BEITER. Yes.

Mr. KEISER. No; I was for it long before this man was ever Governor. I was for this 23 years. I went to Duluth 23 years ago, and I recognized, before I had been there a year, that the greatest thing I could do for Duluth and for the Northwest and the lake area was to put this thing through, and I have never stopped a minute trying to do it since.

Mr. BEITER. Are you putting pressure on the Governor?

Mr. KEISER. No; I never put any pressure on the Governor.

Mr. PITTINGER. You heard Mr. Julius Barnes' testimony the other day?

Mr. KEISER. Yes; I did, and he is the soundest boatman I know in the country today.

Mr. PITTINGER. And he is a good traffic man himself.

Mr. KEISER. Yes.

Mr. DONDERO. Mr. Keiser, what percentage of the commerce on the Great Lakes is bulk cargo?

Mr. KEISER. In tonnage that runs 95 percent. One of the reasons we have for that is we have rail-controlled package freighters on the Lakes. They do not own any stock in the companies, but they make the freight rates just the same.

Mr. DONDERO. That is coal and wheat?

Mr. KEISER. No; that is package freight. That is why that proportion is so low. The Interstate Commerce Commission has not been very helpful in making joint rail and water rates there because they make them on a percentage relation to the railroad rates. That is simply taking the cost of transportation by high-cost route and using that as a yardstick for a low-cost route, and nobody suffers but the shipper and the receiving public.

The CHAIRMAN. I had a calculation made a few years ago of the freight, as near as I could get it, handled in common carriers on the Lakes.

Mr. KEISER. Yes.

The CHAIRMAN. In value the common carrier freight handled in car ferriage was about 98 percent of the total.

Mr. KEISER. I am not surprised at that, Judge. There is a tremendous car-ferrying business along there. I would say, in value, that the package freight business, and that is what you have reference to.

The CHAIRMAN. That is it.

Mr. KEISER. Represents a much larger proportion of the business than 5 or 8 percent, which I said with reference to tonnage, because that is in high grade freight, and in value per ton or unit of merchandise it is relatively much higher. I would say that that might run 30 percent, 70 to 30, as against 90 to 10 or 95 to 5.

The CHAIRMAN. Gentlemen, are there any further questions?

Mr. CULKIN. When do we adjourn to, Mr. Chairman?

The CHAIRMAN. We will adjourn until next Monday morning at 10:30.

Mr. BEYER. Have you any idea who the witnesses will be, Mr. Chairman?

The CHAIRMAN. Mr. John Beukema, and several others.

(Thereupon, at 3:43 p. m., the committee adjourned until Monday, July 7, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

MONDAY, JULY 7, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment, for further consideration of H. R. 4927, Hon. Joseph J. Mansfield (chairman) presiding.

The CHAIRMAN. The committee will please come to order. Mr. Beukema, are you ready to proceed?

Mr. BEUKEMA. Yes, Mr. Chairman.

The CHAIRMAN. Before we commence, wait just 1 minute. Let us see if we can agree on procedure. I suggest that we limit every member to 3 minutes.

Mr. MACIEJEWSKI. If that is the wish of the chairman, I will move that we limit them to 3 minutes.

Mr. CARTER. I think that 3 minutes will be a little short. I make it 5.

The CHAIRMAN. That would be an hour and something.

(After further informal discussion with regard to procedure the following proceedings were had:)

The CHAIRMAN. Very well, then, we will go along and see how we can get along.

Mr. DONDERO. Mr. Chairman, I understand that the Governor of Michigan has sent a statement in lieu of his personal appearance, because of a session of the Michigan Legislature, which prevents him from coming here. If such statement is here, I ask permission of the committee that it might be included in the record.

The CHAIRMAN. Certainly; we did that for the Governor of Louisiana and have done it for others.

(The letter referred to is as follows:)

STATE OF MICHIGAN,
EXECUTIVE OFFICE,
Lansing, July 5, 1941.

HON. JOSEPH J. MANSFIELD,
Chairman, Committee on Rivers and Harbors,
United States House of Representatives, Washington, D. C.

DEAR CHAIRMAN MANSFIELD: I have your recent letter requesting an expression of my views on the St. Lawrence navigation and power project provided for in a bill now before your committee (H. R. 4927).

It is a matter of great personal regret to me that the reconvening of the Michigan Legislature Monday, July 7, makes it impossible for me personally to appear before the committee at the hearings now in progress. May I assure you, however, of my full and complete support of this great undertaking, as set forth in the legislation under consideration by the committee?

The Michigan State Legislature has consistently supported this project since its inception. We have a State commission, created by statutory enactment, known as Michigan Great Lakes Tidewater Commission, which is charged with

the responsibility of furthering the project and which has been implemented with State funds each successive biennium since it was first named 21 years ago.

I am in hearty accord with the views of President Roosevelt, the members of his Cabinet who have appeared before your committee, as well as other chief administrative officials of the Federal Government, and the Governors of New York and New Jersey, that this improvement is a vital necessity at this time, in the interest of national defense, in both its navigation and power phases.

Michigan, with the longest coast line of any State in the Nation, and more than 40 ports, could materially increase its contribution toward the construction of ships so vital to national defense if deep-draft navigation were established to the ocean.

Although the power benefits do not accrue to this State, we feel they are equally important to the Nation as a whole. The post-war benefits in the matter of lower freight costs on a wide variety of commodities—both agricultural products and manufactured articles—are equally significant in the national interest.

I sincerely hope that your committee will see fit to report favorably on this legislation to the Congress.

May I request that this statement be incorporated in the committee hearings.

Respectfully yours,

MURRAY D. VAN WAGONER,
Governor of Michigan.

The CHAIRMAN. I also have a letter here from Paul V. McNutt, the Administrator of the Federal Security Agency, which we will also make a part of the record.

(The letter referred to is as follows:)

THE FEDERAL SECURITY AGENCY,
Washington, June 30, 1941.

HON. JOSEPH J. MANSFIELD,
*Chairman, Rivers and Harbors Committee,
House of Representatives, Washington, D. C.*

DEAR CHAIRMAN MANSFIELD: For many years I have viewed the development of the Great Lakes-St. Lawrence seaway as a major item on our program of national development. Recent events involving the critical problem of defending this Nation have reinforced my conviction that we can wait no longer to initiate this long-needed public improvement.

As the Governor of Indiana, it was my privilege to examine the Great Lakes-St. Lawrence seaway project from the standpoint of the people of my own State who shared the problems of the great interior of this continent in distributing and receiving the products of industry and agriculture at a transportation cost equitably related to other trade areas.

For more than 20 years I have followed closely the problems of national defense. The simple facts that the completion of this great project will provide more kilowatts of electric power, a greater transportation capacity between highly important producing areas, and a vast accretion to our national ability to build the ships necessary to maintain control of strategic sea routes, convinces me that we must begin it as a part of our broad program of national preservation.

Because of my conviction that these fundamental principles should prevail in passing judgment upon H. R. 4927, I want to go on record as strongly urging the construction of this project. I know that your time will be consumed in hearing the statements of a vast number of witnesses who will wish to appear and be heard. Hence, if it be appropriate, would you place this letter in the record?

With kindest regards, I am

Very cordially yours,

PAUL V. McNUTT.

STATEMENT OF JOHN C. BEUKEMA, SECRETARY, MICHIGAN GREAT LAKES-TIDEWATER COMMISSION, AND CHAIRMAN, EXECUTIVE COMMITTEE OF THE NATIONAL SEAWAY COUNCIL, MUSKEGON, MICH.

The CHAIRMAN. Mr. Beukema, will you state your name and whom you represent?

Mr. BEUKEMA. My name is John C. Beukema of Muskegon, Mich. I represent the National Seaway Council, a federation of the several civilian groups, representatives of agriculture, navigation, and power, interested in procuring the construction of the St. Lawrence seaway, and which your witness represents as chairman of its executive committee; Michigan Great Lakes-Tidewater Commission, a State commission, named by the Governor of Michigan under statutory authorization, of which your witness is secretary.

The National Seaway Council was organized in the city of Detroit, Mich., March 12, 1936, on suggestion of the late Senator Key Pittman, chairman of the Senate Foreign Relations Committee, who, in addressing an assembly of seaway advocates, recommended that such a coordination of activities was desirable.

Constituent members of the council are the following national and regional associations: National Grange; Ohio Lake Ports Association; East Michigan Ports Association; West Michigan Legislative Council; Minnesota Arrowhead Association; Power Authority of the State of New York; Champlain Valley Council; Northern Federation of Chambers of Commerce of New York; Great Lakes Harbors Association.

Since its organization the council has worked unremittingly for the accomplishment of its objective, namely, a new agreement between the United States and Canada on this project. It maintains a Washington office at 504 Hibbs Building, 725 Fifteenth Street NW.

National Seaway Council and Michigan Great Lakes Tidewater Commission endorse the legislation now before you—H. R. 4927—for the following reasons:

1. We believe the agreement between the United States and Canada, which it ratifies, provides for the accomplishment of a great national and international objective, namely, the opening of the St. Lawrence River and Great Lakes system to navigation by ocean-going vessels; and further provides for an additional beneficial use of these waters in the production of badly needed hydroelectric power.

2. We believe that the construction of the facilities provided for in this legislation will contribute materially to the national defense for the following reasons:

- (a) It will permit the establishment of new and additional ship-building facilities on the Great Lakes.

- (b) It will provide badly needed electric power in the International Rapids section.

- (c) It will provide a new and safe water route for the movement of both agricultural and manufactured products from the interior to the North Atlantic, thereby relieving the strain being placed on the railroads and other transportation agencies.

3. Freight savings accruing through the use of continuous water haul in deep-draft vessels will stimulate commerce between the

interior and our several coasts, as well as with foreign countries. These benefits will be particularly marked in the post-war period.

4. We believe that the increased trade and commercial activity engendered by the seaway will result beneficially to the railroads, increasing both the tonnage handled by these carriers and their revenues.

5. Finally, we are of the opinion that no other public project, now on the horizon, or within the vision of this generation, will be productive of the benefits to the Nation as a whole, and particularly to the Great Lakes Basin and upper Mississippi-Missouri Valley, and the agricultural and industrial interests thereof, as this project.

The primary justification of the project at this time is its value in the national defense program. The case for national defense has been adequately covered by Government witnesses more qualified to speak on this subject than we are, hence, we will not take the committee's time in discussing it.

The question we propose to discuss is the long-range usefulness of the project. What does this project mean to the United States in terms of increased production, and volume of trade; and in the opportunities afforded residents of one section of the country to purchase the products of other sections at less cost and at lower transportation charges.

It must be remembered that our coastwise trade in the United States exceeds in volume our foreign trade three to four times. It must further be remembered that the cost of transporting bulky commodities in a deep-draft vessel on a continuous water haul is about one-eighth to one-tenth of the corresponding rail charge.

Hence, the seaway has a vital significance to the citrus fruit grower in Florida, the canned food processor in California, the lumber mill operator in Oregon, as well as the Detroit automobile manufacturer and every coastwise resident who drives an automobile.

Summarizing, gentlemen, the St. Lawrence seaway and power project is primarily one of those great national investments that bind the people of every section of the country closer together by enabling them to exchange the products of their labor at less cost and inconvenience, thereby increasing the consumption of these products.

1. Growth of foreign commerce of the Great Lakes: This is not a new project. We are not asking the Governments of the United States and Canada to create a new facility, a currently nonexistent waterway. The seaway is operative today. It is carrying a substantial volume of tonnage, aggregating 9,236,318 tons the last post-war year.

Up to the outbreak of the war ships of well-known and established lines made regular sailings during the navigation season between Great Lakes ports and north European ports. The businessmen of Detroit and Muskegon are as accustomed to looking out of the windows of their offices and seeing Dutch and Norwegian flags flying from ships loading and unloading in the port as the businessmen of lower Manhattan are to seeing those same flags flying from the masts of vessels in New York Harbor.

The one difference is that the ships which serve the lake ports are small vessels, with limited carrying capacity, usually not to exceed 1,500 tons, capable of navigating the present 14-foot canals in the St. Lawrence River. Most of them were specially built for this trade in Scandinavian yards. This commerce has developed since 1933, or since the previous treaty was defeated. It grew out of it.

Mr. DONDERO. The mayor from Milwaukee stated that he had welcomed 45 foreign ships to the port of Milwaukee during last year.

Mr. BEUKEMA. I read that in the testimony.

The CHAIRMAN. Some of them full of holes, made with machine guns.

Mr. BEUKEMA. This service grew out of the imperative need of service of this character.

We have a North Atlantic range with a parity of rates in normal times to world ports for all seaports in that range from Portland south. We have our Gulf coast range, with a like parity of rates to world ports as between Houston, New Orleans, Mobile, and so forth.

What this project will accomplish is to give us a Great Lakes range with a like parity of rates to world ports. We have reasons to believe that while there will be certain differentials in favor of our eastern seaports because of the longer voyage up the St. Lawrence—a voyage of possibly 5 or 6 days additional duration for the average vessel—these differentials will be only a small fraction of the present rail rates from Atlantic seaboard points to lake ports. In fact, since 1933, or since the former treaty failed of ratification, we have already created a range of this character, with two schedules of rates, one to Erie ports and Detroit, and the other to ports in the upper Lakes.

Mr. BELL. Mr. Chairman, may I interrupt?

The CHAIRMAN. Mr. Bell.

Mr. BELL. You mean there that the rates, we will say, from Chicago up to the mouth of the St. Lawrence and down to New York would perhaps be a sixth or an eighth of what railroad rates are from Chicago to New York? I just want to get clear what your meaning is there.

Mr. BEUKEMA. I am going to give you some specific examples Congressman, of actual rates as between the Atlantic seaboard port, and northern European ports, and the Great Lakes ports, of actual commerce moving, as we proceed with this discussion.

Mr. BELL. As I gather, what you mean is that rates between European and lake ports, rather than lake ports and Atlantic seaboard ports.

Mr. BEUKEMA. There is not at the present any traffic moving between the lake ports and the Atlantic seaboard ports, or traffic of any considerable volume, on which you can base a schedule of rates, but there has been and is a movement between the lake ports and the northern European ports by the Fjell Line and the Orange Line.

Mr. BELL. So, you are not dealing with how possibly it might be as between the lake ports and the North Atlantic ports.

Mr. BEUKEMA. We have nothing specific on that.

Our manufacturers and processors prior to the outbreak of the war were laying down goods on the docks of London, Oslo, Antwerp, Rotterdam, and other north European ports at little more than the rail cost to New York. In other words, we delivered refrigerators, filing cabinets, and other manufactured commodities nearly as cheaply to Riga in Estonia, as we did to Macey's in New York.

This is not a hypothetical commerce. It is an existing commerce. It was borne out of sheer necessity after the previous treaty was defeated. It demonstrates the determination of the Midwest to free itself from the shackles with which it is bound, and particularly the cost of rail haul to and transfer at eastern seaboard points.

We might point out that the Fjell Line (Norwegian), which began operations with 1 vessel in 1933, had 17 vessels, all specially built for

the navigation of the 14-foot canals, in operation by 1937. The Orange Line (Dutch) started with 1 vessel in 1938; the Orange Line had 4 in 1939.

The greatest obstacle to the development of this commerce has been a provision in North Atlantic Conference Lines contracts canceling the rates provided for in these contracts and imposing much higher noncontract rates if the Midwest shipper ships as much as one parcel by some nonconference carrier—specifically a carrier utilizing the St. Lawrence-Great Lakes route. The agreement further provided that the penalties were retroactive; that is, if a shipper made a shipment by a nonconference carrier at or near the close of the contract period, he would be charged the difference between the contract and noncontract rates on all shipments made previously during the contract period, which was usually 1 year.

I might point out that the disabilities imposed by this agreement against Midwest commerce became so severe that the attorneys general of Michigan, Wisconsin, Indiana, and Ohio, together with several commercial bodies and port commissions in the Great Lakes area, instituted an action before the United States Maritime Commission in 1939 to cancel those provisions and to remove the alleged unjust discrimination against Great Lakes shippers and ports. The action was successfully maintained and the Maritime Commission ordered cancellation, effective June 30, 1940. By this time, however, the war was so far advanced the Great Lakes service had been materially reduced.

2. Advantages of all-water route: The advantages of the Midwest manufacturer in shipping by the direct water route to European ports, as against the rail-water route via an Atlantic seaboard point are summarized as follows:

1. Lower freight cost in shipping by water.
2. Use of a domestic box, as against a more expensive export box.
3. Elimination of split carrier liability.
4. Elimination of cartage at seaboard shipping point.
5. Elimination of forwarder's agent at New York, and so forth.
6. By dividing the freight savings with foreign distributors, the American manufacturer can secure larger orders, thereby reducing his manufacturing costs.
7. The American manufacturer improves his competitive position in the European market.

Let us take a specific shipment of electric washing machines and refrigerators going to a London or Paris distributor as an illustration.

1. On a 4-cubic-foot refrigerator the freight saving is approximately \$3 by shipping direct by water from a Great Lakes dock. On a 12-cubic-foot box the saving is approximately \$14. On electric washers the savings will run from \$1.50 to \$3. I am speaking, of course, in terms of pre-war commerce.

2. Your committee is doubtless familiar with the fact that goods designed for export shipment and passing through an Atlantic seaboard point on a rail-water transfer must be much more strongly packaged than goods delivered to the railroad company for domestic shipment. On a refrigerator or washing machine the difference in packaging costs will run from \$1 to \$2 in favor of the domestic box. Your export package must be crated so that the goods will not be damaged by being dropped several feet into a ship's hold. It must be

able to stand the abuses of transfers from a rail-car to transit shed, to lighter, to ship.

On the lakes, however, we have developed a facility that does away with the need of the export box and permits the use of the much cheaper domestic box. This is done by loading directly from transit shed platform into the hold of the vessel with a Gantry crane equipped with special clamps and hooks for handling these packages. Use of the Gantry crane permits more positive control than can be obtained with the ship's tackle, and the package is put down in the hold of the ship as carefully as you would place a basket of eggs on a table.

The factory representative is present during the course of operation and when the ship leaves port he knows that every parcel has been safely and securely stowed away.

Mr. DONDERO. Might that apply to automobiles?

Mr. BEUKEMA. Certainly it would.

Mr. DONDERO. Shipped from Detroit?

Mr. BEUKEMA. Yes, sir. It is just a matter of installing the necessary dock equipment.

Mr. DONDERO. Yes.

Mr. BEUKEMA. Any damage thereafter is covered by marine insurance.

3. This brings us to the subject of split-carrier liability. When the rail carrier at New York or any other seaboard point turns over a shipment to the water carrier or the forwarder, the rail carrier secures a release of its liability. Oftentimes when goods arrive at London or Paris damage is discovered. The water carrier and/or the marine insurance agency is able to show that all due diligence was employed, and that the damage is of a character which indicates that it must have occurred before delivery was made to the water carrier. However, the rail carrier has been released. Naturally, the shipper "holds the bag."

Disputes of this character are not infrequent, and are the source of both annoyance and expense, as it is not easy to repair damage to a refrigerator lying on a London dock or Paris warehouse.

In the case of direct shipment from a Great Lakes port marine insurance covers the damage, and there is no question of split-carrier liability.

4. The services of a forwarding agent in New York are a charge against export commerce. There is also the cost of documentation, and the difficulties of handling by correspondence the many technical problems that arise, documents to be signed, and so forth.

In fact, one of the chief obstacles we have to overcome in the Midwest in building export interest among our manufacturers is the many complicated details surrounding export business, particularly documentation, such as export declarations, consular invoices, certificates of origin, commercial invoices, ocean bills of lading, marine insurance, shipping requirements, tariff provisions, customs duties, and so forth, as well as credits. The burden of this usually falls on the seller, as the European buyer, and the same is true of the South American, South African, and Australian buyers who customarily prefer to be quoted a delivered price, with all transportation charges included.

Even though a specialist be employed it is not easy for him to keep in touch with the constant changes taking place which are part of daily conversation in New York export circles.

Hence, it is our conviction that when the seaway is opened, eastern export houses will establish western branches and/or new houses will be established in the Midwest, at points like Chicago, Detroit, and Milwaukee, with whom western manufacturers and exporters can maintain daily communication without inconvenience. This will result in increased interest in and participation in export business.

5. We mentioned the fact that the Midwest exporter by using direct water haul is enabled to get larger orders from his European distributors. This is actual experience. By pointing out the advantages of direct water haul shipment and by offering to divide the actual freight savings with his distributors, a Midwest manufacturer, the Norge division of Borg-Warner Corporation, was able to induce these distributors to anticipate a year's demand and accept shipment immediately following the opening of navigation in the spring. Previously these distributors had been ordering on a hand-to-mouth basis.

Getting the volume order on these goods meant a great deal to our Michigan manufacturer. The product was electrical appliances. In the past when each order came through it was virtually a "special." "Specials" clog up and slow down the production line. In a mass production plant they are a nuisance and cost more than the price they can be sold at.

Taking 2 or 3 days out of every month, therefore, to build these export "specials" was both an irritation and an expense. Yet they had to be built special, because of continental requirements. England, for example, has 27 different types of electric current, all requiring different motors. For illustration, London has 100-volt, 83-cycle; 220-volt, 50-cycle in alternating current, and 115, 230, and 250 volts in direct current. France, Sweden, Holland, and so forth, all have different cycles and voltages of electric current.

By getting foreign distributors to take a season's requirements at one time, our Michigan manufacturer was able to put through these "specials" in a slack period, thereby reducing his costs and keeping his labor continuously employed.

He also avoided labor trouble, because men employed on piece work on the incentive basis were not slowed down by others farther up the line working on "specials".

Mr. DONDERO. What you say about Michigan manufacturers, would also apply to all the Midwestern States?

Mr. BEUKEMA. That would apply to all the Midwestern States.

Mr. DONDERO. North Dakota, Wisconsin, Illinois, Missouri, and other Midwest States?

Mr. BEUKEMA. That is correct, Congressman. I am only giving you specific and concrete examples from actual experience.

Effects of the building of the Panama Canal on Michigan: 13 years ago former President Herbert C. Hoover, as chairman of the United States St. Lawrence Commission, pointed out in a Commission report (S. Doc. No. 183-69th Cong., 2d sess.) that the building of the Panama Canal had the practical effect of moving the Atlantic seaboard 300 miles nearer the Pacific seaboard in terms of freight costs, and moving Chicago 400 miles further from Pacific coast markets and sources of supply. Mr. Hoover reported:

If we take as a unit of measurement the cost in cents of carrying a ton of staple goods at present rate, taking the cheapest route in each case, we find that before the war New York was 1,904 cents away from San Francisco, while now it is only

1,680 cents away. Chicago, which was 3,610 cents away from the Pacific coast before the war, is today 2,946 cents away. In other words, Chicago has moved 336 cents away from the Pacific coast, while New York has moved 224 cents closer. A similar calculation will show that in the same period, since ocean rates have remained about the same, Chicago has moved 594 cents away from the markets of the Atlantic seaboard and South America. The same ratios apply to other Midwest points.

We wish to submit herewith concrete illustrations of the truth of this statement.

Prior to the building of this Canal, that is the Panama Canal, Michigan fabricators had a natural geographic advantage in being able to ship both east to the Atlantic and west to the Pacific seaboard at lower rates than seaboard competitors. They were in the center, the seaboard on the rim. They had a natural advantage over Atlantic seaboard competitors in shipping to the Pacific coast, as well as in the purchase of Pacific coast products; they likewise enjoyed a competitive advantage over western producers in their dealings with Atlantic coast producers and consumers. The building of the Panama Canal not only eliminated this advantage, it placed Midwest producers and consumers at a serious economic disadvantage and reduced their markets proportionately. Producers on each seacoast now ship to the other seacoast at rates that range as high as 45 percent under comparative rates from Michigan and other Midwest points.

On the average commodity the Michigan producer and/or consumer can save a substantial sum—one-fourth to one-third of the freight cost—by shipping goods destined for San Francisco or any other Pacific coast point to New York, Philadelphia, Baltimore, or other Atlantic seaboard points, then by steamship via the Panama Canal; as against, the direct rail shipment to the coast. The freight saving on this movement—contrary to the natural direction of traffic—extends back as far as the Mississippi River.

As a consequence, a substantial volume of freight consigned to and from Pacific coast points is moving from the Midwest to Atlantic seaboard points and is then transhipped by water, or vice versa.

The normal situation between the two sections of the country, dislocated by the building of the Panama Canal, would be largely restored, however, if the St. Lawrence seaway were built. When this project is completed, ships will move directly between Great Lakes ports and Pacific coast ports. In our opinion, a substantial volume of new traffic will be developed between the two sections of the country, a traffic far exceeding any loss the rails may suffer thereby. The rails will be compensated by obtaining the short haul from the Great Lakes ports to interior points in this region.

The savings by the seaway route will be material, ranging from 15 to 50 percent of the present freight rates. This is demonstrated by the fact that the cost of rail haul to the Atlantic seaboard from Michigan points for distances of from 600 to 800 miles frequently exceeds the cost of water-haul from Philadelphia to Pacific coast points, a distance of 6,000 to 7,000 miles (New York-Portland, 6,778 miles). In other words, from a mileage standpoint cost of water haul in deep-draft vessels on ocean lanes is about one-tenth of the corresponding rail cost.

On the other hand, if the seaway were opened and ships could make continuous voyages to Great Lakes ports, thereby eliminating the expensive cost of transfer at eastern seaboard points, with resultant

loss and damage due to handling, freight costs would be little higher than present rates between the Atlantic seaboard and the Pacific seaboard.

We submit the following illustrations:

One of Michigan's principal products is internal combustion engines (gasoline motors, Diesel motors, et al.). Continental Motors Corporation, one of the largest independent producers, is located at Muskegon, Mich. The rail rate on an internal combustion engine, crated, from Muskegon to San Francisco is \$5.01 per 100 pounds less-carload. The rail-water rate via Philadelphia and the Panama Canal, however, is only \$2.74 per 100 pounds less-carload. Hence, the shipper saves \$2.27 per 100 pounds, or 45.3 percent of his freight rate by shipping from Muskegon the rail-water route via the Atlantic seaboard.

May we further point out that the rail-water rate is divided as follows: Rail rate from Muskegon to Philadelphia—\$1.28; water rate from Philadelphia to San Francisco (Luchenbach Line)—\$1.46 (includes 2 cents wharfage).

If we have regular sailings between Great Lakes ports and the Pacific coast ports, I can visualize a rate of \$1.75 and not to exceed \$2 on this shipment, as against the present rail rate; in other words, a saving of \$3 against the present all-rail charge, or approximately 60 percent.

In carlots the comparative rates are as follows:

All-rail (40,000 pounds minimum) Muskegon to San Francisco, per hundred-weight—\$1.49.

Rail-water via Philadelphia—\$1.53½—divided as follows:

Rail—Muskegon to Philadelphia—61 cents.

Water (minimum 24,000 pounds)—Philadelphia to San Francisco—92½ cents.

The water carrier specifies a minimum weight of only 24,000 pounds to take the carload rate; whereas, the rails require a 40,000 pound minimum. If the seaway were opened the theoretical carload rate by the all-water route would be not to exceed \$1.25 per 100 pounds, a saving of 24 cents, or 16 percent.

Another example:

Brunswick-Balke Collender Co. at Muskegon, Mich., produced 70 percent or better of the world's bowling and billiard equipment. I quote herewith the rail-water rate to the Pacific coast via an Atlantic port and the Panama Canal, as against the all-rail rate, both carload and less carload, on billiard tables, k. d., and parts thereof (20,000 pound carload minimum).

	Less than carload	Carload	Mini- mum
(1) Water-rail:			Pounds
Rail, Muskegon to Philadelphia.....	\$1.50	\$1.05	20,000
Water, Philadelphia to San Francisco.....	2.00	1.10	
Total, water-rail.....	3.50	2.15	
(2) All-rail.....	4.28	2.73	24,000
Saving, water-rail.....	.78	.58	

On less-carload shipments the saving via the rail-water movement is 78 cents per 100 pounds, or 18.2 percent. In carloads the saving is 58 cents per 100 pounds, or 21.2 percent. Furthermore, the rails

require a 24,000-pound minimum; the boat lines a 20,000-pound minimum.

If the seaway were opened, we anticipate an all-water rate on a continuous movement from Great Lakes ports to Pacific coast ports of \$2.25, and not to exceed \$2.50 per 100 pounds on less-carload shipments and \$1.25 and not to exceed \$1.50 on carload shipments, representing savings of \$1.30 to \$1.55 on less-carload shipments and \$1.23 to \$1.48 on carload shipments, or roughly one-third on each.

On bowling-alley material and accessories, boxed or crated, the comparative rates are as follows:

	Less than carload	Carload	Mini- mum
(1) Water-rail:			<i>Pounds</i>
Rail: Muskegon to Philadelphia.....	\$1.05	\$0.61	-----
Water: Philadelphia to San Francisco	2.40	1.13	24,000
Total water-rail.....	3.45	1.74	-----
(2) All-rail.....	3.80	2.48	-----
Saving, water-rail.....	.35	.74	-----

It will be noted that the saving on a less-carload shipment via the rail-water route is 35 cents per 100 pounds, or 9 percent; on a carload shipment, 74 cents per 100 pounds, or 30 percent. If the seaway were opened, the theoretical rate is \$3 less carload and \$1.10 to \$1.60 carload, representing savings of 80 and 88 cents respectively or 21 and 35 percent.

The Holland Furnace Co. at Holland, Mich., has warehouses at Los Angeles, San Francisco, Portland, and Seattle. Products are shipped in carloads almost without exception. The rail-water rate to San Francisco is \$1.105 per 100 pounds, divided as follows: Rail rate to Philadelphia, 53 cents; steamship to San Francisco, 57.5 cents.

The all-rail rate direct west is \$1.19. Hence there is a saving of 8.5 cents via the rail-water route, or 7.7 percent.

Note that a seaboard competitor can land his product on the Pacific coast at approximately one-half the freight cost that the Holland Furnace Co. pays. This difference has to be made up out of either production costs or the products. If the Seaway were opened, however, we can visualize a water rate of 75 cents, as the ship that brought in lumber or canned goods could haul back furnaces and other manufactured products. This represents a saving of 44 cents, or 37 percent.

We could multiply these illustrations many times on a wide variety of commodities, but this would be mere duplication. The material points are (1) the Midwest manufacturer is at a comparative disadvantage in competing with Pacific coast markets, largely as a result of the building of the Panama Canal; (2) the Pacific coast producer likewise is at a disadvantage in reaching Midwest markets; (3) both Midwest and Pacific coast consumers pay higher prices than they would if a direct water route were provided, and (4) building the seaway will restore economic parity between the several sections and reduce prices to the consumer.

May we call the attention of the committee to the effects of this situation on the cost of living.

We quote from a decision of the Interstate Commerce Commission, Division II, made on the 15th day of December, 1939 (Fourth Section, Order No. 13639) dealing with rates on canned pineapple from Honolulu to Chicago and Milwaukee.

In this particular instance the rail carrier, discovering that an all-water movement on canned pineapple from the Hawaiian Islands via the Panama Canal, Hudson River, New York State Barge Canal, and Great Lakes, inaugurated by National Tea Co., was cutting into their traffic in this product via San Francisco, asked for a Fourth Section departure authorizing them to establish lower rates on canned pineapple to the Chicago-Milwaukee zone than to intermediate points. The Commission granted the relief. The rail rate of 80 cents from San Francisco to Chicago-Milwaukee was reduced to 70 cents. The net effect of this reduction was that a present water-rail rate from the Hawaiian Islands through San Francisco to Chicago and Milwaukee by rail was reduced from \$1.1045 per 100 pounds, or \$22.09 per net ton, to \$1.0045 per hundred pounds. This does not quite meet the prevailing all-water rate (ocean-canal-lake rate), which is 94.25 cents per 100 pounds delivered on dock at Chicago or Milwaukee.

The break-downs are as follows:

Rail-water via San Francisco—\$5 per ton for water movement from Hawaiian Islands to San Francisco; plus 19 cents marine insurance, 75 cents per ton for sorting, and 15 cents per ton for toll at San Francisco and \$16 per ton (80 cents per 100 pounds) for rail movement from San Francisco to Chicago and Milwaukee.

The ocean-canal-lake rate of 94.25 cents per 100 pounds, or \$18.85 per net ton, is composed of \$12.50 per ton for water haul to New York from Hawaii; 35 cents per ton for marine insurance; and \$6 per ton for the barge movement from New York to Chicago.

If this canned pineapple could move via a completed seaway, on continuous water haul in a deep-draft vessel, the rate should not exceed \$14 to \$15 per ton, or 70 to 75 cents per hundredweight. In other words, there would be a freight saving of from \$3.85 to \$4.85 per ton, or from 20 to 25 percent.

Canned pineapple is quoted to the Midwest wholesaler on a f. o. b. Honolulu basis with freight added. Under the competition that exists between chain stores and independents, any such saving must inevitably be passed on to the consumer. Hence, this example illustrates how lack of the seaway affects the cost of living in the Midwest.

Mr. PITTENGER. Before you leave that subject, the railroad at San Francisco did meet the cheaper water rate?

Mr. BEUKEMA. They petitioned the Interstate Commerce Commission; they did not meet it, but they petitioned the I. C. C. for a cheaper rate.

Mr. PITTENGER. And they are hauling pineapple now?

Mr. BEUKEMA. Yes, sir.

Mr. PITTENGER. That is all.

Mr. BEUKEMA. The same is true of intercoastal trade. Take the item of lumber from the Pacific coast, for example. Lumber consumption in the three Lakes States of Minnesota, Wisconsin, and Michigan, has declined nearly 43 percent since 1922, or from a total of 3,865,000 M feet board measure to 2,196,000 M feet board measure.

Mr. DONDERO. Would that lumber come from the State of Oregon?

Mr. BEUKEMA. No; I am speaking now about lumber consumption, that has declined 43 percent—pardon me; yes, Mr. Congressman.

The figures are from the United States Department of Agriculture, Statistical Bulletin No. 68, issued May 1939, and entitled, "Forest Products Statistics of the Lakes States."

This decrease is in close ratio with the decline in production from 1,944,000,000 feet in 1922 to 937,000,000 feet in 1936, or a decline of approximately 52 percent.

In other words, as our home production declined, our home consumption also declined. Why? Partly, no doubt, because of competition of other materials. But other materials were enabled to compete with the basic product of our Pacific and Gulf coasts, namely, lumber, because we do not have the advantage of cheap water transportation to bring this lumber to our markets.

As the lumber dealers of my community frankly admit, if they could save \$5 per thousand feet in freights as a result of direct water haul from the Pacific coast—the saving estimated as a result of the seaway being opened—building of new homes would be greatly stimulated thereby, lumber could be used in a great many places where it is not now used, and consumption of lumber would mount rapidly.

To illustrate in figures, Luchenbach Steamship Co., Inc., quotes a rate of \$15 per thousand feet net board measure, on cedar, fir, hemlock, larch, pine, redwood, spruce, and tamarack in lots of not less than 12,000 feet net board measure, from Los Angeles, San Francisco, Oakland, Portland, and Seattle to Philadelphia or New York. To this must be added \$1.50 per thousand for car unloading at Pacific ports and 30 cents per \$100 marine insurance, a total rate of \$16.60.

The rail rate from Pacific coast points to eastern seaboard points and intermediate points like Muskegon, Mich., is 86½ cents per hundred, or \$25.95 per thousand net board measure, based on weight of 3,000 pounds to the thousand feet. Rail rate from the Atlantic seaboard to Muskegon is 36 cents per hundred pounds, or \$10.80 per thousand net board measure; giving us a combined water-rail rate of \$27.40.

We visualize a rate of \$16 per thousand and not to exceed \$18 per thousand from Pacific ports to lake ports when the seaway is opened, a net saving of \$5 to \$7 per thousand feet net board measure, as noted. This is a freight saving of 30 percent.

I am a member of the board of directors of a Federal building and loan association in my city and I have served for several years as chairman of the F. H. A. housing activities.

Since our city is primarily industrial, with more than 22,000 factory operatives, I am thrown into frequent and continuous contact with people who wish to build homes. The average income of these workmen ranges from \$1,500 to \$2,000 per annum. Most of those desiring to build homes are young people. They are interested in four-, five-, and six-room cottages, frame construction, built as economically as possible, but with basement, bathroom, and furnace. Price of a home of this character (including lot at \$300 to \$400) ranges from \$3,400 to \$4,000, conditioned on the improvements. It is my frequent observation that these young people feel they could pay for a house costing not to exceed \$2,500 to \$3,000, but hesitate to involve themselves above this sum.

Hence, again, the high cost of delivering this Pacific coast lumber to Michigan retail yards has definitely retarded home construction in my State. It is depriving the workmen of Michigan of the homes they so ardently desire. It is depriving a Pacific coast mill of a market for its product. It is depriving the operatives in the mills and the building artisans of Michigan of jobs.

Every time I see a pile of lumber of coast origin, I am reminded of the fact that two-thirds of the value of that pile represents freight charges; one-third the cost of the finished lumber at the mill.

Costs of transfer at seaboard points: As to the relative cost of transfer from rail to ship at New York, as compared with loading and unloading charges at a Great Lakes port, we would submit the following:

Attention of the committee is called to the findings of the Interstate Commerce Commission in the so-called lighterage cases; *State of New Jersey v. New York Central Railroad et al.*, I. C. C. Finance Docket No. 22824-i; also predecessor cases including *Wharfage Charges case* 93 I. C. C. 609; 157 I. C. C. 663, and 174 I. C. C. 263.

In the first-named case the presiding examiner (p. 47) found combined transfer and shore-to-shore costs of rail-to-ship and ship-to-rail movement in New York harbor \$2.75 per ton, average.

This was in 1931. I think we may safely assume the costs, due to wage increases, and so forth, are materially higher. This cost, it should be pointed out, is not separately charged, but is absorbed by the line-haul carrier. The examiner makes the following interesting comment:

The above-mentioned lighterage cost is 53.3 percent of the fifth-class rate from New York Harbor lighterage points to Utica, N. Y., 249 miles; 42.5 percent of that to Buffalo, N. Y., 437 miles; 35.7 percent of that to Painesville, Ohio, 590 miles; and 23.9 percent of that to Chicago, Ill., 959 miles. If the terminal service at the other end costs as much as the lighterage service, the two terminal services would represent 85 percent of the rate to or from Buffalo and 106.6 percent of that to or from Utica.

On packing-house products from Chicago to New York for export, a lighterage cost of \$1.86 per ton is shown to be 45.6 percent of the revenue received by the Lackawanna and Lehigh Valley for their respective hauls of 396 and 457 miles beyond Buffalo. On export flour from Minneapolis, Minn., the same lighterage cost is 74.8 to 81.6 percent of the revenue received by the eastern trunk lines for their hauls of 396 to 508 miles beyond Buffalo.

Stevedoring rates at a Great Lakes port, Muskegon, run from 25 cents to \$1.20 per ton, conditioned on the commodity.

Costs of transfer at New York are high for sound and substantial reasons. Freight may have to be moved to any one of over 600 piers. Lighterage involves a breaking of bulk in transit as freight has to be moved by the railroad between cars and lighters and again handled by it between lighters and piers or ships' slings. If delivered to piers, it usually passes through transit shed to loading platform available to ship's tackle. These costs, as we have pointed out, are reflected in the rail charge and water carrier's charge, thereby necessitating a combination rate materially in excess of the rates currently paid by our shippers to the through water carriers now utilizing the St. Lawrence route.

Port of Albany: Some years ago the Congress on recommendation of this committee, authorized a project for the deepening of the Hudson River to Albany, in order to permit ocean-going vessels to reach that port. I think, in all, some \$18,000,000 to \$20,000,000 has been expended on this project.

Mr. DONDERO. I asked the chairman how deep the Hudson was, and he said 27 feet.

The CHAIRMAN. Twenty-seven feet; yes.

Mr. BEUKEMA. Yes. On what pleas was the Hudson deepened and Albany made a world port?

I quote from the Fifth Annual Report of the Albany Port District Commission, page 7:

There has arisen, bordering the Great Lakes, the inland empire of the Middle West. It requires an improved water transportation route, both for its domestic and foreign trade.

Throughout the national expansion, Albany has remained the nearest of all the American ports to the Great Lakes; connected with them by rail and by the shortest navigable waterway route in the United States joining the Great Lakes with the Atlantic Ocean.

By the deepening of the Hudson River for the navigation of modern ocean ships to Albany, now accomplished, world-wide ocean-borne trade is returned to this gateway, which is thus in all respects restored and retained as the entry port to the heart of the continent.

Economies are effected, because ocean ships are enabled to reach the head of the Hudson, and land distances to the interior are reduced 143 miles.

The port of Albany is the nearest all-year seaport in North America to the Great Lakes territory. It is thus enabled to serve at the most advantageous point the year-around movement of all types of commerce handled between the Atlantic seaboard and the interior.

Industries throughout the territory served by this port are enabled to conduct their operations at an important advantage in the development of competitive markets, by utilizing the canal, rail, highway and ocean routes, all of which are found in the highest and most efficient stage of development at this port.

Under date of March 23, 1932, F. P. Kimball writes in the Montreal Shipping Register in reference to this port:

Its outstanding advantage to Middle West shippers of the United States lies in the fact that it is the nearest all year around North American seaport to the Great Lakes ports.

As the focal center of trunk-line railroads serving the major east-west movement trade, and with the barge canal system at its doors whose capacity is 20,000,000 tons, the port of Albany provides the most practical and economical outlet for the Middle West manufacturer as well as for the importation of raw materials.

Leading in the in-bound shipments were wood pulp, lumber, pulpwood, canned goods and molasses. More than 100 cities in the territory between Albany and the Mississippi received shipments from vessels arriving at Albany, including such points as Chicago, Milwaukee, Minneapolis, Detroit, and Cleveland.

Canadian and New England points, and the up-State New York territory were also served, shipments going to Toronto, Montreal, Boston, Buffalo, and other cities.

Probably no port in America has had a faster growth of trade and none offers more promise for the future, because of its ability to serve the east and west trade of the United States.

This port introduces a new set of economies in American trade, serving the chief producing-consumer areas in America. For the Middle West shipper, the port of Albany provides the most efficient and practical year-around outlet for manufactures of all costs, as well as for the importation of raw materials.

If an expenditure of \$20,000,000 was justified in bringing the ocean 143 miles nearer the interior of the continent, is not the proposed expenditure bringing the ocean lane 1,500 miles farther inland to such important cities as Buffalo, Cleveland, Toledo, Detroit, Chicago, Milwaukee, Muskegon, and Duluth equally justified?

Mr. DONDERO. Do you mean to say \$20,000,000 was spend on the Hudson River?

Mr. BEUKEMA. That was their plea.

Mr. DONDERO. To deepen it to Albany?

Mr. BEUKEMA. To deepen it to Albany.

Mr. DONDERO. Where did the pulpwood and other articles of cargo come from?

Mr. BEUKEMA. Those are foreign importations that come over there from Norway and Sweden and Finland—

Mr. DONDERO. The Scandinavian countries?

Mr. BEUKEMA. Yes, sir; the Baltic countries.

Mr. CARTER. You spoke of foreign ships being at Detroit, a while ago?

Mr. BEUKEMA. Yes, sir; at Detroit.

Mr. CARTER. They were at Detroit?

Mr. BEUKEMA. Correct.

Mr. CARTER. The ocean lanes are opened up there now, are they not?

Mr. BEUKEMA. To ships that can navigate the 14-foot canal, ships actually built for that trade, that are able to navigate the 14-foot depth, 1,500 tons.

Mr. CARTER. And all those oceangoing vessels, they go right on across the ocean, without transferring the cargo at Montreal, or anywhere?

Mr. BEUKEMA. That is right, Mr. Chairman.

Mr. ELLIS. At this point I would like to ask, if I may—

Mr. CARTER. I should not have interrupted, but for the indulgence of the committee, I will ask one more question there.

Mr. BEUKEMA. That is all right.

Mr. CARTER. I think you stated one figure, at least, as to some allowance of difference in the trans-Atlantic rates, between the ships that are operating there now and those that might operate after the improvement is made?

Mr. BEUKEMA. Between the present ships operating?

Mr. CARTER. Yes; you said the rates on these vessels navigating through the 14-foot waterway, are a saving?

Mr. BEUKEMA. Yes; on many commodities.

Mr. CARTER. What would the rates be on a 27-foot waterway?

Mr. BEUKEMA. You understand, Congressmen, this is all a matter of barter; you bargain. There is no fixed schedule of rates; you bargain, that such a quantity is to be moved, and they have so much space available.

Mr. CARTER. Yes; with the foreign ships, and I suppose with any trans-Atlantic commodities, it is a question of bargaining, is it not?

Mr. BEUKEMA. Quite right.

Mr. CARTER. Yes. You think you would be able to secure lower rates if the ships are larger?

Mr. BEUKEMA. Because those ships can be operated more economically. It all goes back to the cost of operating the ships.

Mr. ELLIS. Right at that point, I would like to ask one question, if permissible?

The CHAIRMAN. Yes.

Mr. ELLIS. That being true, then, would it naturally follow that manufacturers as far inland as St. Louis and on down to Portsmouth, Ark., possibly and other towns in the Middle West, would be able perhaps to ship manufactured commodities abroad by virtue of the cheaper freight rates by way of Chicago if this were done, and otherwise they might not be able to ship and pay the railroad for that

transportation, and they would be able to do more transporting than they would if this were not done?

Mr. BEUKEMA. I think that when you got as far south as Portsmouth, Ark., your logical gateway would be either New Orleans or one of the Texas ports, rather than the Great Lakes ports.

Mr. ELLIS. What about Kansas City and St. Louis?

Mr. BEUKEMA. I think those would be break points.

The CHAIRMAN. A better way of getting that would be to ascertain what the present rates are from the Interstate Commerce Commission.

Mr. BELL. I did, and it costs more for transportation to ship either to San Francisco or to New York from Kansas City or St. Louis than it does to ship from New York to San Francisco, or vice versa.

The CHAIRMAN. Yes. Well, we have lots of instances of that kind, you know, that have grown up out of our system, and it looks like it is impossible to get all those things corrected.

Mr. BEUKEMA. Export trade of Michigan: The importance of Michigan as a contributor to the export-import trade of the United States may be realized from a consideration of the following facts:

1. Michigan produces a higher per capita value of goods moving in export than any other State in the Union.

2. The Detroit industrial area is the largest producer of manufactured goods moving into export of any similar area in the country.

3. There are more than 600 manufacturing industries in Michigan engaged in export trade.

Mr. DONDERO. Do I understand you to say we have 600 manufacturing plants in Michigan that export their products to foreign countries?

Mr. BEUKEMA. I might say the Detroit Board of Commerce has a list, of which I have a copy, of over 800. I have understated it.

The CHAIRMAN. It is a remarkable State.

Mr. BEUKEMA. We are finding new ones all the time, Congressman.

4. Michigan's exports are not limited to automobiles, as commonly imagined, but include a wide variety of both industrial and agricultural products. Export products in which Michigan ranks as a national leader are the following: Automobiles, automobile parts, and accessories; canned and frozen fruits and vegetables; fresh fruits and vegetables; machinery, tools, and accessories; pharmaceuticals; chemicals; office equipment; electric refrigerators and ice-making apparatus; other electrical appliances; stoves and ranges; iron and steel products; foundry, hardware, and iron-work items; pressed metal products and parts.

5. The value of automobiles shipped to foreign points from Michigan in 1937 aggregated over \$200,000,000 and automobile parts and accessories \$150,000,000—a total of \$350,000,000. The Detroit Board of Commerce is authority for the statement that every seventh dollar spent in wages and/or retail trade in Michigan has its origin in foreign trade. Automobiles and parts are among our principal exports in the United States, ranking second in dollar volume in 1937. The export volume represents roughly 12.7 percent of the total volume of production. What this means to Michigan may be illustrated by the fact that the pay rolls of the transportation industry principally automotive, represent roughly eleven-sixteenths of total factory pay rolls in our State, or 68.75 percent.

6. The automobile industry alone imports more than 300 commodities from 60 different countries, all of which go into the finished automobile.

7. Shipments of canned and frozen fruits aggregate over 6,000,000 cases per annum.

8. The paper industry in the Kalamazoo Valley only, excluding other producing points such as Monroe, Manistee, Muskegon, and so forth, imported during the past 5 years an average of 227,000 tons of wood pulp per annum from Baltic ports.

Mr. DONDERO. It is a challenging statement, that we import in Michigan 300 different commodities from 60 foreign nations.

Mr. BEUKEMA. Correct. Of course, the bulk of those is now moving through Atlantic seaboard points.

9. In spite of the fact that a large volume of the goods manufactured in Michigan are accredited to Atlantic seaboard customs districts, principally New York, the Michigan district ranks fourth in the country, being surpassed only by New York, Galveston, and New Orleans.

10. United States Statistical Abstract for 1940, pages 516-518, lists the following exports by customs districts, for the year 1939:

	Exports	Imports	Total
New York.....	\$1,293,846,000	\$1,148,984,000	\$2,442,830,000
Galveston.....	260,436,000	27,224,000	287,660,000
New Orleans.....	181,383,000	97,758,000	279,141,000
Michigan (Detroit).....	174,299,000	70,856,000	245,155,000
Philadelphia.....	92,868,000	131,855,000	214,723,000
Buffalo.....	110,058,000	76,254,000	186,312,000
San Francisco.....	120,158,000	59,563,000	179,721,000
Massachusetts.....	23,101,000	145,387,000	168,488,000
Maryland.....	89,066,000	66,120,000	155,186,000
Washington.....	78,333,000	34,451,000	112,784,000
Chicago (Iowa included).....	17,202,000	35,854,000	53,056,000
Georgia.....	23,179,000	10,059,000	33,238,000

While New York, Galveston, and New Orleans customs districts outrank Detroit and Michigan, it must be remembered that the bulk of exports-imports through these ports go to interior points. In the *New York Lighterage case* before the Interstate Commerce Commission, heretofore quoted, a witness testified that 90 percent of New York's exports-imports originated in or were destined to interior points, a substantial volume being from Michigan.

11. The automotive industry in creating a new market for the iron and steel industry has in recent years attracted many important foundry and steel products enterprises to our State. The industry gives employment to over 20,000 workers.

12. Western Michigan is one of the major fruit producing areas in the United States. Principal products are sweet and sour cherries, apples, grapes, pears, peaches, and plums. Michigan also produces a large quantity of canned vegetables, including 90 percent of the white navy pea-bean produced in the United States. The principal producer of canned vegetables and baby foods is located at Fremont in western Michigan and exports a substantial volume of this product.

The facts stated in respect to Michigan are relatively true in regard to the Midwest States, such as Minnesota, Wisconsin, Illinois, Indiana, Ohio, and that portion of New York State tributary to the Great Lakes-St. Lawrence system.

They refute the oft-repeated statement that the Midwest does not produce a type of commerce that would move via the seaway, particularly export-import trade.

Transportation disabilities of Midwest: The original channels in the St. Lawrence River, which it is now proposed under this agreement to deepen, were constructed prior to 1856. Even before the close of the French regime in Canada, efforts were made to cut a canal across the island of Montreal, and M. de Catalogne succeeded in building a waterway navigation by the canoes of the fur traders.

The first sod in the Lachine Canal above Montreal was turned in 1821 by John Richardson of Montreal, a merchant. The canal was finished in 1925 at a cost of \$440,000.

The increasing draft of inland shipping made it obsolete within the short space of a decade, and in 1843 work was begun to deepen and widen it. Since then the canal has been repeatedly deepened to meet the requirements of lake shipping until our modern bulk carriers were developed.

Hence it may be said that since the turn of the century Canada and British interests have awaited a favorable time to deepen these canals to meet the needs of modern shipping. Meantime, too, the widespread use of electricity has developed creating the need for a joint navigation and power project.

The issue, therefore, before your committee is not new. It was the practical needs of the new west for improved transportation facilities that inspired Henry Clay's memorable address on internal improvements in 1818.

The specific question to which Mr. Clay addressed himself was the right of Congress to make these improvements without a constitutional amendment, as proposed by Presidents Madison and Monroe. But the issue would not have arisen at the time had not the need existed for reducing the formidable Allegheny barrier that separates our Atlantic littoral from the Ohio River Valley. General Braddock's march and defeat in colonial days first demonstrated the nature of this obstacle. The War of 1812 brought it even more clearly to the attention of our civil and military authorities.

It will be recalled that this war cost the Nation \$160,000,000, of which amount approximately one-half, or \$80,000,000, was expended for transportation services, largely in supplying the troops that operated in the Great Lakes Basin. In fact, the disasters which occurred in this territory were largely attributable to the lack of transportation facilities. A southern planter in his notes on political economy points out that "every barrel of flour cost \$50, every barrel of pork, \$80, and every cannon used there twice as much in the transportation as the cost of making it."

We call your attention to the fact, gentlemen, that these transportation disabilities continue to exist today. The Midwest agricultural producer and manufacturer is debarred from world markets, as well as intercoastal markets, by reason of high transportation costs which could be reduced if this seaway were built. The attempts made to break down this barrier by the use of specially designed ships have partially succeeded in reducing these transportation costs, thereby making it possible for certain types of industries to continue to operate at a profit. Great as are the economies of transportation which these specially designed ships have already achieved, they can largely be

increased through the use of deep-draft vessels. The use of these deep-draft vessels will directly affect every one of the 45,000,000 inhabitants of the Great Lakes Basin and upper Mississippi-Missouri valley by reducing the cost of living. The stimulus given to trade and industry will produce a new era of prosperity in this region.

The resultant development which will occur in the Great Lakes region will not result in injury to any other section of the United States. On the contrary, revival of trade and industry in the Midwest must inevitably benefit every other section. Opening of this seaway will result in a far greater increase in intercoastal trade between the Pacific coast and the Gulf coast and the Atlantic coast with the Great Lakes.

We call the committee's attention to the great principle enunciated by President Andrew Jackson in his inaugural message of 1830, when he said:

It may be assumed as a safe general rule, that such improvements as serve to increase the prosperity of the respective States in which they are made, by giving new facilities to trade, and thereby augmenting the wealth and comfort of their inhabitants, constitute the surest mode of conferring permanent and substantial advantages upon the whole. The strength as well as the true glory of the confederacy are founded on the prosperity and power of the several independent sovereignties of which it is composed, and on the certainty with which they can be brought into successful active cooperation through the agency of the Federal Government.

Federal expenditures for harbor improvements: On our several seacoasts, as the art of ship construction advanced during the past 75 to 100 years—and larger ships were built with greater carrying capacity, thereby enabling them to haul freight and furnish passenger service at less cost—the Government of the United States provided funds to deepen the various harbors on these coasts, together with connecting channels. It further provided funds for the construction of piers, jetties, breakwaters, and other structures, together with various other aids to navigation.

The aggregate of these expenditures, according to the consolidated cost and financial summary of the United States Chief of Engineers is approximately \$3,000,000,000. Of this sum approximately 800 millions were expended on seacoast harbors and channels; approximately 250 millions on intracoastal canals; nearly a billion on the Mississippi River system; another 560 million on flood control; and 260 million for lake harbors and channels.

All of this was done with the firm conviction that these expenditures contributed to the welfare of the Nation as a whole, and were not purely in the interest of the specific locality or port where the improvement was made. Since 1818 Congress has subscribed to the memorable principles on the subject of internal improvements enunciated by the great Henry Clay in his speech on March 13, 1818, before United States Senate. The American people, including those resident in the Great Lakes region, have recognized these principles as sound and have cheerfully acquiesced in the required expenditures for these purposes.

It now appears that we, in the Great Lakes region, have a water highway that needs modernization and improvement. For nearly a century we have struggled along with canals, originally built in 1841 to 1847, with a depth of 9 feet and later deepened to 14 feet, built not by ourselves but by our neighboring country, Canada. We have

used these canals with equal rights with her own citizens under the existing covenant to this effect between the two countries, in the Treaty of Washington.

As larger ships were built for trans-Atlantic and intercoastal service, the waterway became less and less useful, by reason of the depth limitation of these canals. I do not imply that the aggregate tonnage carried on the canals declined, but call attention to the fact that the total annual tonnage carried fell off percentagewise with the total annual volume of all commerce transported.

But as ships increased in size, these canals became progressively less useful, except for purely local trade. Ships capable of navigating them could not be economically employed in the trans-Atlantic, coastal, and intercoastal trade, in competition with vessels of larger tonnage and greater carrying capacity, particularly since the bulk of the commerce was an out-bound movement of agricultural products, principally grain, with a relatively low return per ton handled to the carrier.

In the past 7 years a new type of commerce, composed largely of certain essential raw materials used in fabrication by Midwest industries as in-bound, and manufactured articles, including such items as automobiles, machinery, electric appliances, and the like as out-bound, has been developed, justifying the employment of specially built ships, heretofore described, in this trade. Obviously, it is impossible with the use of these vessels to achieve the transportation economies that can be obtained with the use of deep-draft ships of 8,000 to 12,000 tons capacity. Hence the necessity of modernizing these canals to accomodate larger ships.

Your committee is familiar with the fact that approximately 25 percent of our water-borne tonnage in this country is carried on the Great Lakes. I need only call attention to the fact that water transportation on the Great Lakes is the cheapest form of transportation in the world; that the great steel industry of Pennsylvania and Ohio is wholly dependent on it; that the most balanced trade movement in the world is the carriage of ore and grain down the lake from Superior to Erie ports and coal up the lake from Ohio ports to Duluth, Milwaukee, and so forth.

But the development of this commerce, aggregating 125,000,000 tons per year, would not have been possible had not Congress provided, under an act adopted July 8, 1856—later acts, June 14, 1880; August 2, 1882; August 5, 1886; August 1892. Wertzell Lock opened September 1, 1881; Poe Lock, August 3, 1896; Dans Lock, October 21, 1914, fourth lock, September 18, 1919—for the leveling of the rock barrier separating Lake Superior from Lakes Michigan and Huron. A difference in elevation of 23.6 feet was overcome by the construction of a lock at Sault Ste. Marie, and this lock has been subsequently added to until today we have a series of five locks, of which four are American and one Canadian.

Likewise, the second rock barrier separating the upper lakes from the sea was overcome when Canadian interests, the Welland Canal Co., dug the original Welland Canal in 1824, rebuilt it in 1841-50 and again in 1870-87, which is now superseded by the more modern Welland Canal, which requires but slight additional improvements, provided for in this agreement, in order to make it navigable by deep-draft vessels of the oceangoing type.

The St. Lawrence, therefore, is the last of the three great rock barriers that separates the Midwest from the sea. It is our firm conviction that removal of this barrier will give the United States an ocean lane comparable to the Baltic in Europe; a lane that will develop a commerce as great, in fact even greater, than this great European waterway has produced.

From a commercial standpoint, the proposal before your consideration, therefore, is similar to proposals annually considered by your committee. The only difference is that this involves an international agreement. The practical issue before you is whether or not the Governments of the United States and Canada shall jointly agree to deepen the necessary channels in the St. Lawrence River, Welland Canal, Detroit and St. Clair Rivers, and St. Mary's River to carry deep-water navigation to the very heart and center of this continent at Duluth and Chicago.

Stripped to its essence the question is: "Shall 68 miles of canals in the St. Lawrence River be deepened to make useful a waterway approximately 2,351 miles in length, serving such important centers of production and distribution as Buffalo, Cleveland, Toledo, Detroit, Milwaukee, Chicago, Muskegon, Green Bay, and Duluth?"

Commerce of lake ports retarded: To illustrate the manner in which the Federal Government has kept pace in port and channel developments with ship construction may I take the port of Boston as an example?

The first work done by the Federal Government toward the improvement of the port of Boston was authorized March 2, 1825, and provided for the construction of seawalls to preserve the islands in the harbor.

In 1886 the Federal Government began a series of improvements aimed to deepen the channels. The first authorization on August 5, 1886, was for construction of a channel 15 feet deep from Long Island to Nixes Mate Shoal. On July 13, 1892, Congress authorized deepening of the channel from Nantasket Roads to President Roads to 27 feet. A 30-foot channel from the sea to President Roads was authorized March 3, 1899; and a 35-foot channel from the sea to the navy yard on June 13, 1902.

Act of August 8, 1917, provided for project depth in Broad Sound Channel of 40 feet, and 45 feet in rock. August 13, 1935, there were further modifications and improvements authorized in channel depths, and finally, on August 26, 1937, Congress authorized deepening of the Chelsea Channel to a depth of 30 feet.

Here we have a record of continuous increases in channel depths over a span of more than 50 years, made at the expense of the taxpayers of the Nation, with midwesterners contributing their due proportion, for the sole purpose of keeping pace with modern ship traffic, so that ships of the world might be able to load and unload in this port.

The same facts are true of virtually every other seaport. Nor have we in the interior ever protested one item of these expenditures, believing that such expenditures were for the general good of the Nation. No sectional or regional issue has ever been raised by the Midwest.

Hence, we are unable to understand why these beneficiaries of Federal largesse should at this time protest that we, in the Midwest, be given like opportunity to deepen the channels so essential to our welfare.

We present herewith as appendix A a list of the 50 greatest ports of the world, the data being from "World's Almanac, 1940," (p. 554).

The committee will note that only one Great Lakes port, namely, Duluth-Superior, is included in the record, ranking 22d in order. Duluth-Superior, tonnage is largely iron ore, coal, and grain moving to and from lake ports. Is it not extraordinary that great cities like Chicago, Detroit, Cleveland, Milwaukee, and Buffalo, located in the most productive area in the world, with the highest per capita value of manufactured, agricultural, and mineral products, should have so insignificant a water-borne commerce? The goods are produced there. The ports are there. The world's greatest inland waterway is there. Why has not a greater water-borne commerce developed?

For just one reason, gentlemen, namely, the rock barrier in the St. Lawrence River that we now seek to remove.

This barrier is more formidable than any tariff that this Congress could impose. Because of this rock barrier apples and cherries rot in Michigan markets through inability to reach world markets. Industries stagnate, or maintain a precarious existence, because of transportation preference accorded industries at more favorable locations, as a result of Federal expenditure. The cost of living is increased to every man, woman, and child in this area. And finally, our other seaboards, the Pacific coast, Gulf coast, and the Atlantic seaboard, do a less volume of commerce with the Midwest than they would if the seaway were built.

(The table above referred to is as follows:)

EXHIBIT A.—*Fifty greatest ports of the world*

[Source: U. S. Bureau of Foreign and Domestic Commerce]

Rank	Port	Vessels, number	Net registered tons	Rank	Port	Vessels, number	Net registered tons
1	New York (upper bay).....	92,032	68,598,000	26	Vancouver, Canada.....	16,970	11,488,000
2	London.....	29,137	29,673,000	27	Rio de Janeiro.....	3,924	11,226,000
3	Kobe.....	26,776	28,334,000	28	Genoa.....	5,421	10,860,000
4	Yokohama.....	5,757	26,785,000	29	Naples.....	9,008	10,809,000
5	Rotterdam.....	110,406	22,415,000	30	Houston.....	7,275	10,091,000
6	Baltimore.....	56,067	21,008,000	31	Sydney, Australia.....	6,855	10,057,000
7	Colombo.....	2,708	20,425,000	32	Newcastle (England).....	8,532	8,596,000
8	Osaka.....	18,999	19,600,000	33	Montreal.....	5,725	8,516,000
9	Antwerp.....	11,125	18,730,000	34	Bremen.....	7,118	8,300,000
10	Hamburg.....	16,141	18,418,000	35	Seattle.....	3,416	8,210,000
11	Philadelphia.....	8,302	17,907,000	36	Montevideo.....	1,631	8,087,000
12	Shanghai.....	8,488	17,418,000	37	Pierneus.....	13,396	7,758,000
13	Los Angeles.....	5,369	17,211,000	38	Melbourne.....	3,396	7,613,000
14	Liverpool.....	14,614	16,640,000	39	Copenhagen.....	25,432	7,452,000
15	Marseilles.....	9,135	16,612,000	40	Portland, Oreg.....	9,548	7,051,000
16	Hong Kong.....	5,947	15,340,000	41	Bombay.....	33,731	6,547,000
17	Boston.....	7,340	14,978,000	42	Cherbourg.....	952	6,478,000
18	San Francisco.....	17,353	14,974,000	43	Capetown.....	1,629	5,454,000
19	Singapore.....	5,934	14,800,000	44	Galveston.....	1,762	5,383,000
20	Buenos Aires.....	14,826	13,435,000	45	Batavia.....	2,183	5,338,000
21	New Orleans.....	16,287	13,319,000	46	Jacksonville.....	1,810	4,523,000
22	Duluth, Superior.....	2,807	12,862,000	47	Savannah.....	1,395	4,075,000
23	Southampton.....	15,628	12,509,000	48	Calcutta.....	1,296	4,059,000
24	Norfolk.....	7,089	12,222,000	49	Curacao.....	5,047	3,700,000
25	Havre.....	9,018	11,572,000	50	Charleston, S. C.....	10,068	3,226,000

That concludes my formal statement.

The CHAIRMAN. Are there any questions?

Mr. CARTER. You are advocating the immediate construction of this waterway, are you?

Mr. BEUKEMA. I do, Congressman.

Mr. CARTER. I understood you to state you advocated it on two grounds here, one of which was the national defense and the other was the long-range use of the project, the general benefit that would accrue to the country generally, by reason of the construction?

Mr. BEUKEMA. That is correct.

Mr. CARTER. You did not go into the national-defense aspect. You said that had been covered by others. But you have given us a very interesting and enlightening statement on this other phase, as to the benefits that would accrue to the country by reason of better navigation facilities, the use of larger boats in contrast with those drawing 14 feet. Of course, the project is going to cost a considerable amount of money, is it not?

Mr. BEUKEMA. Some \$200,000,000. I understand.

Mr. CARTER. Well, I am wondering if you have ever given any thought to this phase of the question. We are getting deeper and deeper into debt, are we not?

Mr. BEUKEMA. We are.

Mr. CARTER. When I say we, I mean the Federal Government.

Mr. BEUKEMA. The American people.

Mr. CARTER. Do you view with any alarm at all this mounting national debt?

Mr. BEUKEMA. I do.

Mr. CARTER. Here is the reason I am asking you that question. You are urging this not so much on the ground of national defense, although you say you endorse that, but you are urging it by reason of the general benefit that would accrue, commercial reasons, reasons of navigation and commerce. Now, if you view with some alarm this mounting national debt, do you think it might be good business judgment for us to postpone this for some time until other needs, the needs of national defense, that are decidedly pressing, are taken care of?

Mr. BEUKEMA. May I answer that in two ways? In the first place, I think it is essential to national defense, vital to national defense. Secondly, I recall a principle that my father once gave me: "Go into debt for those things that increase in value; but pay cash for those things that decrease." This I believe to be one of those great investments that is going to return each year immeasurably, and growing by the years, to the American people.

Mr. CARTER. Well, would you separate the two there and say we might develop this power for national defense, and we could leave the navigation features go until some future date?

Mr. BEUKEMA. I think the navigation benefits to the Nation, both from the standpoint of national defense, and from the standpoint of the long-range benefits are just as important as the power.

Mr. CARTER. You would not separate the two at all?

Mr. BEUKEMA. I would not.

Mr. CARTER. In other words, if we are going to spend this money we have got to go the whole way; we have got to develop both the power and the navigation, according to your theory, or leave the whole thing alone?

Mr. BEUKEMA. I remember an address which General Markham, former Chief of Engineers, in which he said the savings, in his opinion, would aggregate nearly \$80,000,000 a year.

Mr. PITTENGER. \$80,000,000 a year?

Mr. BEUKEMA. \$80,000,000 a year; yes. His statement was that was based on the best check which he had made. On that basis you could amortize this in 2½ years. Any factory, and I happen to be on the board of directors of two or three companies, that can put in a machine that will pay for itself in 2½ years is justified in putting in that machine.

Mr. CARTER. Of course, that \$80,000,000 would not inure directly to the benefit of the Treasury of the United States, would it?

Mr. BEUKEMA. It would not.

Mr. CARTER. Would you be in favor of making this a toll canal so that there might be some direct benefits to the Treasury of the United States?

Mr. BEUKEMA. I think that is a legal question—

Mr. CARTER. I meant a toll waterway.

Mr. BEUKEMA. I think this is a legal question which you gentlemen in Congress are more competent to answer than I am.

Mr. CARTER. Isn't this tending to become a fiscal question? Isn't the Government of the United States running further and further behind?

Mr. BEUKEMA. I think it is bound up with our several treaties with Canada, and I am not sufficiently intimate with those treaties to discuss the question.

Mr. BELL. Do you believe Canada would be concerned with a toll which was charged to American shippers, on the American side?

Mr. BEUKEMA. Again I might say there are historical arrangements in those former treaties with which I am not intimately familiar, so that I am not in any position to discuss the subject.

Mr. BELL. Where would this saving of \$80,000,000 come from, would you say; out of whose pockets would they be taken?

Mr. BEUKEMA. That \$80,000,000 represents the savings on commodities now moving, as well as new commodities.

Mr. BELL. Savings in freight rates?

Mr. BEUKEMA. Savings in freight rates.

Mr. BELL. It doesn't mean that you are taking \$80,000,000 away from the railroads and giving it to the water routes?

Mr. BEUKEMA. Not at all.

Mr. BELL. Who do we take the \$80,000,000 away from, if not the railroads?

Mr. BEUKEMA. I might answer this way; your question is predicated on the theory that this is a static America and that standards of living are substantially the same, generation to generation. As a matter of fact, the very converse of that is true. Open this up, and more products will move.

Mr. BELL. It is your opinion that it would save \$80,000,000; is that based on the theory that the standards of American living would so change that this \$80,000,000 would be saved, without coming out of the pockets of any one?

Mr. BEUKEMA. It doesn't operate that way.

Mr. BELL. No, I don't believe it does. If you save \$80,000,000 a year, of course that means \$80,000,000 less paid to somebody doesn't it?

Mr. BEUKEMA. Not necessarily.

Mr. BELL. How can you save it, if you still spend it?

Mr. BEUKEMA. Through the velocity of the dollars. When you increase the velocity of the dollar you increase living standards and increase business. Everybody is happier and everybody buys more goods.

Mr. BELL. You mean the first year you can so increase the velocity of the dollar by some additional—

Mr. BEUKEMA. I didn't say the first year.

Mr. BELL. You said \$80,000,000 a year; that it would amortize itself in 2½ years.

Mr. BEUKEMA. My statement was that General Markham estimated the freight savings at \$80,000,000 a year.

Mr. DONDERO. I think in fairness to the witness I should say he did not state it was his estimate. He did state it was the estimate of General Markham, the Chief of Engineers.

Mr. BELL. I assume he was submitting that testimony to us with his approval. I believe that he did not disagree with it. Do you disagree with that testimony?

Mr. BEUKEMA. I agree with the testimony of General Markham.

Mr. BELL. So that in your opinion, that testimony was correct, then?

Mr. BEUKEMA. I think the General is very competent in his field, and I would be willing to take his judgment.

Mr. BELL. What I would like to get at, assuming you do take the General's testimony as being true, where is that \$80,000,000 coming from?

Mr. BEUKEMA. It comes out of the increased movement of goods, higher consumption of goods, more products moving, more goods being consumed. The point I am making, and which I did make in my statement, is that in 1938, for instance, we shipped 2,000,000 bushels of apples to Britain; we did not ship 1 bushel of apples from western Michigan, yet hundreds of thousands of bushels rotted on the ground for lack of markets. The point I am trying to make is that goods of that type at a price will move. It all depends on the price. And you increase the consumption of those goods; the people just buy and use more goods.

Mr. BELL. Do I understand, then, that this \$80,000,000 is not to be saved out of freight rates?

Mr. BEUKEMA. The point I am trying to make is this \$80,000,000 not only comes out of the goods moving by carrier currently, by railroad, but the additional volume of goods moving because consumption will be higher.

Mr. BELL. What would you say would be the saving in freight rates per year?

Mr. BEUKEMA. I can't give you that, because there would be too many commodities on which to base it. I have given you typical examples which are illustrative.

Mr. BELL. You are not in position to estimate the amount of savings in freight rates per year in the event this project comes into being?

Mr. BEUKEMA. You mean personally make an estimate of the aggregate volume?

Mr. BELL. Yes.

Mr. BEUKEMA. No; I think the Department of Commerce has made a survey covering that.

Mr. BELL. Have you read that survey?

Mr. BEUKEMA. Parts of it.

Mr. BELL. The part covering the freight rates?

Mr. BEUKEMA. I have read it in part.

Mr. BELL. Do you recall what the estimate was on the commodities shown there?

Mr. BEUKEMA. Well, I am guessing now. I think it was around \$25,000,000, if I am not mistaken.

Mr. BELL. That would be the saving in freight rates.

Mr. BEUKEMA. On specific commodities.

Mr. BELL. That does not include all freight rates?

Mr. BEUKEMA. That does not include all freight rates.

Mr. BELL. Twenty-five percent saving on certain specific commodities?

Mr. BEUKEMA. Yes, sir.

Mr. BELL. But your theory is that the railroad volume would be sufficiently increased to make up the loss in freight rates, in that saving of \$80,000,000 a year?

Mr. BEUKEMA. Pardon me.

Mr. BELL. If I understand you correctly, it is your theory there would be a sufficient increase in the volume of commodities moving to more than make up the \$25,000,000 a year that the railroads would lose, on those specific items, which you say would come to \$25,000,000 a year?

Mr. BEUKEMA. Quite right.

Mr. BELL. I think that is all, Mr. Chairman.

Mr. JOHNS. I notice a comparison was made this morning with the railroads. Have you made any comparison at all with the trucking companies, from the Central West to the Pacific coast?

Mr. BEUKEMA. I have made no comparison, because I have no information on that score.

Mr. JOHNS. The reason I asked that question, I have a business of my own and I find the freight rate by truck is about the same as it would be by water, around there.

Mr. BEUKEMA. I can say that the Michigan Trucking Association has come out very definitely in favor of the St. Lawrence, by resolutions which have been introduced into the record here.

Mr. JOHNS. They are?

Mr. BEUKEMA. Yes, sir; the resolutions have appeared in the record.

Mr. BEUKEMA. We thank you, Mr. Beukema, very much.

Who is here representing Mr. Crowley?

Mr. FRANCIS BROWN. My name is Francis Brown; I am counsel for the Federal Deposit Insurance Corporation. Mr. Crowley was here and was ready to proceed on the 19th. He was unexpectedly called out of the city and unavoidably detained. I have his statement, copies of which I believe have been distributed to the committee.

Is it your desire that I read this statement?

The CHAIRMAN. No; it is not necessary to read it. We will just include it in the record.

TESTIMONY OF THE HONORABLE LEO T. CROWLEY, CHAIRMAN OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

I wish to go on record in favor of the passage of H. R. 4927 providing for development of the transportation and power potentialities of the St. Lawrence River. In my opinion this project will contribute to our military strength,

enhance our economic welfare, and promote the solidarity of relations between this country and Canada. You will, of course, bear in mind that I am not an engineer and make no claim to technical knowledge of this subject. We have neither been equipped, nor have we considered it necessary, to conduct a first-hand investigation of all of the problems involved. However, based upon information from reliable sources, I have come to certain definite conclusions.

My interests in the proposed legislation are twofold. On the one hand, as a citizen of the State of Wisconsin I have long recognized the significance to the interior of this continent and to the economic prosperity of that region and of this entire country of opening up the St. Lawrence waterway to seagoing vessels. On the other hand, as chairman of the board of directors of the Federal Deposit Insurance Corporation, I am obviously behind anything which will benefit a large section of the country without in any way weakening our banking system.

I should like first to discuss the matter from the standpoint of the Federal Deposit Insurance Corporation. It has been contended that the opening of this seaway would harm the railroads and public utilities of the Northeast section of the country. If this were true in any appreciable degree, the security obligations of these businesses would suffer. Since the banks insured by the Federal Deposit Insurance Corporation hold about \$850,000,000 of railroad security obligations and \$625,000,000 of public utility security obligations, I could not support this legislation if I thought that the railroads and public utilities would, on the whole, be affected adversely. Fortunately, the evidence indicates that the great advantages of opening up the Great Lakes to ocean traffic will not bring corresponding harm to the railways, and that the energy developed in the St. Lawrence will not hurt the utilities, but will rather fit into the long term growth of our need for power.

There is, therefore, little possibility that the investment character of railroad and public utility security obligations will be harmed by the legislation under consideration. Indeed, it may well be that their investment quality will be enhanced. It is significant that the introduction of this bill has resulted in no reaction in the markets for securities of corporations concerned. This, it seems to me, is proof that the investing public looks upon this proposal with complete equanimity and there is no reason to suppose otherwise.

Let us consider this project briefly from the standpoint of the railroads. It has been contended that the seaway would divert so much traffic from the railroads as to cause them financial hardship. It is my understanding that the new seaway could handle a maximum of 16,000,000 tons of freight annually in addition to the capacity of the present waterway to handle 9,000,000 tons. This new business would come from the following sources: (1) Traffic which would not exist in the absence of the waterway; (2) traffic diverted from the Canadian transportation facilities; (3) traffic diverted from American waterways and highways; (4) traffic diverted from American railroads.

By far the largest portion of this traffic increment, in my opinion, would be completely new traffic, traffic that otherwise would not enter or leave the center of this continent at all. We all know that the development of new and cheaper means of transportation has been a main factor in economic progress. Cheaper transportation means the movement of goods which would otherwise not move, the creation of goods which would otherwise not be created, and an increase in general economic prosperity. It is a mistake to think that the amount of transporting to be done is fixed and that any increase in the freight transported by one facility will result in a reduction in the amount of goods carried by other facilities. Indeed, very frequently—and I think this is a case in point—when a new avenue of transportation contributes to general economic prosperity, the other means of transportation share in that prosperity to a degree which more than offsets any diversion of traffic from them.

If development of the St. Lawrence seaway should result in a diversion of traffic from the American railways, I estimate that this diversion could, under no foreseeable circumstances, amount to more than about 5,000,000 tons annually. This estimate represents far in excess of any probable diversion, as it is predicated on the assumption that the seaway will carry its maximum capacity of American traffic, all of which would be diverted from American transportation facilities (without any portion being the new traffic which undoubtedly would move over its waters). Such a diversion would amount to less than 2 percent of the freight normally carried by the railroads of the eastern district, and would be small even when compared with the fluctuations in their traffic from one year to the next.

Furthermore it should be remembered that the revenue lost by the railroads will not be proportionately as great as the tonnage which may be diverted, for two reasons: First, freight revenue does not constitute all of the revenue. Secondly, tonnage lost to the seaway will be mostly raw materials presently carried by the railroads at lower rates than average.

On the other hand, it is entirely reasonable to conclude that the eastern roads will be gainers rather than losers on balance. It has been pointed out by those who favor the project that the seaway should give a decided impetus to the Great Lakes area by making cheaper raw materials available to the industries of that region. This will create a large source of manufactured products which will move out of the region to all sections of the country by rail. The products would carry higher freight rates than the average rates for raw materials moving into the Midwest factories by the seaway.

Furthermore the prosperity of the eastern railroads depends upon the business activity of the Northeast section of our country, and unless that region develops its power resources to the utmost economic limit, it cannot maintain and increase its prosperity. On the other hand, if all the economic power projects of the Northeast, including this one, are developed, the Northeast may be able to retain its preeminence as a fabricator of our goods, and the railroads which serve that region and which connect that region with the Middle West will profit accordingly.

In view of the considerations outlined, therefore, the conclusion seems justified that the railroads in the eastern district will suffer little, if any, loss from the competition of the St. Lawrence seaway.

I now wish to venture a few remarks with regard to the power aspects of the St. Lawrence project. I am not one of these enthusiasts who believe that because flowing streams and rivers are a free gift of nature, water power is always cheap and that it should be developed wherever available. However, I am fully convinced, after study of all the circumstances in the case, and of the arguments pro and con, that the development of St. Lawrence power is not only essential to the further economic growth of the Northeast, but would be highly beneficial to the country as a whole. I have come to this conclusion for the following compelling reasons:

(1) In the next decade, the eastern industrial area is going to require a great deal more power than is now available or in sight. Estimates based on past and probable future trends of growth in population and the use of electric power indicate that a decade hence New York State will require an additional 2,500,000 horsepower of electrical energy. This is altogether apart from present and prospective demand originating in defense activity.

(2) St. Lawrence power can be produced at a substantial saving over steam-generated power. The reason for this is twofold: In the first place, on account of the need of transporting fuel from considerable distances, the use of coal for conversion into power is relatively costly in New York. Secondly, St. Lawrence power will be exceptionally cheap even compared with other hydro projects. This is chiefly because the tremendous reservoir provided by the Great Lakes furnishes the river with a very steady flow, thus assuring an unusually high proportion of primary power to total power. This will greatly reduce the cost per primary horsepower.

Availability of St. Lawrence power should provide a strong stimulus to industry, especially to the high-load-factor electro-process industries, such as aluminum and chemicals.

(3) The power which will be generated on the St. Lawrence can be transmitted economically within a radius of 300 miles. The area within this efficient transmission distance contains roughly 20 percent of the population of the whole country and produces upward of 25 percent of its manufactures.

(4) What I have said relative to the effects of the St. Lawrence project on the railroads applies equally well to the public utilities. The power development will not hurt them and may indirectly benefit them. I have already pointed out that according to predefense estimates some 2,500,000 more horsepower of energy will have to be made available to the people of New York State in the next 10 years. Inasmuch as the American share of St. Lawrence power, about 1,100,000 horsepower, would provide less than half of this increase in anticipated demand, it is obvious that the hydroelectric development at the International Rapids constitutes no competitive threat whatever to existing public utilities.

Now, I wish also to speak very positively in favor of this legislation in the light of the value of such a transportation facility to the whole Middle West. The new water route will, in my opinion, benefit this section in several ways. It will open up new sources of raw materials vital to the continued existence of industries which

have been built up around the Great Lakes. It will widen the markets for the agricultural and manufactured products of the region; it will stimulate new industrial activity, and, not least, it will bring about substantial direct savings to consumers.

My own State of Wisconsin offers a striking illustration of how important cheap sources of raw materials are to the industries of the Middle West. As you know, Wisconsin has had a flourishing paper industry, which, owing to the deforestation of its great timber districts, has in late years steadily lost ground to the paper mills of Quebec. The improvement of the waterway would make it economically feasible for the mills of Green Bay to import cheap pulpwood in quantity from Scandinavia. This would give them an opportunity to reestablish their competitive standing and regain lost business. In the absence of this new source of raw material, the paper industry of Wisconsin seems headed for continued decline and ultimate extinction.

Any great industrial area is dependent to some degree on distant sources of supply; the Middle West is no exception. Some industries, like the paper industry I have just mentioned, or the rubber industry of Akron, depend on imports for the chief ingredients of their products. Many others depend on imports for essential, even though quantitatively minor, ingredients. In every case the lowering of the cost of these materials by reason of the cheap transportation made available by the seaway should result in lower prices of the finished article, hence in wider markets, expanded operations, and a generally higher standard of living.

Furthermore, as I have already indicated, this expansion need not be limited to existing industries. Without doubt there are many potential industrial developments which lie just below the margin of profitable exploitation. Given a reduction of costs, the establishment of many new industries may confidently be expected.

But the benefits which the Midwest would derive from cheaper ingredients for its manufactures are only one side of the medal. The other side is the improved competitive position of this area's agriculture and industry in the export markets of the world. And, of course, the two can go together. Many an exporter of finished products is dependent on imported raw materials.

The improved St. Lawrence waterway will make it possible to ship wheat and other agricultural products direct from Duluth, Milwaukee, or Chicago to the important markets of the world at substantial savings over present freight costs. Since the prices of staple agricultural export products are fixed in world markets by the supply and demand of many different countries, any improvement which enables the American farmer to land his product at the foreign port at a lower cost than before must result in a greater net return to him. This waterway will help us to recapture the markets for our agricultural products which we lost in the 1920's.

Similar benefits will accrue to the exporters of manufactured goods. It has been estimated, for example, that 75 percent of our automobile exports would be routed by the new waterway. Cheap all-water transportation will improve the ability of Midwest manufacturers to meet foreign competition in world markets and to extend the range of their export business.

Lastly, we must not overlook the savings to the consuming public of the Middle West which will result from direct shipment to Great Lakes ports of such articles of widespread consumption as coffee, sugar, and bananas from abroad, and canned goods from the Pacific coast, to give only a few examples.

I thus conclude that for the strength and security of this country, both in war and in peace, the St. Lawrence seaway is a most vital need.

The CHAIRMAN. Gentlemen, we will have no session this afternoon. We will, however, meet tomorrow at 10:30.

(Thereupon, at 12 o'clock noon the committee adjourned until tomorrow, Tuesday, July 8, 1941, at 10:30 a. m.)

GREAT LAKES-ST. LAWRENCE BASIN

TUESDAY, JULY 8, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in the committee room, New House Office Building, Hon. Joseph J. Mansfield (chairman) presiding, for further consideration of H. R. 4927.

The CHAIRMAN. General Robins is present. I believe we can get through with him this morning. Do you have another question or two to ask the General, Mr. Dondero.

Mr. DONDERO. Yes, Mr. Chairman, I would like to ask General Robins a few questions which I think are pertinent to this project.

Mr. RANKIN. I believe that the cross-examination got down to me when I had to leave here to go to Senator Harrison's funeral. It is all right, but I just do not want to waive my rights to ask the General some questions.

Mr. PITTINGER. We have not finished over here yet.

FURTHER STATEMENT OF BRIG. GEN. THOMAS M. ROBINS, ASSISTANT CHIEF OF ENGINEERS, UNITED STATES ARMY

Mr. DONDERO. This morning the press carries the news that the Navy will ask \$585,000,000 for additional shipyards, and that the Maritime Commission urges the expansion of ship construction facilities. It seems to me that if this project had been constructed 7 years ago we would not be asking for that huge amount of money for new and additional shipyards somewhere on the coast. We would have them.

General Robins, by some oversight the estimate of the cost of the project which you handed to the committee members on your previous appearance here was not printed in the record. Would you be good enough to enter that estimate for the record?

General ROBINS. I have already done it, sir, in the corrected copy of the record.

Mr. DONDERO. That has been completed?

General ROBINS. Yes, sir.

Mr. DONDERO. Does that estimate include the harbors?

General ROBINS. No, sir.

Mr. RANKIN. I ask unanimous consent that it may be reprinted in the record at this point, so that we may have it in the advance sheets.

Mr. DONDERO. You mean the estimate of the cost of the project?

Mr. RANKIN. Yes; the estimate of the cost of the project.

General ROBINS. The clerk of the committee has the corrected copies of the record.

Mr. PITTENGER. But it will be some time before that is printed. If we could get it in this copy today, we would have it in the advance sheets.

Mr. RANKIN. Yes; we can get it in today's copy of the record if you will reinsert it at this point, General.

General ROBINS. I can furnish the committee with extra mimeograph copies of the estimate, if you desire them. I passed a number of copies of it around the other day.

Mr. PITTENGER. I would like to have it myself. I just thought if you inserted it at this point we could get it in the advance sheets, and then later could change it.

The CHAIRMAN. If it is already printed in the hearings, there is no use reprinting it.

Mr. RANKIN. But we could use it now. It will be some time before the record is finally printed.

The CHAIRMAN. Was it omitted from the hearings?

Mr. SMITH. Yes; it is not in the hearings now.

The CHAIRMAN. Well, it was an accident or an oversight.

Mr. ANGELL. I think it is sufficiently important that it ought to be in our advance sheets, because the printed hearings will not come out for awhile.

The CHAIRMAN. Mr. McGann, do you have copies of it here now?

Mr. MCGANN. Yes, sir.

The CHAIRMAN. You have not any extra copies with you now, General?

General ROBINS. I have no extra copies with me now, but I can furnish them.

Mr. DONDERO. I have no objection to it going into the record at this point, because, frankly, I did not see it.

Mr. SMITH. It was not in the hearings, Mr. Dondero.

(The estimate referred to is as follows:)

Estimate of cost of St. Lawrence waterway

	Canada	United States	Total
Great Lakes section:			
New lock at Sault Ste. Marie with approach channels.....		\$8,000,000	\$8,000,000
Connecting channels.....		66,029,000	66,029,000
Welland Canal.....	\$133,000,000		133,000,000
St. Lawrence River:			
Thousand Island section.....	772,000	516,000	1,288,000
International Rapids section:			
(a) Works solely for navigation.....		48,857,000	48,857,000
(b) Works primarily for power.....	37,950,000	78,550,000	116,500,000
(c) Works common to navigation and power.....	22,414,000	100,210,000	122,624,000
Canadian section:			
St. Francis Lake Channel.....	1,330,000		1,330,000
Soulanges Reach.....	25,785,000		25,785,000
Lachine Reach.....	55,839,000		55,839,000
Total.....	277,090,000	302,162,000	579,252,000
Expenditures to date.....	132,672,000	17,105,485	149,777,485
Cost to complete.....	144,418,000	285,056,515	429,474,515

Mr. DONDERO. Now, your last answer was that the estimate that will be placed in the record did not include the cost of the harbors?

General ROBINS. That is correct.

Mr. DONDERO. I think it has been testified here by some witnesses that these 13 harbors which have been mentioned would cost as much as \$100,000,000. What is your estimate of that cost, General?

General ROBINS. Between \$8,000,000 and \$9,000,000.

Mr. DONDERO. That will do the work?

General ROBINS. That will do the necessary work to be done at this time to meet the immediate needs. That is, for the channels.

Mr. RODGERS. Not the total cost, however.

Mr. DONDERO. That is for the channels.

General ROBINS. Yes, sir; the channels and the turning basins.

Mr. DONDERO. And the amount is how much, General?

General ROBINS. Between \$8,000,000 and \$9,000,000.

Mr. DONDERO. It has been claimed during the hearings that, according to your testimony, of the 10,000 workers a year required for 4 years to construct this project, 80 percent of them would be skilled workers. Congressman Beiter, of New York, as well as Mr. Hamlin, of the Niagara Frontier Planning Board, have made those estimates. What is your answer to that?

General ROBINS. I think there must have been some misunderstanding as to what I said. I said there were approximately 2,000 laborers and the other men were skilled or semiskilled. I did not say the rest of them were all skilled.

Mr. DONDERO. Would an average of 7,000 or 8,000 be about right for skilled workers?

General ROBINS. Since that time a further analysis has been made of the classifications, and it goes like this: Of the 10,144 men that we were talking about, 534 of them are professional men, 2,568 of them are skilled, 3,355 are semiskilled, and 3,687 are really in the class of unskilled. Of course, there must be some flexibility in drawing the line between skilled and semiskilled, also between semiskilled and unskilled, and it is very difficult to determine absolutely the dividing line.

Mr. DONDERO. What is the committee to understand by the term "semiskilled labor"?

General ROBINS. Semiskilled labor is labor that can be practically trained on the job, or trained very quickly, like a truck driver. I would say a truck driver was a semiskilled man.

Mr. DONDERO. I listened to some statement here that this project would take 100,000 men per year for 4 years. General, what do you say as to that?

General ROBINS. You mean working right on the job?

Mr. DONDERO. Yes.

General ROBINS. You could not put that many men on the job if you wanted to.

Mr. DONDERO. They would be in each other's way?

General ROBINS. In amplifying this question of the semiskilled and skilled men on this job, you might say that most of the men working on this job will be the type of men that are generally found in the heavy-construction industry. They are older men, and are not the type of men that can be trained as mill hands and fine mechanics or very skilled workmen with their hands in shops. They are men that work outdoors on cofferdams, concrete work, and jobs of that kind,

and there is no shortage of those men in the heavy-construction industry. The heavy-construction industry has not been taxed to the breaking point yet in this emergency.

Mr. DONDERO. Would the 8,000 or 10,000 men that you have testified be all that would be required on this work apply alone to the American side, or the Canadian side as well?

General ROBINS. The 10,000 men apply to what is needed to do all the work in the International Rapids section on both sides of the river.

Mr. DONDERO. And that could be divided half and half, Canadian and American?

General ROBINS. Yes, sir; it could.

Mr. DONDERO. But the number that you give applies to all that be all that would be required on this work apply alone to the American side, or the Canadian side as well?

General ROBINS. That is correct, sir.

Mr. RANKIN. How many men did you say, General?

Mr. DONDERO. From 8,000 to 10,000; I think that is the General's testimony.

Mr. RANKIN. I think that is what he said before.

Mr. DONDERO. General Robins, from your knowledge of the hydro-turbine manufacturing situation would you say that it is easier or harder, or just as hard, to obtain hydroturbine generating equipment than to obtain steam generating equipment?

General ROBINS. It is easier to obtain hydro generating equipment than steam generating equipment.

Mr. DONDERO. Is there any reason for that?

General ROBINS. Yes, sir; there are very good reasons. The people that make water wheels and the very large generators that are required in hydro developments are not anywhere near as busy as the people that manufacture steam turbines and the smaller high-speed generators that go with steam prime movers.

Mr. DONDERO. Mr. Knudsen and Mr. Olds both testified here that it would be difficult to obtain all of the steam-generating equipment required because they are practically booked or filled up for the next 4 or 5 years.

General ROBINS. Yes; that is my understanding.

Mr. DONDERO. They are loaded with contracts now?

General ROBINS. That is my understanding.

Mr. DONDERO. General Robins, do you feel that this project will divert any particular amount of strategic material from other defense efforts?

General ROBINS. No, sir; I do not. The quantity of strategic materials involved is too small to be any large factor in the situation.

Mr. DONDERO. We have had some testimony to the effect that about 1 three-hundredths of 1 percent might be diverted from material for defense efforts.

General ROBINS. That was Mr. Knudsen's testimony, I believe.

Mr. DONDERO. You have stated that the plans and estimates of the costs of the St. Lawrence project have never been passed upon by the Board of Engineers. Is it not true that this being an international project, the procedure differs from that of a domestic engineering project?

General ROBINS. Yes, sir; that is true. In this case the economic studies and reports have been made by the Department of Commerce, but the engineering estimates and the plans for this project have been passed on by the Office of the Chief of Engineers in the same way as any other project that is handled and reported upon by the Board of Engineers.

Mr. DONDERO. And the reports that have been filed have been by really an international board of engineers of the two countries?

General ROBINS. The International Board of Engineers is the agency that reports on the engineering questions, but the men working on the cost estimates and the plans and everything connected with the engineering features of the project are exactly the same men that work on other projects that the Engineer Department has in charge.

Mr. DONDERO. Has the Board of Engineers of this country always been represented on that Board?

General ROBINS. Yes, sir; since the beginning.

Mr. DONDERO. The Board of Engineers has been represented on this Board that has made the reports on the project?

General ROBINS. Yes; either the Chief of Engineers or the Assistant Chief of Engineers has always been on the joint boards considering the St. Lawrence project.

Mr. DONDERO. All of the work that was carried on in 1932 and 1936—was that carried on mainly by American funds and American engineers?

General ROBINS. It was.

Mr. DONDERO. The procedure in making these estimates by the Joint Board of Engineers differed in no manner from the usual procedure employed by the Board of Army Engineers in engineering matters in our own country?

General ROBINS. As soon as this investigation and restudy was ordered by the President, we established an engineer district at Massena, N. Y., and that district has been staffed by many of our regular employees and has functioned just the same as any other engineering district; and we have in addition to that, employed eminent consulting engineers on this work, just the same as we do for all our river and harbor work.

Mr. DONDERO. Is it true, then, that the only difference is that the plans and estimates were approved by the Board of Engineers appointed by the two Governments, on which Board the Army engineers have always been represented, as against the procedure in purely domestic engineering matters?

General ROBINS. Yes, sir; that is true.

Mr. DONDERO. Is it not true that in either case the same procedure is followed as in standard domestic engineering practice in this country?

General ROBINS. That is true.

The CHAIRMAN. Mr. Dondero asked questions in regard to major ports on the Lakes; but, as a matter of fact, they are not embraced in this bill, are they?

General ROBINS. No, sir.

The CHAIRMAN. If any port is to be deepened, it would have to be in a separate bill to be considered hereafter by Congress?

General ROBINS. That is right, sir.

The CHAIRMAN. Congress would have to order a survey, or the committee would have to pass a resolution for its investigation?

General ROBINS. Yes, sir; that is true.

The CHAIRMAN. And none would be granted unless it was thoroughly demonstrated by the needs of the port?

General ROBINS. It would have to be shown that it was economically sound to undertake the improvement.

The CHAIRMAN. Now, I notice in the record and the annual report that the depth, for instance, already is 27 feet in the outer channels of several of them, and others have 25 feet or 26 feet and, consequently, they would require but very little dredging to give them 1 or 2 additional feet wherever it was necessary to give them 27 feet if the needs of commerce ever demanded it?

General ROBINS. That is right, sir.

The CHAIRMAN. They may never demand it; we do not know.

Mr. PITTINGER. At that point, it is in the hearings somewhere, that the entrance channels of the Duluth-Superior Harbor already have a depth of 32 feet.

The CHAIRMAN. Yes; they have ample depth. That is where over half of the traffic now is on the Great Lakes.

General ROBINS. There are four harbors on the Great Lakes that now have a depth of more than 27 feet. Those are Duluth-Superior, Indiana Harbor, Ashtabula, and Buffalo.

The CHAIRMAN. Yes, sir.

Mr. DONDERO. I read Admiral Rock's testimony last night, and my recollection is it was the Livingstone Channel. What is the depth of that?

General ROBINS. Twenty-seven feet, at the present time.

Mr. DONDERO. So that is already completed to meet the depth contemplated in the deepening of the St. Lawrence.

General ROBINS. Yes, sir. That is where we spent the money in advance in the rock sections of that channel anticipating the St. Lawrence project would be built.

The CHAIRMAN. That is where I understand that the major portion of that \$17,000,000 has been expended.

General ROBINS. Yes, sir.

Mr. RANKIN. General Robins, I want to ask you some questions about the power development on the St. Lawrence.

The CHAIRMAN. Mr. Rankin, do you not think we have had enough on the power development?

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

The CHAIRMAN. You will have to cut it mighty short, because we have many other witnesses to be heard.

Mr. RANKIN. I do not see why.

The CHAIRMAN. I notice over half of the record here so far has been devoted to power.

Mr. RANKIN. I understand, but the rest of the committee took up all of General Robins' time before. In fact, I want to get in the record this power development of the St. Lawrence, and I want to get it from the engineers as the authority. I cannot see the philosophy of cutting out members of the committee on matters of this kind and then bringing in a great raft of people from the outside who, apparently, do not know anything about it.

Now, General, I want to ask you about the power development on the St. Lawrence. How many kilowatt-hours annually would this project produce or develop?

General ROBINS. According to our figures, the total which could be generated, if all of the water up to the capacity of the generators was used, that is, both primary and secondary power, it amounts to 6,240,000,000 kilowatt-hours.

Mr. RANKIN. On an 80-percent load factor, about what would be the capacity of annual production?

General ROBINS. Well, leaving out the secondary power, and taking the energy that is available 100 percent of the time on an 80-percent load factor it would be 3,860,000,000 kilowatt-hours, approximately 4,000,000,000 kilowatt-hours.

Mr. RANKIN. What you mean by secondary power, General, is power that is produced with high water, is it not? It does not run the year around.

General ROBINS. That is right.

Mr. RANKIN. About what time of the year does that secondary power come?

General ROBINS. In the summer.

Mr. RANKIN. In the summertime?

General ROBINS. Yes.

Mr. RANKIN. That water comes from melting snow and ice, does it, not from rainfall?

General ROBINS. I think it is mostly from rainfall on the Lakes.

Mr. RANKIN. Your secondary power comes in the summertime?

General ROBINS. Yes.

Mr. RANKIN. What would be the cost of producing this power at the dam per kilowatt-hour?

General ROBINS. Of course, in arriving at the cost, Judge Rankin, you have got to make certain assumptions as to what your cost allocated to power is, and what your carrying or fixed charges are going to be.

Mr. RANKIN. Suppose we allocate to power all of the cost of the power development, what would it cost a kilowatt-hour to produce it at the dam, firm power?

General ROBINS. You mean the entire cost of the project to power?

Mr. RANKIN. No; the cost of that part of the project that is allocated to power.

General ROBINS. Assuming that the cost allocated to power is \$93,375,000, the figure that the State of New York agrees to pay for the power plant, and assuming your fixed charges at 6½ percent, and your cost of operation and maintenance which we assume for the power facilities at \$750,000 a year, and taking an 80-percent load factor on your firm power, we get a cost of about 1.7 mills.

Mr. RANKIN. 1.7 mills per kilowatt-hour?

General ROBINS. Yes; per kilowatt-hour.

Mr. RANKIN. Those estimates that you have referred to are about correct?

General ROBINS. I think they are correct, sir. They are the best I can make at this time.

Mr. RANKIN. Now, suppose the transportation end of this were left out entirely, and only power development provided for, what would the cost be then?

General ROBINS. Well, it would be very much greater. I have not figured the cost per kilowatt-hour on that assumption, but if you

take navigation out and develop the International Rapids section for power only, instead of having a capital cost of \$93,375,000, you would have a capital cost under the pending agreement with Canada of about \$180,000,000, so the cost of the power would be prohibitive. You would never develop it on that basis.

Mr. RANKIN. You say it would be prohibitive. What would it be?

General ROBINS. Well, it might be more than the cost of steam power, I would say.

Mr. RANKIN. Well, it would not be more than 3½ mills per kilowatt-hour?

General ROBINS. It would be in the neighborhood of 3 or 4 mills, I would judge.

Mr. RANKIN. Well, it would be around 3½ mills per kilowatt-hour, would it not, General?

General ROBINS. Well, I will have to check that, sir.

Mr. RANKIN. You say it would be more than the cost of steam power. A witness here for the Niagara Frontier Planning Board stated that this power would cost about 4 mills per kilowatt-hour generated by steam. So, even if this entire amount were allocated to power, that is, the entire cost to power, eliminating the transportation end of it, the power would still be produced cheaper than they could produce it by steam, would it not?

General ROBINS. I would say offhand, sir, that the cost would be about the same.

Mr. RANKIN. About the same?

General ROBINS. Yes, sir.

Mr. RANKIN. Now, the difference then would be that in generating power with the water you would not be exhausting a natural resource; that is right?

General ROBINS. That is right; you would not be using any fuel.

Mr. RANKIN. You would not be using any fuel?

General ROBINS. No, sir.

Mr. RANKIN. What is the transmission radius; economic transmission radius for electricity, in your opinion, General Robins?

General ROBINS. Three hundred miles.

Mr. RANKIN. Three hundred miles?

General ROBINS. Yes, sir.

Mr. RANKIN. What does it cost per kilowatt-hour to transmit 100 miles, 200 miles, and 300 miles?

General ROBINS. Eighty percent load factor?

Mr. RANKIN. Yes, sir; that is right.

General ROBINS. For 50 miles it would be 0.25 of a mill.

The CHAIRMAN. Do you not think that we have all of that in the record a half a dozen times?

Mr. RANKIN. No, sir; we do not. We do not have it from the engineers. I reserve the right to question the general for this purpose.

The CHAIRMAN. Well, this power is to be used for national defense.

Mr. RANKIN. I understand that it is to be used for national defense now, and it is to be used for other purposes later.

The CHAIRMAN. That may be a long time off.

Mr. RANKIN. It may be and it may not be; it may be 6 months. Maybe before we get it developed we will need it for other purposes. We ought to have it now.

Now, General, you say for 50 miles it would take one-fourth of a mill?

General ROBINS. Yes, sir.

Mr. RANKIN. Now then, for 100 miles?

General ROBINS. A half a mill.

Mr. RANKIN. One hundred miles a half a mill?

General ROBINS. Yes, sir.

Mr. RANKIN. Two hundred miles?

General ROBINS. Nine-tenths of a mill.

Mr. RANKIN. And 300 miles?

General ROBINS. One and four-tenths mills.

Mr. RANKIN. One and four-tenths mills?

General ROBINS. Of course, according to the best estimates that I can make.

Mr. RANKIN. Now, then, that includes line losses and all?

General ROBINS. Yes, sir.

Mr. RANKIN. So this power—even if the entire amount were charged to power development—this power could be laid down anywhere within 300 miles of the dam at a little less than 5 mills per kilowatt-hour, could it not?

General ROBINS. That is, assuming the cost at the switchboard is about $3\frac{1}{2}$ mills. I would like to check that. I have never computed it.

Mr. RANKIN. Well, I figure $3\frac{1}{2}$ mills; twice $1\frac{7}{10}$ mills would be 3.4 mills. So, I figure, according to your figures, it would be twice that amount?

General ROBINS. Yes, sir.

Mr. RANKIN. Cost about twice as much; but I figure that it would be around $3\frac{1}{2}$ mills per kilowatt-hour.

If that is the case, could it be laid down within that 300-mile limit for 4.5 mills?

General ROBINS. If that is the case, it could, sir.

Mr. RANKIN. If that is the case it could?

General ROBINS. Yes, sir.

Mr. RANKIN. Now, General, this question of line losses, I want to ask you about that.

I will say that your estimates here correspond almost exactly with the estimates made down in the Board of Army Engineers in the case of Muscle Shoals in 1930.

Now, are you familiar with the line losses on transmission of power?

General ROBINS. I am not an electrical engineer, Mr. Rankin.

Mr. RANKIN. Have you any figures on it?

General ROBINS. I do not have any figures with me. The estimates I have here were prepared by my electrical engineers.

Mr. RANKIN. Then, how much is the line loss, we will say, for 100 miles?

General ROBINS. My recollection is that it is somewhere between 5 and 10 percent. I do not know what line losses they took into account in making these estimates I have given you, but I know they did take them into account.

Mr. RANKIN. It would not be over 10 percent for 100 miles?

General ROBINS. No, sir.

Mr. RANKIN. And the further the transmission distance the higher the voltage; that is right, is it not?

General ROBINS. Yes, sir. The figures I have given you are based on using at least 230 kilovolts for long-distance transmission.

Mr. RANKIN. Now, then, to transmit that power 300 miles on that sized line, what would the line losses be—they would not be any greater than they would be at Boulder Dam, where they transmit 268 miles, would they?

General ROBINS. It would be about the same.

Mr. RANKIN. Would be about the same as Boulder Dam?

General ROBINS. Yes, sir.

Mr. RANKIN. Then it would be a good deal less than 10 percent per hundred miles or 5 percent per hundred miles?

General ROBINS. Yes, sir.

Mr. RANKIN. In general, at Boulder Dam, I believe it was said that the line loss at Boulder Dam, to transmit the power 268 miles, was about 6 percent. Would that apply in this case?

General ROBINS. Yes, sir; it would be somewhere between 5 and 10 percent, I think, depending upon conditions.

Mr. RANKIN. For the 300 miles?

General ROBINS. Yes, sir.

Mr. RANKIN. Would be somewhere between 5 and 10 percent to transmit it the full 300 miles? That is all, Mr. Chairman. I used less than 10 minutes.

Mr. PITTINGER. Mr. Chairman—

Mr. RANKIN. And I have gotten more information from the general in connection with this matter than I have from any witness except one.

Mr. PITTINGER. We all cross-examined this witness before Mr. Rankin was called to Mississippi.

Mr. RANKIN. I beg your pardon.

Mr. PITTINGER. I say all of us examined this witness before you were called to Mississippi.

Mr. RANKIN. I wanted to develop this information.

The CHAIRMAN. Now, you have had your "shot" at him.

Mr. RANKIN. I wanted the information from the Army engineers.

The CHAIRMAN. And you have gotten it.

Mr. RANKIN. I want to ask unanimous consent to insert in the record at this point a statement that I prepared for the record on the power consumption in that area.

The CHAIRMAN. Well, without objection, it may be inserted.

(The statement referred to is as follows:)

STATEMENT OF HON. JOHN E. RANKIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

One of the ablest men who has yet testified before the Rivers and Harbors Committee in opposition to this project was Mr. Bertram D. Tallamy, chief engineer of the Niagara Frontier Planning Board. He admitted that this power could be economically generated and transmitted 300 miles from the dam at from 4 to 4½ mills a kilowatt-hour, as the following testimony before the committee will show:

"Mr. RANKIN. Then you could generate this St. Lawrence power and transmit it within that 300-mile radius and lay it down for less than 5 mills (a kilowatt-hour), could you not, say for 4 to 4½ mills?

"Mr. TALLAMY. Yes; we can.

"Mr. RANKIN. I believe it was stated, I think the New York Power Authority stated they could lay it down within a 300-mile line for less than 4 mills; would that be about right?

"Mr. TALLAMY. Yes; I think you are right."

Now remember that a 300-mile radius would cover almost the entire State of New York, nearly all the New England States, and about two-thirds or three-fourths of the State of Pennsylvania. And if we should add the Niagara project, this radius would cover practically all the States of New York and Pennsylvania, nearly all the New England States, and a large portion of both Ohio and Michigan. Then electricity could be laid down anywhere in that area wholesale for around 4 to 4½ mills a kilowatt-hour. Now let us see what that would mean. The people in that area are as intelligent and as capable of economically distributing electricity as are the people of Ontario.

Windsor, Ontario, gets power from Niagara Falls through the Ontario Hydro Commission, transmits it 238 miles and distributes it at the Ontario rates. There is no reason why electricity should not be distributed throughout this Niagara-St. Lawrence area at the Ontario rates. Let us see what it would mean to the people of that section of the country if this were done. Suppose we take the State of New York first.

NEW YORK

In 1940 the people of the State of New York, the ultimate consumers, used 15,613,493,000 kilowatt-hours of electricity, for which they paid \$349,872,269.

Under the Ontario rates, the cost would have been \$147,355,209—or \$201,517,060 less.

Think of it. The people of the State of New York, the users of electricity in that State, paying an overcharge for their electric lights and power amounting to more than \$200,000,000 a year, compared with the rates paid in Ontario, just across the line.

But I know it will be said that the Ontario power system pays no taxes. Let us see what difference that makes. The record shows that all the taxes—including income taxes, both State and Federal—cash contributions and free services paid or rendered in the State of New York for 1 year by both privately and publicly owned electric utilities amounted to \$48,140,714. Take that amount from the 1940 overcharges of \$201,517,060 and it will leave a net annual overcharge of \$153,376,346. That is the amount of the overcharges paid by the power consumers in the State of New York last year after allowing for all taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities.

That net annual overcharge of \$153,000,000 a year would amount to more in 3 years than the entire cost to the United States of this whole development.

But that is not all. Let us see about the other States. Suppose we take Pennsylvania next.

PENNSYLVANIA

During the year 1940, the people of Pennsylvania used 12,187,075,000 kilowatt-hours of electricity for which they paid \$216,110,577.

Under the Ontario rates the cost would have been \$120,951,629—or \$95,158,948 less. In other words, the people of Pennsylvania, the users of electric light and power, paid overcharges amounting to more than \$95,000,000 a year, according to the Ontario rates.

The taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities in Pennsylvania in 1 year amounted to \$23,567,267. Take that amount from the overcharges of \$95,158,948, and it will leave a net annual overcharge paid by the people of Pennsylvania of \$71,582,681—after allowing for all taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities.

Now let us take the New England States.

CONNECTICUT

In 1940 the people of Connecticut used 1,595,155,000 kilowatt-hours, for which they paid \$42,954,245. Under the Ontario rates the cost would have been \$19,625,883—or \$23,328,362 less.

Taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities for 1 year, in Connecticut amounted to only \$5,150,721—leaving a net annual overcharge of \$18,177,641.

MAINE

During the year 1940, the people of Maine used 1,031,376 kilowatt-hours, for which they paid \$15,429,352. Under the Ontario rates the cost would have been \$7,276,650—or \$8,153,320 less.

The taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities for 1 year in the State of Maine amounted to \$1,631,208, leaving a net annual overcharge of \$6,522,094.

MASSACHUSETTS

In 1940 the people of Massachusetts used 3,394,517,000 kilowatt-hours, for which they paid \$97,198,887. Under the Ontario rates the cost would have been \$39,993,925—or \$57,204,962 less.

All the taxes, cash contributions, and free services paid or rendered by both privately and publicly owned electric utilities for 1 year in Massachusetts amounted to only \$16,580,357, which leaves a net annual overcharge paid for their electricity by the people of Massachusetts amounting to \$40,624,605.

NEW HAMPSHIRE

In 1940 the people of New Hampshire used 353,537,000 kilowatt-hours, for which they paid \$10,386,435. Under the Ontario rates the cost would have been \$4,705,464, or \$5,680,971 less.

Taxes, cash contributions, and free services paid or rendered in New Hampshire in 1 year amounted to \$1,779,639, leaving a net annual overcharge of \$3,901,312.

RHODE ISLAND

In 1940 the people of Rhode Island used 662,966,000 kilowatt-hours, for which they paid \$17,102,401. Under the Ontario rates the cost would have been \$7,552,870, or \$9,549,531 less.

The taxes, cash contributions, and free services in Rhode Island for 1 year amounted to \$1,557,952, leaving a net overcharge of \$7,991,579.

VERMONT

In 1940 the people of Vermont used 240,261,000 kilowatt-hours, for which they paid \$7,046,061. Under the Ontario rates the cost would have been \$3,493,809, or \$3,547,252 less.

The taxes, cash contributions, and free services in Vermont for that year amounted to \$1,281,784, leaving a net overcharge of \$2,265,468.

OHIO

In 1940 the people of Ohio used 7,544,469,000 kilowatt-hours for which they paid \$143,981,047. Under the Ontario rates the cost would have been \$76,580,973, or \$67,400,074 less.

The taxes, cash contributions, and free services in Ohio for that year amounted to \$17,331,414, leaving a net overcharge of \$50,068,660.

MICHIGAN

In 1940 the people of Michigan used 5,391,354,000 kilowatt-hours for which they paid \$108,456,214. Under the Ontario rates the cost would have been \$53,298,969, or \$55,157,245 less.

The taxes, cash contributions, and free services amounted to \$10,647,660, leaving a net overcharge of \$44,509,585.

CONCLUSION

Thus it will be seen that after deducting all taxes, cash contributions, and free services rendered by privately and publicly owned electric utilities in the States lying within the distribution radius of this St. Lawrence project and Niagara Falls, the people of those States were overcharged last year \$401,087,688, according to the Ontario rates.

I do not contend that there would be enough power generated on the St. Lawrence and the Niagara Rivers to supply the entire demand in these 10 States, but there would be a sufficient amount to furnish a yardstick that would force these rates down to their normal levels in that entire area.

Reduced rates always bring increased consumption, and increased consumption brings a greater use of those electric appliances necessary to relieve the drudgery and add to the comforts and conveniences of every home as well as the success of every business establishment.

If properly managed, this project would do for the people of that great north-eastern section of our country what the Tennessee Valley Authority has done for the people in the Tennessee Valley area. It would bring a new day of progress and prosperity for the great masses of the people of that area who pay the electric bills. Besides, it would conserve a great natural resource that is now going to waste.

STATEMENT OF BRIG. GEN. THOMAS M. ROBINS—Resumed

The CHAIRMAN. Mr. Smith, you wanted to ask a question?

Mr. SMITH. Yes, sir.

General Robins, I think you have given us some very interesting information this morning which will be very valuable to the committee, just as you did last week, and I think you have elucidated some of the matters that needed to be cleared up.

I want to ask you some questions, very briefly, along a little different line, which I think is pertinent to this project, but particularly as relates to the Bonneville project on the Columbia River.

We are going to have legislation come before this committee very soon to establish an authority on the Columbia River similar to the T. V. A. I think several bills have already been introduced.

The CHAIRMAN. Do we want to put that into the record on the St. Lawrence?

Mr. SMITH. Yes; I think so, for this reason, Mr. Chairman, that reference has been made during these hearings several times, both by myself and my colleague from Oregon, Mr. Angell, in regard to the rather peculiar arrangement that we have here as applied to the St. Lawrence of turning the power project over to the State of New York, something which we are not doing on the Columbia River, either so far as Washington or Oregon is concerned, and I just want to ask you, General, if there is any reason why or any good reason you know of in connection with any legislation that we may now have to consider or may have to consider in the future pertaining to the Columbia River that we should not accord to the States of Oregon and Washington the same rights, if they want to exercise them, we are extending to the State of New York?

General ROBINS. No, sir; I know of no reason.

Mr. SMITH. In other words, I want to say frankly that at the proper time I think we will probably ask that those rights be extended to the States of Washington and Oregon, if they want to avail themselves of those rights, to establish a power authority the same as the State of New York has done and participated in the operation and management of the Bonneville Dam on the Columbia River.

The CHAIRMAN. That is, provided, of course, this project becomes law?

Mr. SMITH. Well, if it does; but we are establishing a precedent here, and I want to save the right, and reserve the right, to demand the same treatment for the State of Washington particularly, and I

think my colleague from Oregon, Mr. Angell, will want to reserve the same right so far as Oregon is concerned.

Mr. RANKIN. Will the gentleman yield?

Mr. SMITH. I will yield to the gentleman from Mississippi.

Mr. RANKIN. Might I say, that we had better not stray off into those bypaths, but go ahead and follow the precedent of the Tennessee Valley area and let the Federal Government own the dam, build the transmission lines, and control the distribution of the power.

Mr. SMITH. I have the highest regard for the gentleman from Mississippi and his knowledge of public power matters, and we all appreciate the fine service that he has rendered as a Member of Congress in that fight for many, many years, and he has no warmer admirer in that regard than I am. I just disagree with him somewhat in regard to the statement he has just made.

But now, you have mentioned the Tennessee Valley, let me say this: It also has been mentioned several times during these hearings, which, of course, is a fact with which we are all familiar, that in the case of the Tennessee Valley we first provided that the States of Tennessee and Alabama should receive, I think, 5 percent of the gross proceeds from the sale of the power generated there and the T. V. A., and since then, in the amended actions, we have increased that on a graduated scale to about 15 percent.

Mr. RANKIN. Ten percent.

Mr. SMITH. I think it is 15, altogether, when you add it up.

I know of no good reason why the States of Alabama and Tennessee should share in the proceeds of that project down there and we should not on the Columbia River, so far as Washington and Oregon are concerned, and that is why I bring this matter up.

Mr. RANKIN. There is a great deal of difference there and turning a great Federal power project over to a local authority, a vast difference, as you will find, before we get through with this argument.

Mr. SMITH. I want to reserve our rights under both conditions, first, that we, in Washington and Oregon, may have the right to take over the entire Bonneville project the same as New York is doing, or proposes to do here, in regard to the St. Lawrence, or if that is not done, that our States share in the proceeds of the sale of power at Bonneville and receive the equivalent or the same percentage as is received by the States of Tennessee and Alabama at the T. V. A.

Mr. DONDERO. May I interrupt?

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. General Robins, in answer to the gentleman from Mississippi (Mr. Rankin) as to what the power would cost, did you say it would be \$240,000,000, if the seaway were not built? Are you correct about that? I think the record shows that about \$110,000,000 is the correct answer.

General ROBINS. The correct answer is \$239,000,000, leaving out the navigation features.

Mr. RANKIN. How much of that is out?

Mr. DONDERO. That is for both sides.

General ROBINS. That is for both sides; yes, sir.

Mr. DONDERO. Half of that belongs to the United States?

General ROBINS. That is correct.

Mr. DONDERO. So that half of the \$239,000,000 would be approximately \$120,000,000?

General ROBINS. Half of it would be about \$120,000,000, but I am assuming that the power would be developed on the same terms between the two countries as is now embodied in this agreement under which the United States would build the power house and the Canadians would only supply their own machinery, just as it is proposed to do for the combined power and navigation project.

Mr. RANKIN. Will the gentleman yield?

Mr. DONDERO. Just one moment. The reason I asked the question is that in this bill there is a proposal to sell the power to the State of New York for \$93,375,000 and when you gave the figure that the power would cost \$240,000,000 you rather challenged my attention, and I am now inquiring whether or not it would cost all of that to the Government of the United States, or whether the Government would only share half of it.

Mr. RANKIN. Let him answer the question.

General ROBINS. If Canada would share equally in the cost of this development, then the cost to the United States would be one-half of the \$239,000,000, and the State of New York would have to pay half of the \$239,000,000, if it took over the power.

Mr. DONDERO. That is if the power project were constructed without navigation?

General ROBINS. Yes, sir.

Mr. RANKIN. Then, General, if the United States were paying its part of the development of this power, then our part of the power could be generated for around 1.7 mills per kilowatt-hour, could it not? That is right, is it not?

General ROBINS. Taking the capital cost of \$93,270,000.

Mr. RANKIN. Is that the part that is legitimately chargeable to our half of the power development?

General ROBINS. That is correct, sir, if navigation is included in the project.

Mr. RANKIN. That is what I wanted to get at. Then our part of this power, the development of our part of this power, would cost 1.7 mills per kilowatt-hour at the dam. That is right, is it not?

General ROBINS. Yes, sir; with a load factor of 80 percent.

Mr. RANKIN. Then, this power could be transmitted the 300 miles for about—and laid down—at around 3 mills per kilowatt hour, could it not?

General ROBINS. Yes, sir.

Mr. RANKIN. Three and two-tenths mills, I believe, according to your statement; not over that. That is what I was trying to bring out, and I want to thank the gentleman from Michigan for calling attention to that error.

Mr. DONDERO. Just one short statement and I am through.

General ROBINS, does it make any difference whether we construct power with the seaway or without the seaway? In other words, does it cost more to develop the power alone than it would to develop the power with navigation?

General ROBINS. Much more.

Mr. SMITH. Which one would be more?

Mr. RANKIN. Which would cost much more?

General ROBINS. Power alone, without navigation.

Mr. RANKIN. Without taking navigation into account, that is the amount that would be allocated to it?

Mr. DONDERO. That is the point.

Mr. SMITH. General, I have just one further question. My question is whether you know of any good reason why Tennessee and Alabama should be any more entitled to participate in the proceeds of the T. V. A. than would be the case of Washington and Oregon at the Bonneville Dam?

Mr. PITTINGER. Now, Mr. Chairman, if we get into that discussion—

Mr. SMITH. Just a moment. I am interested in this project, and I will say to the able gentleman from Minnesota (Mr. Pittenger) and I am his friend, that my vote on this project is going to be influenced, of course, somewhat on whether the projects in my district are accorded the same treatment as this project and others are receiving, and as you are a leading proponent of this project, I advise you to permit those of us from the West to inquire into these matters, so we can vote more intelligently upon the project.

Mr. DONDERO. Is that not more of a legal question?

Mr. SMITH. It is not a legal question at all. It is a question of policy, of the manner of exercising the legal rights. That is all. I am just merely asking the general for an expression on that point, whether the policy is to be uniform in regard to all Federal projects throughout the country.

General ROBINS. My understanding is that under the Constitution all of the States have equal rights, Mr. Smith.

Mr. SMITH. That is the answer to the question that I expected you to give, General. Equal rights and equal treatment.

Mr. BELL. Would you say that that statement includes the State of New York, General?

General ROBINS. Yes, sir; whatever rights the States have, they are all equal.

Mr. BELL. Would you say that New York has no greater right to this power than Oregon or Tennessee?

General ROBINS. Not this power.

Mr. BELL. I mean to the power produced within the State of New York than Tennessee has to power produced within the State of Tennessee.

General ROBINS. Yes, sir.

The CHAIRMAN. Mr. Voorhis.

Mr. VOORHIS. As an engineer, General, you would say that it would be sensible, would you not, to use power in the vicinity in which it is generated? In other words, I mean there would not be any sense in using St. Lawrence power in Florida or Oregon?

General ROBINS. No, sir; we could not get it there.

Mr. BELL. It is not contemplated to do anything of that sort, is it, General?

Mr. SMITH. We can generate one-sixth of all of the power in the United States on the Columbia River, I will say to the gentleman

from California. That is the potential output of the Columbia, if it is developed to its full capacity.

Mr. VOORHIS. Well, we have the Boulder Dam project.

Mr. DONDERO. Of course, no other State has come forward and offered to pay \$93,000,000.

Mr. ANGELL. Neither has New York. They are not paying a dime.

Mr. SMITH. They are not paying any of their own money?

Mr. ANGELL. New York is not paying in a dime. They are not pledging the credit of the State of New York; they are not giving a penny for it. We are just handing it over to them like a Christmas present.

The CHAIRMAN. It seems to me that we should ask the General engineering questions instead of legal and constitutional questions.

Mr. BELL. I have an engineering question I want to ask, Mr. Chairman.

The CHAIRMAN. Yes, Mr. Bell.

Mr. BELL. I was not quite clear in regard to the testimony about the cost of this power.

As I understood it, if you leave out the navigation feature, that would cost the United States and Canada \$239,000,000. Would that include powerhouses and turbines, and everything necessary to produce power?

General ROBINS. Yes, sir.

Mr. BELL. As well as changes in the channel which would be necessary?

General ROBINS. That is correct.

Mr. BELL. And half of that would be \$120,000,000; would it not; or \$119,500,000.

General ROBINS. Yes, sir.

Mr. BELL. I cannot understand how you can get the reduction from \$119,500,000 down to \$93,000,000 as the cost of this project.

General ROBINS. Because in the combined power and navigation project, navigation is carrying a part of the cost of the dam.

Mr. BELL. Because of the allocation of a part of that cost to navigation?

General ROBINS. Yes, sir.

Mr. BELL. Although the production of power would be impossible without going ahead with the navigation?

General ROBINS. No, sir; you can develop power without any navigation facilities at all; but you have got to have the dams either for navigation or for power.

Mr. BELL. Whether you have navigation or not, it would cost \$119,500,000 to the United States?

General ROBINS. Assuming that Canada would pay half of it.

Mr. BELL. If they would pay half of the cost, it would cost at least \$119,500,000?

General ROBINS. That is correct.

Mr. BELL. Whether we have navigation or do not have navigation?

General ROBINS. If you do not have navigation, that is what it will cost you. If you have navigation you can charge part of the cost of the dams to navigation.

Mr. RANKIN. General, according to your statement awhile ago, 2,560,000,000 kilowatt-hours secondary power will be generated here, will there not?

General ROBINS. Yes, sir.

Mr. RANKIN. What would that power cost at the dam?

General ROBINS. Well, you could develop it without any additional cost.

Mr. RANKIN. You could develop it without any additional cost?

General ROBINS. What you could get for it would depend upon the circumstances.

Mr. RANKIN. So that would reduce the cost, that secondary power, put on the market would reduce the cost of this primary power?

General ROBINS. It would.

Mr. RANKIN. To what extent?

General ROBINS. Well, I could not say without knowing what you could sell the secondary power for.

Mr. RANKIN. Well, you have got 2,560,000,000 kilowatt-hours secondary power and 3,760,000,000 kilowatt-hours primary power.

There is no difference between secondary power and primary power, except the way it is produced, is there? All electricity is just alike after it is generated?

General ROBINS. Yes, sir; that is correct.

Mr. RANKIN. Then this power is all the same, and it is just a question of the use of it. So this 2,560,000,000 kilowatt-hours of secondary power certainly would be used in that area, and it ought to bring down the cost of this primary power. Do you think that it will not?

General ROBINS. It will bring it down, depending upon what you can get for it.

Mr. RANKIN. It has to bring it down to a mill and a quarter per kilowatt-hour, should it not, at the dam? What would be your estimate there?

General ROBINS. Well, if you could sell all of the power that you could generate there at the same price, just assuming that you could dispose of it all on an equal basis, it would bring the cost down to somewhere a little over a mill.

Mr. RANKIN. About how much over a mill? Would you say a mill and a tenth?

General ROBINS. About one and two-tenths mills.

Mr. RANKIN. One mill and two-tenths, we will say.

General ROBINS. We will say that.

Mr. RANKIN. Then this power could be laid down 300 miles away at about 2½ mills per kilowatt-hour, could it not?

General ROBINS. Yes, sir; at 80 percent load factor.

Mr. RANKIN. At 80-percent load factor?

General ROBINS. Yes, sir.

Mr. RANKIN. Then this power, taking the primary and secondary power as a whole, could be laid down 300 miles away at about 2½ mills per kilowatt-hour, wholesale. That is correct?

General ROBINS. That is correct under the assumptions that we made.

Mr. RANKIN. That is 80-percent load factor.

Mr. ANGELL. Mr. Chairman, I would like to ask the General a question.

The CHAIRMAN. Just a minute. Has the gentleman from Mississippi finished?

Mr. RANKIN. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Rodgers asked for recognition.

Mr. RODGERS. I want to get back to this channel improvement. I am not quite clear on that, General. You stated, I believe, that it would cost about eight to ten million dollars, or about eight to ten million dollars of that was included in channels and turning basins.

General ROBINS. That is correct.

Mr. RODGERS. It does not include ports and port facilities, at all, or dock facilities?

General ROBINS. No, sir.

Mr. RODGERS. Is there any estimate of that?

General ROBINS. Yes; we made an estimate of what improvements would have to be made in port facilities for the immediate use.

Mr. RODGERS. Here I have from the Engineers' Office of the city of Buffalo this statement:

Our estimate of the cost of the work involved for the necessary improvements was carefully prepared and is based on quantities readily ascertainable, and the unit prices employed are those used by the Great Lakes dredging contractors. Our total estimate for this work is \$46,909,709. Included in this amount is the sum of \$3,349,525 for protection of existing docks due to additional depth of channel adjacent to these docks.

General ROBINS. Who furnished that estimate, Mr. Rodgers?

Mr. RODGERS. The city engineer, Frederick K. Wing, of Buffalo. Do you care to comment on that?

General ROBINS. Well, I think it is entirely too large an estimate for what should be or would be needed in the immediate future. Our figures for port facilities at Buffalo show that it can be adopted to meet the needs of the immediate future after the St. Lawrence project is constructed at a cost of a little over a million dollars—\$1,200,000. I do not know what the city engineer bases that on.

Mr. BEITER. At that point, what depth did you figure at the city of Buffalo; the depth in the inner harbor?

General ROBINS. Twenty-seven feet.

Mr. BEITER. No; no; we did not have 27 feet at Buffalo in the inner harbor.

General ROBINS. We are not talking now about the channels, we are talking about port facilities.

Mr. BEITER. Port facilities?

General ROBINS. Well, I am talking about docks, too.

Mr. BEITER. But the inner harbor is where the boats have to dock; is it not?

General ROBINS. You have got 27 feet at your entrance.

Mr. BEITER. The entrance channel, but not at the docks. You cannot bring boats alongside the docks drawing that depth. We only have 19 to 22 feet, if I remember correctly.

General ROBINS. I have already testified, Mr. Beiter, that our estimates for caring for the entrance channels and turn-around basins for I think seven harbors, including Buffalo, is between \$8,000,000 and \$9,000,000. I do not mean to dredge the entire Buffalo Harbor to 27 or 28 feet, but to get the channel into the Buffalo Harbor, so that they can take advantage of the deep waterway.

The CHAIRMAN. In several places they would not need more than 15 or 20 feet, depending upon the type of boat that would be docked.

Mr. BEITER. That is right. I know that we have 27 feet in the outer harbor, but I do not think we have 27 feet in the inner harbor. I think that the average is 19 to 22 feet in the inner harbor, so that the entire inner harbor would have to be dredged in order to get boats up to the docks and up to the grain elevators.

General ROBINS. Not the entire harbor. Of course, if commerce developed to such an extent to warrant the deepening of the entire harbor, that could be done, but you could certainly get a channel into one or two wharves, which would be all that you would need at the start, for much less than that.

Mr. BEITER. Has not the Board of Army Engineers deepened the harbor from 19 to 22 feet?

General ROBINS. Yes, sir; we have.

Mr. BEITER. So that if it is deepened to 27 feet, we can assume that the War Department will do that work?

General ROBINS. I do not think that the War Department would ever recommend it.

Mr. BEITER. Not recommend the 27-foot depth?

General ROBINS. That is an entirely different matter.

Mr. BEITER. How is it any different? It was to accommodate the vessels plying the Great Lakes that you dredged it to a depth of 22 feet.

Now, in order to accommodate vessels that will require the 27-foot draft in the harbor additional dredging would be necessary.

General ROBINS. They will not have to use the entire harbor. You will have to deepen the harbor as required to handle the commerce that could reasonably be expected, the same as is done in any harbor.

Mr. BEITER. Well, with grain and iron ore, and all of those things, those boats have to pull up to the sides of the docks, unless you take it off on lighters, or some other manner.

General ROBINS. They would not have to go to every dock.

Mr. BEITER. You could not unload the iron ore at grain elevators, or vice versa; so that you would have to have the channel.

General ROBINS. There is no iron ore involved in the St. Lawrence project.

The CHAIRMAN. Those boats would not carry iron ore. They carry a different type of cargo.

Mr. BEITER. Now, just one or two other questions, General: Last week, when you testified, I believe you stated that there would be 10,000 men employed on the project, and that would include 8,000 skilled and 2,000 unskilled men. In presenting those figures, did you include the workmen on the Canadian side, or just the American side?

Mr. DONDERO. Mr. Chairman, General Robins has gone over all that same subject this morning.

Mr. BEITER. I am sorry; I was not here, and I wanted to get that cleared up and to ascertain whether you had included in the figures

of 10,000 the workmen on the Canadian side, or the American side only?

General ROBINS. It was both sides.

Mr. BEITER. On both sides, 10,000 men?

General ROBINS. I would like to state that I did not say it was 2,000 unskilled and 8,000 skilled; I said 2,000 unskilled and 8,000 skilled or semiskilled.

Mr. BEITER. Semiskilled? Well, a semiskilled man could be trained to be a skilled man within a short time, could he not?

General ROBINS. Well, a semiskilled man on a construction job could never be trained to manufacture shells or airplanes or tanks or guns, or anything of that kind.

Mr. MACIEJEWSKI. That was brought out this morning, and the gentleman was not here. That was not our fault. That was brought out here in the testimony this morning. Why go over all this again?

Mr. PITTINGER. It was brought out this morning, and also last week.

Mr. BEITER. Do I still have the right to ask the gentleman some questions?

Mr. DONDERO. If they are pertinent.

Mr. BEITER. I don't believe the gentleman will want to be the sole judge of that. Now, did the 10,000 men you said were required on both the Canadian and the American sides include the deepening of the harbor and the interconnecting channels that will have to be deepened?

General ROBINS. It did not include the deepening of any harbors or entrance channels.

Mr. BEITER. So there would have to be additional men working at the same time in deepening the harbors and interconnecting channels. Do you have the figure as to the number of men that would be required, both skilled and unskilled, in all the harbors on the Great Lakes? You probably would have to have men working simultaneously to have the harbors ready when the canal is finished?

General ROBINS. That is not necessary.

Mr. BEITER. Of what use will your ports and your harbors be if they are not deepened to accommodate the vessels for which the project is built?

General ROBINS. It would not have to be done simultaneously. If you are going to rush this job through to get ships on the Great Lakes out, you do not have to deepen the harbors to get the ships out, to amount to anything.

Mr. BEITER. What are you going to do, build the ships in the middle of the lake?

General ROBINS. No, sir; build them in the shipyards.

Mr. BEITER. You would have to deepen the ways, or construct ways that will accommodate 27-foot draft vessels, would you not?

General ROBINS. You would not take them out on 27-foot draft; you would take them out on much less draft.

Mr. BEITER. What about all the farmers in the Middle West who are contemplating getting higher prices for grain and shipping grain out? They will want to ship the grain.

The CHAIRMAN. They have got ample depth for all the grain.

General ROBINS. That is quite true, sir; but the point I am trying to make is, as far as the harbors are concerned you do not have to rush this project through. The point in rushing it through is to get the ships built on the Lakes down to use in national defense. When you get to the commercial side of it, you could take it much slower on your harbors, because you have got to also build your terminals and other facilities.

Mr. BEITER. There will be men employed in the construction of terminals, then, almost simultaneously with the construction of the seaway?

General ROBINS. Not the way I would build it; they would not. I don't know how it is going to be done. I think the waterway should be rushed through as fast as possible, to meet the needs of national defense. But the speed with which the harbors and the terminal facilities should be created on the Lakes to take commercial advantage of the waterway would be determined by entirely different factors. In the first place, there would have to be a separate investigation and report on every harbor on the Great Lakes; going into what commerce that harbor would handle on the St. Lawrence seaway, what it would amount to, and what would be economically sound to develop at that port to handle that commerce. And each harbor would be taken on its merit and studied, the same as in the case of any other river and harbor improvement.

Mr. BEITER. What about the interconnecting channels, General; you would have to have some men for that work, both skilled and unskilled?

General ROBINS. The interconnecting channels of the Lakes would not have to be deepened immediately to take care of ships that are built on the Lakes.

Mr. BEITER. It is your opinion that there is no deepening of channels necessary in connection with the construction of the seaway; is that it?

General ROBINS. No, sir; you do not have to deepen the connecting channels in the Great Lakes to take out ships built on the Great Lakes, because the ships go out on a light draft. You have got to deepen the interconnecting channels in the Lakes to 27 feet to be commensurate with the rest of the proposed waterway.

Mr. BEITER. Then so far as the seaway is concerned, its usefulness for commercial purposes is out of the question until after the emergency is over?

General ROBINS. I would not say it is out of the question; but I would say that you can take a longer time to develop the whole waterway for commercial purposes than you can for defense purposes.

Mr. VOORHIS. Could I ask—

Mr. BEITER. Let me follow this through a little bit, if you don't mind.

Now, about the diversion of materials, in rechecking the testimony that you gave last week, I believe you said that the materials involved did not amount to very much. Do you have a percentage there of the materials, what it amounts to in dollars and cents for materials?

Mr. DONDERO. That was gone over this morning.

Mr. BEITER. I am sorry; but I had to be away, and I want to get this clear in my mind.

Mr. BENDER. I frankly feel we ought to be charitable with each other. We cannot be two or three places at the same time, and sometimes we miss testimony. I have had folks ask questions here when I was the one that had previously asked them, and I heard the same question answered.

Mr. DONDERO. It is needless repetition.

Mr. BENDER. I think we ought to be charitable, one with the other, and give the other fellow an opportunity.

Mr. MACIEJEWSKI. Don't you think we are a little bit more charitable than we should be?

Mr. BENDER. I don't think so.

Mr. RANKIN. Mr. Chairman, let me suggest that General Robins is one witness who is not a propagandist or one who represents a propagandist organization, and we have a right, and any member has, to ask him these questions. I submit the members ought to be given ample time. Of course, I do not agree with the gentleman from New York on a great many things. But I would rather hear General Robins' testimony than all the testimony we will have next week from the propaganda agencies from certain selfish interests that are going to come.

Mr. DONDERO. Mr. Chairman, I am willing to listen to him, but suppose tomorrow morning we have one or two members who are not here and who want to come in and go over all this again? When will we end?

Mr. RANKIN. I have gotten more out of one or two witnesses, than all of the others.

Mr. BEITER. General Robins has given some very interesting testimony, and my questions are important and pertinent. I am asking to be allowed to continue.

Mr. GREEN. I am wondering, General, in connection with Mr. Beiter's question, would it not be more expeditious and more economic and saner and better business judgment and business investment to use the harbors that nature and the Federal Government have already provided for these ships, and deepening them to 35 feet, and we have one of the finest in the world at Fernandina and at Jacksonville and at other places, which are already provided for building these ships; instead of going to some other place where we will have to get ready, like a hen getting ready to lay her egg? If it is just for national defense, then it is all poppycock to go through all that preparation if the yards are already built and available.

Mr. DONDERO. Undoubtedly, the gentleman from Florida did not see the morning paper, in which they are already asking for twice as much money as this will cost to build additional shipyards. We have 45 yards on the Great Lakes now, we would not have to spend that money if the seaway was built.

Mr. BEITER. But, General, you testified it was not necessary to build the St. Lawrence for that; is not that a fact?

General ROBINS. No, sir.

Mr. GREEN. It is a question of geography and the location.

Mr. BEITER. What do you mean by that?

Mr. DONDERO. It is necessary to speed up.

Mr. RANKIN. Mr. Chairman, I submit that we should ask the questions one at a time.

Mr. GREEN. We do not go there because it is geographically situated in the wrong place, and that is why I cannot support it.

The CHAIRMAN. I suggest you confine your questions to General Robins to mathematical and engineering matters.

Mr. VOORHIS. May I ask the General a question?

The CHAIRMAN. Yes, sir.

Mr. VOORHIS. General Robins, is my interpretation correct that the purport of your testimony given in answer to Mr. Beiter is as follows: That it will take 10,000 men to construct the necessary parts of the St. Lawrence project; that other types of work, such as the deepening of the connecting channels between the Lakes and the deepening of ports and things like that would ultimately have to be done; but that if it should happen that there was a real labor shortage, which I question personally, that the work could be done at other times when labor was available or as it was available, rather than have to do it along right at the same time that you build the seaway, which will enable you to get your ships out; is that right?

General ROBINS. That is exactly what I tried to bring out.

Mr. VOORHIS. I would like to comment that I am one person who is not afraid of seeing everybody at work in this country.

Mr. BEITER. Then, as I understand it, it is not necessary to build this St. Lawrence seaway to get out the lighter-draft ships, the ships that are needed for defense?

General ROBINS. No, sir; I did not say that at all, Mr. Beiter. I said it was not necessary to deepen the connecting channels in the Great Lakes to get the ships out.

Mr. BEITER. And yet you say the facilities at the harbors are of sufficient draft now to accommodate vessels which will require a 27-foot channel through the St. Lawrence seaway?

General ROBINS. It will take very little dredging at the ports where these shipyards are to be able to launch the ships and get them out into the connecting channels of the Lakes. When you get down to the St. Lawrence, the International Rapids section of the St. Lawrence, you have got to build this seaway to get them any farther.

Mr. BEITER. Going back to the question of the iron ore, is not there a possibility of ore coming to Buffalo from South America? I understand they have a pretty good type of ore there.

General ROBINS. I do not think it is, sir. I do not think they could bring it in and compete with ore from the Great Lakes. Besides, you have got the tariffs, and things of that kind.

Mr. BEITER. So you do not think there is any possibility of bringing ore in from South America of a better grade, a better type?

General ROBINS. I am not expert enough on that, but I do not think so.

The CHAIRMAN. Gentlemen, we ought to be on the floor of the House in 10 minutes, if we are going to take up the resolution.

Mr. BEITER. Do you want a recess?

The CHAIRMAN. Not with General Robins on the stand; keep him on until we are finished with him.

Mr. ANGELL. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. ANGELL. General Robins, in the generation of this power, if this project goes through, is the power to be equally divided between Canada and the United States?

General ROBINS. Yes, sir.

Mr. BENDER. I would like to ask of you as to Frederick K. Wing, the city engineer for the city of Buffalo; you do not question Mr. Wing's ability as an engineer or his qualifications as an engineer?

General ROBINS. I do not know him at all.

Mr. BENDER. In this letter to Mr. Rodgers he says that the total estimate for the port of Buffalo, for Buffalo Harbor will run over \$46,000,000, and of that sum over \$3,000,000 would be used for the protection of existing docks due to additional deepening of the channel adjacent to the docks. You question his conclusion; you disagree with his figures?

General ROBINS. I don't know what his figures are based on. I take it that he is contemplating deepening the entire harbor of Buffalo to 27 feet, which I do not think is necessary or desirable.

Mr. BENDER. Now, General, your estimates do not include interest charges in any of these figures that you have given?

General ROBINS. No interest during construction is included in the figures I have given you.

Mr. BENDER. Then you are talking about how much money it will run according to your views and your estimates, without any form of interest charges or consideration of where we are to get the money?

General ROBINS. Yes; just the construction cost is all that is in those figures.

Mr. BENDER. The engineers have revised those figures, on a number of occasions?

General ROBINS. We have revised them twice since we started these new investigations.

Mr. BENDER. Your figures for contingencies, such as legal services and court costs and so on—your figures include 25 percent for such services, is that correct?

General ROBINS. We have 25 percent for overhead, engineering and contingencies.

Mr. BENDER. Twenty-five percent?

General ROBINS. Yes, sir.

Mr. BENDER. At one time, in fact back in 1926, that figure was 12½ percent; is that correct?

General ROBINS. That is correct, sir.

Mr. BENDER. General, you mentioned here the other day the need of eight or ten thousand men on this project. Will you tell me where you expect to get the men?

Mr. ELLIS. They can get them all out of my State.

Mr. PITTENGER. I will furnish a few.

General ROBINS. On a project of this kind we always hire all of the local people who are available, and then reach out as far as we have to, to get the rest.

Mr. BENDER. On the basis of the present economic conditions, and the present cost of labor, and so on, you do not expect to experience any difficulty in getting the men to do these jobs?

General ROBINS. No, sir.

Mr. BENDER. Are you familiar with the employment conditions up in the Great Lakes area today?

General ROBINS. I have not made any study of it.

Mr. BENDER. Do you know that at the present time it is impossible to get men to serve as brakemen on railroads in cities like Cleveland?

General ROBINS. No; I don't know.

Mr. BENDER. And there is a shortage of skilled men for a job that pays \$7 a day for 7 days a week?

General ROBINS. I don't know anything about conditions in Cleveland.

Mr. BENDER. When did you prepare these figures, as to the cost of this project; was it yesterday, or a month ago, or 2 months ago, or 3 months ago?

General ROBINS. The estimates were checked about a month ago.

Mr. BENDER. A month ago? Do you know how much the cost of living has increased during the past 30 days?

General ROBINS. No, sir.

Mr. BENDER. Are you familiar with the condition in the labor market now as compared with 30 days ago?

General ROBINS. No; I have made no study of the labor market on that basis. I know this, that at the present time there is about \$2,000,000,000 worth of construction work going on in this country, much of which will be completed in the next 2 or 3 months; and that we have got men enough to do that work.

Mr. BENDER. That is, construction work?

General ROBINS. For the Army, alone.

Mr. BENDER. Navigation, construction work on ships, and so on?

General ROBINS. No; just construction at bases, airfields, cantonments, river, and harbor work, and flood-control work. To my personal knowledge, there is \$2,000,000,000 worth of work being done right now.

Mr. CULKIN. May I say to the gentleman that I put in the record the other day a statement which accompanied a letter from Lieutenant Governor Poletti of New York, showing there was a very large reservoir of unemployed, semiskilled and unskilled, still available in New York?

Mr. BENDER. I dislike very much to disagree with Governor Poletti, but I know in my own city of Cleveland there is a shortage of skilled labor, a real shortage of skilled labor in all lines of industry.

Mr. CULKIN. In northern New York there were thousands of men who were employed on all kinds of construction of buildings and other things, and now they have all gone back.

Mr. BENDER. I know this, too, as a result of an inquiry I made, that the rates for skilled mechanics has gone up considerably and is going up constantly.

Mr. BEITER. I think that is true, practically throughout the country.

Mr. BENDER. And as a matter of fact, today in industries throughout our area there is a shortage of materials to carry on their work, because these materials have been diverted elsewhere. You are conscious of that, are you not, General?

General ROBINS. Oh, there is a shortage of certain materials.

Mr. BENDER. Now, regarding these harbor improvements, you are aware of the fact that the harbors of Duluth, Milwaukee, Chicago,

Detroit, Toledo, Cleveland, and Erie and Buffalo will have to be improved in order to provide for this oceangoing traffic?

General ROBINS. That is correct, sir.

Mr. BENDER. Your estimate does not include these improvements at all?

General ROBINS. No; it does not.

Mr. BENDER. As I understand, our St. Lawrence seaway is to be a free way; no tolls are to be charged, as are charged in the Panama and Suez Canals?

General ROBINS. That is my understanding at the present time.

Mr. BENDER. I have another question here that I marked—

Mr. GREEN. While he is looking for that—

Mr. BENDER. The majority of these locks, General Robins, would be within the boundaries of the Dominion of Canada; is that correct?

General ROBINS. The locks in the International Rapids section, of which there are three, will be entirely in the United States. The locks in the Lachine or Soulange sections, of course, will be entirely in Canada.

Mr. BENDER. And these would not be under our military jurisdiction, the latter that you have mentioned?

General ROBINS. Only in this way: I understand that the United States has guaranteed the integrity of Canada.

Mr. BENDER. You testified when you appeared here on the first day, General, that with luck you would complete this within 4 years. Do you expect to complete this project in 4 years?

General ROBINS. I expect to complete it in 3 working seasons, with luck.

Mr. BENDER. With luck?

General ROBINS. And most certainly complete it in 4 years.

Mr. BENDER. That is, even without luck?

General ROBINS. Yes, sir.

Mr. BENDER. Why did they stipulate 8 years as the time for the completion in the agreement which was entered into by Canada and this Government?

General ROBINS. That agreement was entered into without any consideration of speeding the project up for national defense; though in the agreement provision is made for doing that if the two countries find it advisable.

Mr. BENDER. That is, the 8-year provision—

General ROBINS. The agreement is qualified, and the two countries agree to expedite or delay the completion of the Canadian section by an interchange of notes.

Mr. BENDER. As an expert engineer, which everybody concedes, and everybody respects your judgment, and I share that respect—will you say the same figure that you used on this particular part of the work on the Great Lakes-St. Lawrence project, that you would use the same figures today as you did at the time you figured originally?

General ROBINS. You are talking about the time, now?

Mr. BENDER. I am talking about dollars.

General ROBINS. I think the estimates as they stand are as good as you can make at this time.

Mr. BENDER. You think the American dollar will buy as much in the way of labor and materials as it did 30 days ago?

General ROBINS. No, sir; I would not say that. I think the prices are going up. But I believe that the 25 percent for contingencies that we have in the estimates should be able to take care of the situation for some time to come. There has got to be some limit to this rise in prices.

Mr. GREEN. Mr. Chairman?

Mr. BETTER (Acting Chairman). Mr. Green.

Mr. GREEN. In Florida they have about completed a \$40,000,000 naval air station and are planning and constructing a \$30,000,000 training station, and they are employing many thousands of skilled and unskilled. And we have shipyards there at Jacksonville and Fernandina, which is particularly known as the finest harbor south of Norfolk and all the way down the Atlantic and around to the Gulf.

Now, I am wondering if it would not be more economical and more expeditious to build the boats there, than it would be to deepen the channels and go through all these preliminaries in order to build boats in the St. Lawrence area?

General ROBINS. Well, if you build shipyards in the harbors you are speaking of, you would not have to do any great amount of channel improvement to get the ships out.

Mr. GREEN. They are right on the Atlantic Ocean. Could you build shipyards—and there is one at Jacksonville now, unused—could you build shipyards, say at these two places, more quickly and with less expense than you could do all this other work to get ready?

General ROBINS. You could build shipyards, of course, quicker than you could build the St. Lawrence project.

Mr. GREEN. And with less expense?

General ROBINS. Well, that would depend on how big the shipyards would be.

Mr. GREEN. They already have shipyards in the area of the St. Lawrence that this project would accommodate; they are already in existence?

General ROBINS. I understand there are some 45 shipyards on the Great Lakes.

Mr. GREEN. What purpose are they serving now; have they built ships there?

General ROBINS. They are building some small craft.

Mr. GREEN. But they would not take large craft?

General ROBINS. They would take them; but you could not get them out.

Mr. GREEN. You could not get them out?

General ROBINS. You could not get them out.

Mr. GREEN. But if built at the harbor at Jacksonville, they could be gotten to the ocean?

General ROBINS. Yes, sir; you could take them out.

Mr. BENDER. I have just two more questions. According to the Labor Department report, there is a drastic shortage of shipyard labor now. Where would you get the labor for this project?

General ROBINS. Well, shipyard labor is not the kind of labor we would use in building the project.

Mr. BENDER. What are the basic materials you need to construct the canal?

General ROBINS. Lumber, cement, and steel.

Mr. BENDER. You are familiar with the price of steel and the condition of the steel market today. Do you think you could buy the steel at the same rate today as you could 3 months ago?

General ROBINS. I don't know how much the price of steel has gone up in the last 3 months. It has possibly gone up some.

Mr. BENDER. You wouldn't figure another cost because of the increase in the price of that steel, would you?

General ROBINS. Well, we have allowed 25 percent, which is 12½ percent over the usual 12½ percent for these kinds of things.

Mr. BENDER. I don't quite understand that, General.

General ROBINS. I said we have allowed an item of 25 percent for contingencies, to take care of rising prices and things of that kind.

Mr. BENDER. I understand these contingencies you refer to cover not rising prices but service charges, such as attorneys', engineers', and other fees.

General ROBINS. The overhead on this project—the attorneys' fees, and so forth, would not amount to more than 2 or 3 percent.

Mr. BENDER. That is one item.

General ROBINS. That is a very small item. The Government has very small expense for attorneys' fees.

Mr. BENDER. How about the price of lumber?

General ROBINS. The price of lumber has been pretty well stabilized. It went up when we first started to build all these cantonments, but it has been fairly stable for the last 6 months.

Mr. BENDER. You referred to steel and lumber, and what other basic commodity?

General ROBINS. Cement. There is no shortage of cement. There is plenty of cement. A lot of the mills are begging us to buy cement from them.

Mr. BENDER. That is all.

Mr. BEITER. May I ask just one question, General? You talked about the building of shipways. How long does it take to build a shipway sufficiently large to construct a ship of 10,000 tons?

General ROBINS. I am not qualified to state exactly, because I have never had to do with the building of shipways.

Mr. BEITER. It has been testified by some witness it would take from 90 to 120 days. Does that appear reasonable from your observations, General?

General ROBINS. Yes, sir; I think there have been some put in in that time.

Mr. DONDERO. What time was that?

Mr. BEITER. 90 to 120 days.

Mr. DONDERO. It will all depend on the size of the shipway.

Mr. BEITER. I mentioned the size of the vessel—about 10,000 tons.

General ROBINS. It depends on the size, and the conditions at the site and several other things.

Mr. BEITER. But normally, the shipways, that is, the means and the place to construct ships of 10,000 tons can be constructed in about 90 to 120 days?

General ROBINS. Yes, sir; that is my understanding.

Mr. BENDER. I have a document here known as Seaway Defense News. Do you believe this is a defense project?

General ROBINS. I think it is very essential to the all-out defense of the United States and the Western Hemisphere.

Mr. BENDER. Do you think the need will be as essential in 4 years as you say it is today?

General ROBINS. I think we will always need it.

Mr. BENDER. Shipyards require labor for defense now. Why build them if no labor is available?

General ROBINS. Well, they are building a lot of them, and I guess they are going to build a lot more, and I guess they will get the labor.

Mr. BENDER. You are for this as a defense project?

General ROBINS. I am for it as a defense project, and a conservation project.

Mr. BENDER. You are not interested in the power part of the project?

General ROBINS. When I say conservation, I mean the utilization of the water, both for power and navigation, in the best possible way.

Mr. BENDER. You believe we will be able to use this project for the purposes outlined in these propaganda documents?

Mr. DONDERO. I object to that—

General ROBINS. I have never seen that document.

Mr. PITTENGER. The witness says he never saw that document, so I do not see the pertinence of the question.

Mr. BENDER. But you believe it is a good defense project 4 years from now?

General ROBINS. Yes, sir; or 10 years from now.

Mr. BEITER. Don't you think it would be wiser to construct steam plants than it would be to wait 4 years for this hydro plant?

General ROBINS. No, sir; I do not. In the first place, I do not think you can build steam plants to give you that amount of power in much less time. I am talking about getting the machinery and the equipment for the steam plant.

Mr. BEITER. Do you suppose you would have any more difficulty in getting equipment for a steam plant—

General ROBINS. You would have a lot of difficulty.

Mr. BEITER. Any more than for a hydro plant?

General ROBINS. Much more.

Mr. BEITER. On what do you base that contention?

General ROBINS. Because I know the manufacturers of turbines and large slow-speed generators are not piled up with work like the manufacturers of steam turbines and high-speed generators.

Mr. BEITER. How long do you think it would take to get a high-speed turbine for a steam plant?

General ROBINS. From 2 to 3 years would be my guess.

Mr. BEITER. That is just your guess. I have a release from the New York Times, a statement by Mr. Alfred Schoelkopf, president of the Niagara-Hudson Power Corporation, made at the July opening of a plant at Oswego, which is the second unit that has been opened, capable of producing 80,000 kilowatts, wherein he says, "This unit went into operation 19 months and 20 days after the equipment contract was placed."

So that does not agree with your guess of 2 or 3 years.

General ROBINS. That equipment you are talking about was ordered 2 years ago. I am talking about conditions today.

Mr. BEITER. Nineteen month and 20 days—

General ROBINS. That was 2 years ago when they ordered that.

Mr. BEITER. But it wouldn't take them any longer to construct a similar unit, with the same personnel, at the present time if the contract were let today, would it?

General ROBINS. Not if it had first priority, but it will not have first priority.

Mr. BEITER. Well, now, why can't we give them first priority, if this power is needed as badly for defense as is claimed?

General ROBINS. They certainly wouldn't give it priority over turbines for battleships, cruisers, and destroyers.

Mr. CULKIN. And merchant ships.

Mr. BEITER. Of course, the battleships, cruisers, and destroyers would be of no value if you couldn't manufacture the other things that go with that.

General ROBINS. Well, what other things do you mean?

Mr. BEITER. All the other things that are manufactured for defense purposes requiring electricity.

Mr. CULKIN. General, there was some discussion the other day with regard to the form of this bill, H. R. 4927, the pending bill. That was drafted under your direction?

General ROBINS. I was consulted about it.

Mr. CULKIN. You are familiar with the text of it?

General ROBINS. Yes.

Mr. CULKIN. Do you regard it as ample legal authorization for the construction of this project?

General ROBINS. Yes, sir; I do.

Mr. CULKIN. And you have been in that field for about how long?

General ROBINS. About 30 years.

Mr. CULKIN. It was drawn in collaboration with your counsel and advisors?

General ROBINS. Yes, sir; it was.

Mr. BENDER. I would like to ask the chairman a question. You heard General Robins testify regarding the cost of the improvement at Buffalo Harbor, and you heard Mr. Rogers read Mr. Wing's statement.

Mr. BEITER. A difference of about \$45,000,000.

Mr. BENDER. Is Mr. Wing a horse doctor or an engineer?

Mr. BEITER. He is a first-class engineer.

Mr. BENDER. How long has he been with the city of Buffalo?

Mr. CULKIN. Mr. Chairman, I think we ought to put Mr. Beiter under oath, if he is going to testify.

Mr. BEITER. I think he has been city engineer for about 4 years, but has been in the engineering profession all of his life.

Mr. BENDER. These engineers apparently do not all agree.

Mr. CARTER. General Robins, you say that there is ample authorization in this bill for the construction of the project?

General ROBINS. Yes, sir.

Mr. CARTER. What amount in this bill is authorized?

General ROBINS. Whatever amount it takes to build it.

Mr. CARTER. The sky is the limit?

General ROBINS. Of course, any appropriation would have to go to the Budget—

Mr. CARTER. But so far as the authorization is concerned, it is unlimited?

General ROBINS. There is no limit put on it.

Mr. DONDERO. General Robins, there is no limit put on any authorization before this committee. We simply have the testimony of the engineers as to probable cost, isn't that correct?

Mr. CARTER. Oh, no.

Mr. DONDERO. Oh, yes.

Mr. CARTER. No; they are to be constructed in accordance with the terms of a certain House document. That puts a limitation on it.

General ROBINS. We give an estimate of cost, which we do not ordinarily exceed, and would not want to exceed largely, without the authority of Congress to do so.

Mr. CARTER. Otherwise, how could we say that our rivers and harbors bill is a bill of \$200,000,000?

Mr. DONDERO. It goes through the Engineer's Office. It takes no different procedure than any project that comes before us.

Mr. BEITER. Except it has never had the approval of the Board of Army Engineers.

Mr. DONDERO. That has been gone into and has been testified to by General Robins before you got here.

Mr. BEITER. Before we adjourn, I have a letter here from the mayor of the city of Milwaukee, and it is addressed to Judge Mansfield. It reads:

I am writing you to thank you for the courteous manner in which you permitted me to testify in connection with the St. Lawrence seaway matter last week.

Will you express to the members of your committee, my cordial felicitations and highest esteem?

The committee will recess now until 2 o'clock.

(Whereupon at 12:15 p. m. the committee recessed to 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to the taking of a recess, Hon. Joseph J. Mansfield, chairman, presiding.)

Mr. PITTINGER. Judge, I think Judge Culkin has a question he wanted to ask General Robins.

Mr. MACIEJEWSKI. I thought we were through with him.

Mr. PITTINGER. Judge Culkin has a question he would like to ask the General.

Mr. CULKIN. Yes; may I ask the General a question?

The CHAIRMAN. Yes, sir.

FURTHER STATEMENT OF BRIG. GEN. T. M. ROBINS, ASSISTANT CHIEF ENGINEER, UNITED STATES ARMY

Mr. CULKIN. General, I do not know whether this was in your direct testimony, but there has been some discussion here on the question of bombing, the danger from bombing, of these locks. Have you had that question up for examination recently in your studies of the Panama Canal, or otherwise?

General ROBINS. Yes, sir; I have given that considerable study, Judge.

Mr. CULKIN. Has engineering science made some progress in the matter of bombproofing this type of lock construction?

General ROBINS. Yes, sir; it has. There are two angles to this question of the vulnerability of locks to air attack. You can say that any structure, such as a lock, might be destroyed or seriously damaged if it is subject to repeated precision bombing; that is, bombing at close range.

Mr. CULKIN. Yes.

General ROBINS. However, repeated precision bombing presupposes that the attacker has absolute control of the air to the extent that he can bomb by daylight and come as low as he pleases and as often as he pleases; and if such a situation exists, the defender is by way of losing much more than his locks and dams. He is in a good way to lose the war. In other words, he is through, practically.

Now, as a matter of fact, if the enemy has not got control of the air in the daytime, such as the Germans have not got over the British, they cannot bomb in the daytime. They have to bomb at night, and they have to bomb from high altitudes, and carry out what is known as area bombing rather than precision bombing.

Mr. CULKIN. What do you mean by high altitudes?

General ROBINS. The plane is away up in the air.

Mr. CULKIN. How far?

General ROBINS. From 15,000 to 20,000 feet, and is kept up there by the antiaircraft guns and the searchlights; and they bomb areas, and the chances of hitting a vulnerable part on a lock is very slim under those conditions.

Mr. CULKIN. We would have to lose control of the American continent and Canada in order to permit of precision bombing, would we not?

General ROBINS. Yes, sir. We would be absolutely wiped out in the air, and they could not only bomb locks; they could bomb anything else—that is, our railroad bridges, and everything of that kind. Now, that is one angle of this question.

The other angle is what you can do to your locks to make them proof against any kind of bombing. Now, there are many things that can be done. The operating gates can be built so that they are protected when open, and you can have emergency gates that are armored which can be closed in case of attack to protect your pool.

Of course, you do not want an attack on a gate with a ship in the lock, if you can help it; but it is perfectly feasible to make the chances of destroying a lock quite slim, and certainly you can make your locks sufficiently proof against air attack for all practical purposes. There certainly is no justification to say that because it is humanly possible for an airplane to put a lock out of business, that it can always get right on top of it, and do so.

Mr. CULKIN. In other words, if these locks are properly protected by our antiaircraft guns, bombing can only occur from an extreme altitude of 15,000 or 20,000 feet?

General ROBINS. That is right.

Mr. CULKIN. And any closer, or closer relationship, between the airplane and the lock involves the enemy's possession of the surrounding terrain, does it not? In other words, they would have to

have possession of Canada or part of the United States to do any precision bombing?

General ROBINS. Yes; they would have to have a base right close by, and absolutely to have wiped out our air force and be free to come and go as they pleased.

Mr. CULKIN. Yes.

There is another question that has been raised here. Some questions have been asked about the airplanes being able at night to just follow up the St. Lawrence River as a guide; that the St. Lawrence would guide them right up to the power plant and the locks.

General ROBINS. Well, unless we have abandoned defense of that part of the country, the planes will be kept up so high at night that they cannot see the river or anything else.

Mr. CULKIN. They cannot see the sheen of it?

General ROBINS. No, sir. The searchlights will blind the planes when they are up 15,000 or 20,000 feet, and they cannot see anything on the ground at night.

Mr. CULKIN. There is one more question, General. Is the creation of these special reinforcements to the gates effective?

General ROBINS. Well, the gates can be reinforced and the gates can be protected in an open position, and your operating machinery can be protected.

Mr. CULKIN. You have studied that question, particularly with reference to the bypass on the Panama Canal?

General ROBINS. I have studied it in that connection, and also in connection with the St. Lawrence, and the St. Lawrence is much easier to handle than the Panama Canal. Of course, I have heard it stated that a hit on a lock on the St. Lawrence would lower the pool, in other words, you would lose your whole head.

Mr. CULKIN. Yes.

General ROBINS. Well, it is very easy to put as many emergency gates as you please in the Canal, and I will guarantee they are not going to hit two or three of them in one attack, and by duplicating your gates, both emergency and operating gates, and protecting your operating machinery, you can make your locks reasonably safe, just as safe as anything else we have, and safer than a good many things we have.

Mr. ELLIS. How would you protect them?

General ROBINS. By having extra sets of operating gates, and extra sets of emergency gates, and by protecting or putting your operating machinery under cover.

Mr. ELLIS. Do you mean by having a hood over the lock?

General ROBINS. No, sir.

Mr. ELLIS. Or a hood over the gates?

General ROBINS. No, sir. You can have your gates recessed, so that in an open position they can be protected.

Mr. DONDERO. General, there is just one question that I forgot to ask you this morning. The estimate of 100,000 men being used on the project was based on the fact, or the statement made by Mr. Hamlin of the Niagara Frontier Planning Board, that for every man at work on the project there would be three or four men at work off of the project. Have you an answer to that?

General ROBINS. Of course, there will be additional men off the project manufacturing certain things that are needed on the project, but I think that ratio is entirely too high. I do not believe at the outside there would be over twice as many men at any one time off the project working in connection with it as there would be on the project.

Mr. DONDERO. You do not have as many men off the project on a hydroelectric project as you would have on a steam project?

General ROBINS. No, sir; it would take a much greater proportion making steam turbine machinery for the project than there would be men required to make hydroelectric machinery.

Mr. DONDERO. It is lower for this kind of a project?

General ROBINS. Yes, sir; that is right, sir.

Mr. BEITER. I think that I corrected Mr. Hamlin on that in this way: I called his attention to the Department of Labor's report on a series of studies they made on P. W. A. contract projects which showed that for every man employed on the site of the project two and a half men were employed off-site. That was definitely fixed at two and a half men employed off-site to each man employed on the site.

Mr. DONDERO. I understand that the exact reverse is true as between steam and hydroelectric projects, and that instead of having three and a half men at work off the project, in the case of a hydroelectric project such as this, that for every three or four men at the site you only have one man at work off the site.

Mr. BEITER. There were a series of projects, dams, and hydroelectric projects in the old Public Works program, and studies showed there that for every two and a half men employed off the site there was one employed on the site, or vice versa.

Mr. DONDERO. Not a project of this kind.

Mr. BEITER. Well, they had a number of hydro-power projects included among them.

Mr. DONDERO. That is all, Mr. Chairman.

General ROBINS. I would like, Judge Culklin, to amplify a little bit this question of the vulnerability of locks, if I may.

Mr. CULKIN. Yes.

General ROBINS. From the best information we have there have been no locks put out of commission abroad, even though, as we all know, most every British harbor, or practically all of them, are dependent on locks to get their ships into the docks. Therefore, that goes to show that this area bombing, such as the Germans are doing over Great Britain, is not accurate or fatal to structures like locks.

Mr. BEITER. Are you getting the German reports on that, or the British reports?

General ROBINS. I am getting the official reports.

Mr. BEITER. You are getting the official reports?

General ROBINS. Yes, sir.

Mr. BEITER. And they said there was no damage done to the English coast?

Mr. CULKIN. He did not say that.

General ROBINS. I said, so far, we have no information that the locks in the British harbors have been put out of commission.

Mr. BEITER. None of them have been destroyed?

General ROBINS. No.

Mr. CULKIN. Most of them are in tidal waters, and they have inner harbors.

General ROBINS. Yes, sir; they have what they call docks or basins and the ships are all locked in and out.

Mr. CULKIN. And you have no record of any of them being hit?

General ROBINS. So far as we know, none have been.

Mr. CULKIN. That is what I mean; no record.

General ROBINS. There has been no point made of it.

Mr. BEITER. It seems to me if ships are locked in one of these basins, there certainly would be some damage done to the basin if the ship had been destroyed.

General ROBINS. You could destroy a ship in a basin but not hurt the lock, unless the lock itself was hit.

Mr. RANKIN. General, it would be much more difficult to destroy one of these power dams than it would be to destroy a lock, would it not?

General ROBINS. Yes, sir; a dam would be very difficult to destroy.

Mr. RANKIN. They would have to go through concrete probably 10, 20, 30, or 40 feet thick, would they not?

General ROBINS. They could not destroy a dam.

Mr. RANKIN. It would be virtually impossible to destroy one of these power dams?

General ROBINS. They might knock out some gates, but you could get in and fix it.

Mr. RANKIN. In other words, it would be virtually impossible for them to destroy a power dam from the air, would it not?

General ROBINS. It would, unless we just got out and let them walk in there and do it.

Mr. RANKIN. That is right.

The CHAIRMAN. From what I understand from newspaper reports, it seems that the damage inflicted upon industrial plants generally is from fire and combustion. Of course, there could be no fire in a dam in the river. It is not like dropping a fire bomb on a lot of oil or gas or coal, something that would burn up and be destroyed. It looks to me as if steam plants would be much more vulnerable than a water plant for that reason from airplanes.

General ROBINS. It depends, of course, on the type of building that you use for your steam plants. You could have your steam plant in a fireproof building.

The CHAIRMAN. But the fuel would not be fireproof.

General ROBINS. No; the fuel would not be fireproof. The oil tanks and everything like that would be vulnerable to fire.

Mr. BEITER. In connection with hydro plants, General, you have to have buildings in which to house your turbines, is not that true?

General ROBINS. Yes; but they are all fireproof buildings. Those power houses will be built of reinforced concrete throughout.

Mr. BEITER. Of course, the steam plant could be in a fireproof building, too.

General ROBINS. That is what I said, the steam plant could be in a fireproof building, but, as the chairman pointed out, the fuel oil and things like that around a steam plant would be more apt to catch fire.

Mr. BEITER. Of course, the steam plant has to have more to it. It has to have water, and they usually build steam plants beside a river.

General ROBINS. They have to have water.

Mr. RANKIN. But the turbines in a power dam are down inside the dam.

General ROBINS. Bombs coming through the roof would hit the generators first. You could not hurt the turbines as easily.

Mr. RANKIN. They have been covered over with reinforced concrete, concrete reinforced with steel.

General ROBINS. It would be splinter proof. Of course, it would be physically possible to make the roof of your power houses as thick as you wanted to.

Mr. BEITER. It would not make any difference whether the turbine or the generator were destroyed. They have to work together. So, if the generator was destroyed, the turbine would not be of any value until the generator was repaired or replaced.

General ROBINS. It is much easier to put in a new generator than it is to put in a new turbine, because you have to get under the water to fix your turbine; your generator is up in the air.

Mr. BEITER. But it takes longer to reconstruct a generator or repair a generator than a turbine. Even if you drain the water off, the generator is more complicated than the turbine, is it not?

General ROBINS. Yes; it is more complicated. Of course, if you wanted to, you could have spare generators. You would not have to have very many of them. That powerhouse is very long, and the chances are that all of your generators would not be put out at the same time. They might get one or two, and you would still have 30 left.

The CHAIRMAN. Are there any further questions?

General, we thank you very much, sir.

Is Mr. Umhey present?

Mr. UMHEY. Yes, sir.

STATEMENT OF FREDERICK F. UMHEY, EXECUTIVE SECRETARY, INTERNATIONAL LADIES' GARMENT WORKERS UNION

The CHAIRMAN. Mr. Umhey is executive secretary of the International Ladies' Garment Workers Union.

Mr. UMHEY. Yes, sir.

The CHAIRMAN. We will be glad to hear you.

Mr. UMHEY. I am appearing here this afternoon for the purpose of registering the support of the International Ladies' Garment Workers Union in favor of the St. Lawrence seaway and power project. I am the executive secretary of that union and the views which I will here express are not only my own but those of David Dubinsky, the president of our union and of our whole general executive board.

The union which I have the honor to represent is composed of about 325 local unions spread out over 24 States of the Union with

a total membership of approximately 270,000 men and women engaged in the manufacture of ladies' garments. It has been in existence for over 40 years, and is affiliated with the American Federation of Labor.

During the 40 years of its existence, our union has been instrumental in bringing the garment industries out of the class of the most chaotic and sweated industries to the point where it is commonly recognized as maintaining one of the most stable employer-employee relationships in the country.

We have found, however, that our obligation and duty to our members does not end when we have obtained for them decent industrial conditions as to wages and hours. We feel that it is our duty to sponsor and support all efforts which will bring about greater industrial stability, and social and economic improvements. It is for that reason that we were in the forefront of those forces which fought for the enactment of the National Industrial Recovery Act, the National Labor Relations Act, the Fair Labor Standards Act, the social-security law, and the various State unemployment-insurance acts. It is for this same reason that we favor the enactment of the bill which is before you gentlemen for consideration.

To the extent that domestic electric rates are lowered, about one-half of our total membership within the area of transmission will save money. This benefit is slight, however, to that which will flow to it from the general improvement of economic conditions which this project is capable of bringing about.

It is our firm belief that the seaway project will help to place our whole economy of our country on a sounder base and aid our national prosperity.

Notwithstanding any direct or indirect benefits which our own membership might receive, we would nevertheless refrain from supporting this project if we felt that it would be harmful or detrimental to labor as a whole. We do not think it will be. Any project which is beneficial to our national economy is beneficial to labor. It may be that here or there some temporary readjustments may have to be made, but such considerations cannot be permitted to stand in the way of the greater good.

Every great invention, every technological change, every major social improvement has brought with it the need for readjustment of existing methods and procedures. Robert Fulton's invention of the steamboat displaced the sailing ship; Eli Whitney's cotton gin almost caused an industrial upheaval; Thomas Edison's incandescent bulb was most certainly harmful to established gas-light companies and candlemakers. Yet did we scrap all these devices for the sake of maintaining the status quo? No. We went ahead and absorbed the shocks and the country grew as a result of them.

Objections similar to those presented here might have been made to the New York State Barge Canal, and yet we find the city of Buffalo protesting against the seaway because it wants to retain wholly the advantages it gained from the Barge Canal. Objections similar to those now presented by the railroads might have been made with respect to the Panama Canal, and yet what would be the outlook of this country from the defense standpoint if we didn't have the Canal today?

From the viewpoint of defense, the country would undoubtedly be better off today if the seaway treaty had received the ratification of the Senate in 1934. We would by now have had the advantage of using the extra electric power generated near vital defense industries, and could be utilizing the Great Lakes shipyards for much-needed destroyers and other fighting craft.

Of course in these trying times none of us can be soothsayers and foresee what the position of our country will be in 1945. My guess is that we will need these facilities then just as badly as we need them at this minute.

The bill before the committee provides that the President shall, consistent with national interests and subject to the approval of Congress, enter into an arrangement whereby the Power Authority of the State of New York shall conduct the power project in the International Rapids section. This provision of the bill, section 2, carries out the plan President Roosevelt has consistently recommended since he signed the act creating our power authority while he was Governor of New York.

The organization which I represent has upheld the public-power project envisaged by this act throughout the administrations of President Roosevelt and Governor Lehman. We have also supported the general progress for development of our natural resources in other regions of the country, including the T. V. A. and the great power projects on the Columbia and Colorado Rivers. While the people of the industrial centers of the East and Middle West are not consumers of the cheap hydroelectricity available from these projects, it has been our position that the public development of power resources and the transmission and distribution of current through public agencies of both Federal and State Governments is in the general interest of the entire Nation.

We also recognize that such projects, properly conducted, have the effect of increasing the use of electricity at greatly reduced rates in neighboring States which may not depend upon the project in question as its main source of supply for power.

The committee has already been advised that the State of New York has no statutory prohibition against the export of power to points outside the State. Moreover, it has been the policy and the plan of our power authority to effect interconnections with neighboring States and to serve municipalities, cooperatives, and other public bodies which may wish to engage in the distribution of St. Lawrence power. Similar policies are already being followed by like public-power agencies set up by State law, and empowered by the Federal Government to conduct projects built with the use of Federal loans and grants. Power generated by public projects in South Carolina, Texas, Nebraska, and other States is being transmitted across State lines.

The Power Authority of the State of New York was the first State-wide public-power agency to be set up by any State. The people of New York have expended over \$1,000,000 to carry out this program for the development and use of St. Lawrence power.

Private utility interests in the State of New York have fought this program for 10 years, as they are fighting it today, because they know that State and local action to provide for distribution of current is necessary before the people can get the full benefit of any great power

development. We have resisted these interests and upheld our power authority because we recognize that without such an agency a reactionary Federal bureau or commission at some future time might divert St. Lawrence power to the use of a few utilities or other industries for private gain. Under our State law this cannot be done.

The people of New York are progressive, intelligent, and also alert to the public interest. Under the militant leadership of such men as President Roosevelt, Governor Lehman, Lieutenant Governor Poletti, and Mayor LaGuardia, St. Lawrence power has become firmly established as the inalienable heritage of the people themselves.

We feel that we have a right to appeal to Congress on behalf of the 13,000,000 people of New York, and the people of our neighboring States as well, to support our efforts to use this resource exclusively in the public interest. Therefore, we confidently hope that this committee will approve the bill providing a means by which the Federal-State accord may be maintained, subject to the approval of the Congress.

There is one other phase of this question that I would like to comment on. I have, of course, read the reports, and I know that some objection has been made to the project from the viewpoint that there is a scarcity of labor, and that the absorption of additional labor in this project may affect defense industries.

I happen to be a member of the Advisory Council on Unemployment Insurance of the State of New York, and I am rather familiar with the employment conditions in that State. I know that in the month of May 1941 there were 440,000 persons still registered as being unemployed. I know, too, that the great bulk of the skilled labor, at least, which will be thrown into this project will come from the construction industries. An analysis of the May pay rolls, or of the May registrants for unemployment benefits, indicate that 8.3 percent of the total unemployed were construction workers. This means that in the month of May there were still 36,000 workers in the construction industries who were still unemployed, who had not been thrown into any of the defense industries, and who are still available for work. This index does not take into account the vast numbers of unskilled workers who will be needed on this project, and who will still be available if these unemployment figures hold good. Now, we do know that the unemployment figures have been cut down. In the last year there has been a substantial decrease, but far less than that which was anticipated when the defense project first was undertaken. What is true of New York, from the studies which I have made, is true throughout the Nation. It is not particularly applicable to New York, but the same result has been shown in practically every State that there has not yet been a full absorption of the unemployed, that there are still vast numbers of unemployed workers in all branches, and particularly in the building trades, from which most of the workers will be drawn.

That concludes my direct statement, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Umhey. Are there any questions?

Mr. PITTENGER. I have no questions, Mr. Chairman.

Mr. DONDERO. You have made a very fine statement, Mr. Umhey.

Mr. BARDEN. I have no questions.

Mr. RANKIN. I did not get your name.

Mr. UMHEY. Umhey.

Mr. RANKIN. I want to ask you some questions about the power side of this proposition. You spoke of what it would mean to the garment workers, and I suppose the garment workers are in the same situation as practically all the laborers in the State of New York, New England, and that section of the country, so far as the benefits to be derived from cheaper electricity are concerned.

Mr. UMHEY. I think that is true, of course.

Mr. RANKIN. I am speaking of the domestic use, first.

Mr. UMHEY. Yes, of course.

Mr. RANKIN. I wonder if you are aware of the fact that the overcharges to the electric consumers, and I am speaking now of the householders, the domestic consumers of the State of New York, last year, as compared with the Ontario rates, were \$73,000,000.

Mr. UMHEY. I am familiar with that.

Mr. RANKIN. Those were the overcharges imposed on the householders alone of the State of New York compared to the Ontario rates.

Now, compared with the Tennessee Valley Authority rates, the overcharges were only \$59,000,000, but the difference is the T. V. A. pays taxes, regardless of what its enemies may say about it.

Do you know who I am? My name is Rankin.

Mr. UMHEY. Yes.

Mr. PITTENGER. Everybody knows you, John.

Mr. RANKIN. I do not take that for granted.

I live at Tupelo, the first town to get power from the Tennessee Valley Authority. I just noticed what the difference between Tupelo and the State of New York is. In the State of New York last year, the electric consumers, the domestic consumers of electricity, used an average of 65 kilowatt-hours per month. In Tupelo, I notice for the month of March, which is about an average month of the year, I think, the average domestic consumer used 178 kilowatt-hours. Remember that we are in a much warmer climate than you are, and have access to wood for fuel. Our per capita income down there is a great deal smaller than it is in the State of New York. Of course, you know, that is offset to some extent by the fact that we are a farming community, and a great many of the things that we consume we raise ourselves. They do not give us credit for that when they go to exploit our poverty, but when they go to exploit the benefits we get from T. V. A., they give us credit for everything except the truth, and sometimes they tell the truth on us.

Now, I want to call your attention to the fact also that 90 percent of the power consumers in the city of Tupelo have electric refrigerators in their homes, and that is going to the very people you are talking about. You are not benefiting the people by paying them high wages and then taking it away from them in high rents and utility rates and consumers' overcharges, but if you are going to benefit the people who have to work for their living, you are going to have to give them these benefits so that they are tangible, so that they can be felt, and their influence can be felt. In the city of Tupelo, 90 percent of the domestic consumers own electric refrigerators. Do you know what it is in New York.

Mr. UMHEY. It is much higher than it is in New York.

Mr. RANKIN. In New York the very best you can get, up to the most optimistic estimate, is 48 percent. In other words, the use of electric refrigerators among the power consumers, the domestic consumers, in the city of Tupelo is almost twice what it is in New York City. That is due to the cheap rates. You can buy a refrigerator in New York probably a great deal cheaper than you can in Tupelo, because they are manufactured up there, and we have to pay freight on them, and our freight is very high.

I will give you another startling figure to chew on. Every once in a while we hear somebody hitting at us and talking about how we southern people treat the Negroes. Included in that 90 percent of the consumers of electricity who own electric refrigerators are included the Negroes. A larger percentage of the Negroes in Tupelo have electric refrigerators in their homes than of the people in New York State. Out of 8,000 people, 2,500 or 3,000 of them have electric refrigerators, and all of those Negroes' homes are electrically lighted, and not only do they have electric refrigerators, but electric irons and electric washing machines and radios, and in the rural sections electric water power, and I want to call your attention also to the fact that more of my farmers use electric refrigerators, the farmers in my section use a greater percentage of electric refrigerators than they do in the State of New York.

Mr. BARDEN. What do they pay for them with?

Mr. RANKIN. I would like to answer that question. My farmers do not pay half as much as they used to pay for Ford cars that they can do without.

Mr. BARDEN. I am asking what they are paying for them with.

Mr. RANKIN. Oh, with?

Mr. BARDEN. Yes.

Mr. RANKIN. They are paying for them with their hard-earned dollars, and the benefits they are getting are more than compensated for.

Now, I want to call further attention to those users of refrigerators, if I may, for just a moment.

I have one county here that includes all of the rural section. Sixty-nine percent of the electric consumers in that county have electric refrigerators.

Now, you have been talking—you live in New York City?

Mr. UMHEY. I live in New York.

Mr. RANKIN. We have heard a great deal about slum clearance in New York City and in other big cities. If you give those people electricity, which we can do from this dam—we can lay it down to every home in New York City, and every other place in New York, just as cheaply in New York City as any other place in the Tennessee area, and if you give those people an abundant supply of electricity, it will do more to clear the slums of New York, from the inside, and make their homes more attractive and more pleasant, and their small industries, and their small business establishments more profitable than anything else that can be done, and that is my argument in favor of this St. Lawrence project.

Mr. UMHEY. You take that as indicating the reason, Mr. Congressman. When I say that, I say that that is one of the reasons which prompted us in supporting this project, because of the fact that it will bring greater use of electricity into the city of New York,

although I do not base my support of the project wholly on that ground.

Mr. RANKIN. I understand that you are for the seaway?

Mr. UMHEY. I am for the seaway project as well as the power project.

Mr. RANKIN. Yes, because of the transportation issue involved.

Mr. UMHEY. Because of the greater expansion that it will permit along the Lakes.

Mr. RANKIN. I put in the Record yesterday; I put in the Congressional Record yesterday, and I inserted in this record today, a statement showing the overcharges for electricity in every one of the New England States, New York, Pennsylvania, Ohio, Michigan, and the States that can be reached, within a 300-mile transmission line from this project from Niagara Falls.

I happen to have at my fingers' tips the taxes paid by private and public utilities in those States, together with the income taxes to the Federal and State Governments. It was compiled in 1936; but the Federal Power Commission tells me that the reason they have not compiled another statement is that there have been no changes amounting to anything in those taxes.

Taking all of those taxes from the overcharges in that area, they offset the fact that the Ontario Power Co. pays no taxes, and still leaves an overcharge for those States of \$401,000,000 a year, which would pay for this entire project, in my opinion, in 1 year.

Mr. PITTENGER. Mr. Chairman, let us hear the next witness.

Mr. RANKIN. Let me say another thing, when you get these cheap rates, you will not be using 65 kilowatt-hours, you will probably be using 200 kilowatt-hours per month. Your merchants and commercial people will double and triple the electricity used. We only use 100,000,000,000 kilowatt-hours a year now. If we do our duty we will be using 300,000,000,000 in the next few years.

The CHAIRMAN. We thank you, Mr. Omhey.

Mr. BENDER. Mr. Chairman, for the record, I want to say that I was here and heard my good friend and neighbor's statement regarding Ohio being overcharged.

Mr. RANKIN. Yes.

Mr. BENDER. I do not know anything about other States being overcharged, but Ohio is not being overcharged.

Mr. PITTENGER. Let us not get into that question, Mr. Chairman.

Mr. ELLIS. I would like to ask a question, Mr. Chairman.

Mr. RANKIN. Will the gentleman yield?

Mr. BENDER. Yes.

Mr. RANKIN. The gentleman from Ohio (Mr. Bender) lives in Cleveland, where a Democratic administration built a great power plant and he does not realize the overcharge that is imposed on the people in the rest of Ohio.

Mr. BENDER. I happen to know something about Cleveland, where a Republican administration has been in power for a good many years, and where we have expanded that light plant as well as having expanded the illuminating company, the privately owned concern, and we are getting along very well. Neither of them are complaining about the other, and the people seem to be content.

Mr. MACIEJEWSKI. Suppose that we go ahead, Mr. Chairman.

Mr. ELLIS. Mr. Chairman, I would like to ask the witness one question.

The CHAIRMAN. Yes; Mr. Ellis.

Mr. ELLIS. You say that your organization extends into 24 States?

Mr. UMHEY. That is right.

Mr. ELLIS. There is a proposal pending before this committee to create an Arkansas Valley Authority very similar to the T. V. A., which covers eight States.

Now, would such same statements of general endorsement and approval that you have made here apply to such a project as that as well as to this?

Mr. UMHEY. They would.

Mr. BEITER. I would like to ask one or two questions, Mr. Chairman.

The CHAIRMAN. Yes; but do not make a speech.

Mr. BEITER. I am not going to make a speech.

Has a referendum of your union membership ever been taken on this St. Lawrence seaway?

Mr. UMHEY. A referendum of the membership?

Mr. BEITER. Yes; of the whole membership.

Mr. UMHEY. No.

Mr. BEITER. No. So that you are not speaking for the membership at large?

Mr. UMHEY. For each member; no. I can say this, though, that the general executive board on whose behalf I do speak is composed of representatives coming from cities throughout the country and they were elected by their representatives in the same manner as Representatives in Congress, to represent a constituency, and when they cast their votes in favor of this, I believe they are casting them on behalf of their constituencies.

Mr. BEITER. Then, you are speaking for the general executive board?

Mr. UMHEY. That is correct.

Mr. BEITER. They have approved this statement that you have made here?

Mr. UMHEY. That is correct.

Mr. BEITER. You prepared that statement yourself and presented it to them?

Mr. UMHEY. They approved the seaway project long before; they approved the seaway project months back.

Mr. BEITER. They have never heard this statement and approved the statement that you made here before this committee?

Mr. UMHEY. No.

Mr. BEITER. No. Now, is the Brotherhood of Locomotive Firemen and Enginemen affiliated with the American Federation of Labor?

Mr. UMHEY. I do not believe so. I do not believe any of the railroad brotherhoods are directly affiliated; not in direct affiliation.

Mr. BEITER. But it is a part—

Mr. UMHEY. It has a general relationship to the American Federation of Labor; but not as an affiliated body.

Mr. BEITER. Of course, you know that they are opposed to this project?

Mr. UMHEY. I know that; yes, sir.

Mr. BEITER. Just how would it affect the garment workers, the men who are employed in making up ladies' clothes; how would the seaway affect them?

Mr. UMHEY. Well, in several general ways. In the first place the bulk of those working on garments are in the city of New York. They have, I should say, approximately half of our membership centered in and around New York.

Mr. BEITER. Then you are speaking in behalf of the employers for this cheaper power; appealing for that?

Mr. UMHEY. No; not appealing.

Mr. CULKIN. I submit that he has not said that.

Mr. UMHEY. I am not appealing in behalf of the employers, although that is incidental. That will help in the production of garments at lower prices and make them more salable; but that feature I am not speaking about; I am speaking now about the direct benefits to approximately 135,000 or 140,000 members and their families who live within the transmission area of the power project.

I am speaking also on behalf of all of the others throughout the country, because it is my belief that the seaway project will be of general benefit to the country as a whole and will promote industrial development and in that sense, any project which will do that, will bring about a greater prosperity and will result in benefits to our organization, workers, in the sense that if there is a greater purchasing power there will be a greater purchasing of garments and greater production of garments which our members must make.

Mr. BEITER. You, of course, have heard of Czechoslovakian shoes and rubbers coming into this country, have you not?

Mr. UMHEY. That was pre-Hitler.

Mr. BEITER. That is true; that was pre-Hitler; but after the war you will have to take that into consideration, too, having cheap clothing coming into this country, if you open up the bars here and give these foreign ships access to these ports.

Mr. UMHEY. I do not believe that that will ever result. It has not in the past. After all, the greatest volume in the use of garments is in the cities. All of the cities are available for shipping purposes today, and yet we have not found that with the port of New York wide open, and the city of Philadelphia wide open, we have not found that there has been any influx of cheap products into this market.

The CHAIRMAN. Mr. Umhey, there are more ships entering the port of New York than any other port in the world, are there not?

Mr. UMHEY. That is right; there are more ships entering the port of New York than any other port in the world.

Mr. BEITER. If your membership had to depend entirely upon the clothing that is manufactured in New York City being worn in New York City and that little area there, you would not have quite so many people working, would you? Is it not a fact that your garments are shipped from New York into the interior where these boats will eventually land with their cheap merchandise?

Mr. UMHEY. They are shipped throughout the country; of course, they are.

Mr. BEITER. Surely they are.

Mr. UMHEY. Yes; but those products have not entered the ports which have always been open, so why should we fear opening ports now in the inland?

Mr. BEITER. But you have had rubbers and shoes come in and they have closed all the industries in the New England States, have they not?

Mr. UMHEY. No; I would not say that.

Mr. BEITER. Practically all of them?

Mr. UMHEY. I would not say that, either. I would say that products which came from abroad were infinitesimal in comparison to the whole production of shoes in this country; that it centered itself principally upon a low item; a low-priced item.

Mr. BEITER. But closed up the shoe industry in New England States?

Mr. UMHEY. No, sir; it did not.

Mr. BEITER. I was up through there, and I saw a great many factories that were closed. In Manchester I saw many large factories closed.

Mr. UMHEY. There were great factories closed, but not because of the importation of other foreign items but because there had been a falling off of the demand for the articles.

Mr. BEITER. People were walking barefooted?

Mr. UMHEY. In some instances; yes, they did, at the critical period of our history.

Mr. RANKIN. Will the gentleman yield?

Mr. BEITER. Just a moment. I want to ask this gentleman a question myself.

According to the gentleman from Mississippi here, the city of Tupelo is a modern city, electrified to a great extent—a greater extent than the city of New York.

Mr. RANKIN. Or Buffalo.

Mr. BEITER. Or Buffalo. You say that 90 percent of the residents have refrigerators?

Mr. RANKIN. In Mississippi 90 percent of the homes that are electrified have electric refrigerators.

Mr. DONDERO. Mr. Chairman, I object to this colloquy. We are just wasting time.

Mr. BEITER. All right, Mr. Dondero.

Mr. RANKIN. I want to ask you if this seaway will not enable those people in New York to get their farm commodities from the West more cheaply?

Mr. BEITER. No.

Mr. UMHEY. I think so; yes.

Mr. RANKIN. I am asking a question.

Mr. UMHEY. I think so. I think that they would.

Mr. BEITER. You are getting your commodities in New York City now via the Barge Canal, are you not? That is all water.

Mr. UMHEY. That necessitates transshipment, which is an added expense.

Mr. BEITER. Well, you will not be able to get your merchandise into or from New York City over the St. Lawrence by tramp steamers or other steamers. They will all have to be coastwise steamers in the coastwise trade, complying with the laws and regulations governing coastwise trade. They cannot take any other merchandise in there, can they?

Mr. UMHEY. I think they could.

Mr. BEITER. They cannot; they cannot. At the present time that is coming down all-water route and you will destroy the positions and jobs of all of those men who are at present working on the Erie Canal and the Barge Canal. You are getting your material now into New York City via the Barge Canal from the interior.

Mr. UMHEY. I know we are.

Mr. BEITER. And it will cost just as much to ship through the St. Lawrence seaway up north and back down around to New York as it will to ship over the Barge Canal as you are doing at the present time.

Mr. UMHEY. Well—

Mr. BEITER. The insurance rates are higher.

Mr. UMHEY. The figures which I have studied would not indicate that.

Mr. BEITER. What figures did you study?

Mr. UMHEY. I studied the reports, various reports on this project, and they did not indicate any such result to me.

Mr. BEITER. Were they reports of the Department of Commerce?

Mr. UMHEY. Yes; some of them were.

Mr. BEITER. Some that you have studied?

Mr. UMHEY. Yes.

Mr. RANKIN. I hope that the gentleman from New York (Mr. Beiter) will take plenty of time, because he has been telling us that labor was against this proposition.

Mr. BEITER. Labor is against it.

Mr. BENDER. I would like to ask the gentleman a question. You are representing the garment workers of the State of New York?

Mr. UMHEY. The garment workers of the Nation.

Mr. BENDER. Of the Nation?

Mr. UMHEY. That is right.

Mr. BENDER. What is the hourly wage for the garment workers?

Mr. UMHEY. Well, it would be very difficult to answer that, because no pictured hourly wage is applicable in all areas. It depends upon the area.

Mr. BENDER. What influences wages in various areas?

Mr. UMHEY. A great many conditions: Competitive conditions within the area; the living costs within the area; the proximity to an outlet, a market; the distance of the manufacturing point from the point of consumption or the point of sale; the freight costs in connection with the shipments.

Mr. BENDER. What is the average wage in the industry in New York?

Mr. UMHEY. In New York City?

Mr. BENDER. Yes.

Mr. UMHEY. I would say that in one branch—it is divided into about 13 different sections, subsections of the industry. It is not one whole industry.

In the cloak and suit industry, the average wage of operators is about \$1.50 an hour for 35 hours a week; \$52.50 a week.

Mr. BENDER. What is the average wage in my city of Cleveland?

Mr. UMHEY. In Cleveland, I think it would be about the same.

Mr. BENDER. What is the average wage in Mississippi?

Mr. UMHEY. There are no clothing factories in Mississippi. There are some garment factories in Mississippi that are producing a cheaper line of merchandise, generally known as house dresses, which are manufactured and marketed in the retail stores at \$1 and \$2 a garment. In those industries the scales are very much lower, of course, and require a great deal less skill than in the manufacture of the better type of garments.

Mr. BENDER. Are those industries in Mississippi unionized?

Mr. UMHEY. Not to any great extent, sir.

Mr. BENDER. You find a difference in hourly wages in various sections of the country. Am I correct in that statement?

Mr. UMHEY. Yes.

Mr. BENDER. Even union?

Mr. UMHEY. All of it depends, to a large extent, also upon the degree of unionization. We have sections close by to Mississippi where there is a much higher scale prevailing and same local conditions existing.

Mr. BENDER. Do you have any foreign competition in your industry?

Mr. UMHEY. To a very slight degree in only one branch.

When the mannish type of suit was in vogue for women they were imported from England to some extent, and there was also an importation to some degree of children's garments; children's suits.

Mr. BENDER. Your industry objected strenuously to those importations. Am I correct in that?

Mr. UMHEY. No; we did not. We never felt that they were a real factor. The employers in the industry felt somewhat disturbed because every time they lose an order to a European manufacturer they felt that it was a severe shock to them; but our own study of the subject indicated that it was a very minute part of the production.

Mr. BENDER. Is it not a fact that in 1927 the Garment Workers' Organization came out with a very violent blast against importations and foreign competition?

Mr. UMHEY. Was that at the time when there was a tariff bill pending?

Mr. BENDER. I do not know what was pending. I was then a department-store manager myself and I recall the circumstances.

Mr. UMHEY. I remember that we did take a position on one or two occasions at tariff hearings; not a very violent position or a very strong one; but we did feel that a home industry should be protected from the wage scales which prevailed in other markets, of course.

Mr. BENDER. Now, that is an issue in this Great Lakes-St. Lawrence project.

Mr. DONDERO. He said that it was not.

Mr. BENDER. I say that it is.

Mr. DONDERO. Well, you did not say that it is?

Mr. UMHEY. I do not say that it is?

Mr. BENDER. I am not putting words into his mouth. I say that myself.

Mr. DONDERO. He has already answered.

Mr. UMHEY. I do not know. If it should be, it can be corrected by Congress by way of tariff legislation, it seems to me.

Mr. BENDER. You say that there are only 36,000 people unemployed in the building trades in New York State now?

Mr. UMHEY. That is right.

Mr. BENDER. Where did you get your figures?

Mr. UMHEY. From the figures compiled by the New York State Unemployment Division.

Mr. BENDER. How recent are those figures?

Mr. UMHEY. May 1941.

Mr. BENDER. And you say there are 440,000 unemployed in New York as of that same time?

Mr. UMHEY. There are a great many more unemployed. There were 440,000 who applied for unemployment benefits. There are a great many more unemployed who did not apply for unemployment benefits, who may not even have been entitled to unemployment benefits.

Mr. BENDER. Then those people are members of the union in New York State?

Mr. UMHEY. I do not know. The tabulation does not show. The department does not concern itself with unionization or nonunionization, so I would not be able to give you the figures. My assumption is that that is so.

Mr. BENDER. How many garment workers are unemployed in the State of New York?

Mr. UMHEY. It would depend upon the season of the year and it would be rather difficult to state, because there is no particular period when there is complete unemployment. There may be periods when they may have short work weeks; when they may work only 2 days out of a week.

Mr. BENDER. In fact, there is practically no unemployment in the garment industry as it exists today in New York?

Mr. UMHEY. There is still unemployment.

Mr. BENDER. What is the percentage?

Mr. UMHEY. It would be rather difficult to give it to you in the form of percentages, because there are periods when they run down toward the end of a season. During the season, I may say, during the peak of the season, there was no unemployment; but as they run toward the end of a seasonal period they start slacking off and reduce production from 5 days to 3 days, to 2 days, and to 1 day, and they slack off in that way. There is no period when there is a complete shut-down at any time.

Mr. BENDER. Your members are affiliated with the American Federation of Labor or the C. I. O.?

Mr. UMHEY. The American Federation of Labor.

Mr. BENDER. Do you recall at any time in recent years, leaders of the American Federation of Labor objecting to foreign competition with American industries?

Mr. UMHEY. Well, I recall one member of the present American Federation of Labor who has taken that position; yes, sir.

Mr. BENDER. Only one?

Mr. UMHEY. There is only one that I know of; yes, sir.

Mr. BENDER. Do you believe that if the members of your union and your industry had an opportunity for a referendum on this project that they would vote for the project?

Mr. UMHEY. Definitely so; yes, sir.

Mr. BENDER. And that includes the entire country?

Mr. UMHEY. That is right.

Mr. BENDER. Cities like mine, Cleveland?

Mr. UMHEY. Yes; Cleveland, very much so.

Mr. BENDER. What do you base that on?

Mr. UMHEY. Well, on the fact that we have one of the members of the general executive board who voted for this project from Cleveland. I am assuming that he represents the views of the Cleveland membership.

Mr. BETTER. Is there anybody on that board from Buffalo now?

Mr. UMHEY. No, sir; we have no particular membership in Buffalo to speak of.

Mr. VOORHIS. You do have in Rochester?

Mr. UMHEY. No; that is the men's clothing industry. Rochester is not in the ladies' clothing industry.

Mr. BENDER. You feel that it would be a good thing to have this waterway used as a free way?

Mr. CULKIN. I object to that characterization, Mr. Chairman.

Mr. BENDER. Am I mistaken in that?

Mr. CULKIN. I think it is clearly mistaken.

Mr. BENDER. Am I mistaken in saying that it is a free way?

Mr. CULKIN. Certainly you are mistaken and you know it.

Mr. BENDER. I do not know anything of the kind.

Mr. CULKIN. Let me tell you that it will be subject to the same restrictions that the great port of New York is; that the great port of San Francisco; and the great port of New Orleans.

Mr. DONDERO. And Cleveland.

Mr. BENDER. And Rocky River.

Mr. CULKIN. Rocky River. You will hear more about Rocky River.

Mr. BENDER. Let us get Tupelo in there.

Mr. PITTENGER. Let us call the next witness, Mr. Chairman.

Mr. BENDER. I have some more questions of this witness. I am not ready to ask them now. I want to get some more information. I would like to have this witness recalled later if it is possible.

The CHAIRMAN. We will have to cross that bridge when we get to it, I guess. We are very much obliged to you, Mr. Umhey.

Mr. VOORHIS. Mr. Chairman, I would like to ask one question.

The CHAIRMAN. Yes, Mr. Voorhis; one question, then we will stop with this witness.

Mr. VOORHIS. I understood that you expressed support of yourself and your organization in regard to the effect of this program, and I understood that you based that on the fact that you believe that it will make cheaper rates for consumers, who include members of your organization as well as other consumers and thus spread purchasing power more widely among the people.

My question is, Do you believe that the most important factor in the employment of the members of your union is an effective and large domestic buying power among the American people?

Mr. UMHEY. Of course.

The CHAIRMAN. Thank you.

Mr. UMHEY. Thank you.

STATEMENT OF M. H. HEDGES, DIRECTOR OF RESEARCH, INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, WASHINGTON, D. C.

The CHAIRMAN. Mr. Hedges, of the International Brotherhood of Electrical Workers.

Mr. HEDGES. Mr. Chairman and gentlemen of the committee: Ed J. Brown, international president, has authorized me to appear before this committee to make a statement which reflects accurately, I hope, the position of the International Brotherhood of Electrical Workers. This union is an organization directly concerned with the development of the electrical industry and, of course, with the water-power resources of this Nation. We hold contractual relations with 80 per cent of the private electric utilities in the United States, and we also hold contractual relations with the T. V. A., and with the major municipally owned plants in this country. This organization has maintained what might be called an historical interest in the St. Lawrence Waterway project.

In 1926, James P. Noonan, the president of the International Brotherhood of Electrical Workers, was a member of the United States St. Lawrence Commission, of which Herbert Hoover was chairman. As a member of this commission Mr. Noonan concurred in the recommendations. This commission, as you recall, stated among other things:

The inevitable development of the river for power would in itself compass the major construction for the shipway, since the dams necessary for development of power create a series of pools in place of the present rapids which, with the supplement of locks and short canals, become the shipway. The development of these vast power resources are inevitable in the interest of the populations in that region. Their development will eventually create a shipway on this route even if other routes were undertaken.

And again I am still quoting from the report of this Commission:

On the American side, the State of New York has a special interest in the power developments of the international section and the coordination of these improvements with the State should be undertaken. Owing to the navigational and international character of the river, the Federal Government has an interest and must necessarily assent to and negotiate power development questions from the American side.

And again:

In the wider view, the increased prosperity of the midcontinent, the relief of many of their present economic difficulties, and development of huge water power for stimulation of industry and commerce in New York and New England shall add to the prosperity of the country as a whole and thereby benefit every citizen and every city.

Since 1926 this organization has followed with special interest the varying reports on this waterway development and we have constantly held that navigation and water power development are inevitably intertwined as the Hoover report indicates.

I am aware, gentlemen, that whether this project is authorized and executed will depend upon the decision of the Congress of the United States. However, I feel that labor is in a position to throw some light upon certain points that have been continually before you as you have sat on this important project.

The first question that I wish to discuss is the question of labor supply in relationship to this project. Fortunately or unfortunately, the phrase, labor shortage, has come to take on a peculiar meaning. Labor shortage, as it has been used in the past year, in this period of defense preparation, has come to mean the inability to supply workers at a needed time in a given place to a particular defense industry. At once shortages in airplane production have been noted. At no time has labor shortage come to mean the absolute inability to find workers, skilled and unskilled, throughout the United States. There has been no total shortage of labor.

Labor shortage has been local, sporadic and desultory, and the problem of government, industry, and labor is to mobilize the surplus manpower that lies immediately outside the shortage areas and inject this manpower into the industries where it is most needed.

An international office of a great national labor organization is indeed a job agency. The international office is the directing head of a vast network of local employment centers called local unions—we have in our organization 1,000 local unions in Canada, United States, Hawaii, the Panama Canal, and these are job area centers—and it is the function of this national office to see that men move with the least amount of expense, of time and money, to the jobs where they are most needed. I can say to you men that at no time during this urgent defense period has the International Brotherhood of Electrical Workers been unable to supply skilled men to jobs within a period of 72 hours. In this sense, there is not a labor shortage in the United States and has not been during the last year.

It is our position, therefore, that the Congress of the United States should not hesitate to make its decision on the construction of the St. Lawrence waterway for fear of a labor shortage. It has been estimated, and I think rightfully so, that the seaway would require probably 10,000 men, a large percentage of which would be unskilled. In December 1940, after 6 months of defense preparation, the International Brotherhood of Electrical Workers had possibly 900 unemployed electrical men of adequate skill in New York State alone. These figures are taken from research records of our office.

The employment problem, of course, is a constantly fluctuating picture. One job is finished and another one is commenced. Some workers are loath to leave their communities where they make their homes and many human factors enter the picture. However, if New York State alone had 900 skilled workers out of work, only recently, it would seem that there are adequate men in this locality alone who could man the St. Lawrence waterway project. Usually we estimate that the skilled workers on a hydroelectric project are in ratio 2 to 1 to unskilled. The electrical workers and the carpenters are the skilled workers in greatest number used on hydroelectric projects. To be sure, all other crafts are involved, but if 900 electrical workers are available in New York State alone, it would seem to be possible to secure the 10,000 skilled and unskilled men for the St. Lawrence project.

Moreover, I believe that we should not take a too immediate view of our present employment or economic problems. We should visualize our task over a period of 5, 10, or 15 years. I understand that the United States Ordnance Department is viewing its production

problem over a period of 20 years. Labor supply depends as I have pointed out on intelligent reallocation of the working force as much as it does on man resources. In the 4-year period that it would take to erect the St. Lawrence project every craft union could bring forward a complete new generation of skilled craftsmen, and I may say to you, gentlemen, that plans are under way in all the craft unions in cooperation with the Federal Committee on Apprenticeship to do this very thing. We are hoping that our present roster of 125,000 skilled apprentices will be brought to 500,000—a half million—within another year. We have the manpower—we have the facilities for producing every 4 years the skilled artisans needed for any project we wish to undertake.

The other question that I wish to discuss is the relationship of the St. Lawrence project to the larger question of American economy. I will undertake to answer this question: Is defense economy in conflict or incompatible with peacetime economy? And the answer is no, from labor's point of view. Traditionally and customarily labor has taken the position that just two things have to be done to produce prosperity. These are: Full production and adequate consumption. Full production depends upon markets, of course, and these markets are supplied when the consumer is paid enough in wages and income to buy the goods that are produced. High wages are necessary to complete this cycle. This has been labor's economic policy for at least a generation in the United States. Now, it seems to us, that this country has a definite choice to make between policies. Our national income may reach \$80,000,000,000 this year. If we are intelligent enough and energetic enough, we can so plan and so dovetail defense production with peacetime production that we can push the national income up to \$95,000,000,000 in 1942. It is possible, economists hold, that we could even do better than this and push national income up to \$110,000,000,000 or \$115,000,000,000.

It is readily seen that if this were done, our defense preparations could be turned into a blessing rather than a loss, and that taxes levied on the national income of \$95,000,000,000 or \$110,000,000,000 would return an income to the Government which would go a long way to defray the expenses of the defense preparation. This simply means that this thing we call a national crisis presents a great opportunity. It means that we have a chance such as we have not had in two generations to produce prosperity while we are defending ourselves and our continent. Of course, to produce the much larger national income we must have greater production and it is axiomatic that great production depends on adequate power. This would lead us inevitably, therefore, to the conclusion that the harnessing of every possible water-power potential to create electrical energy would be a wise procedure. As you have been told, the St. Lawrence development is the second largest single-dam power source in the world—second only to the Grand Coulee. It is capable of producing 12,500,000,000 kilowatt-hours every year. It would give the United States, in particular the Northeast, 1,100,000 added horsepower of energy for production.

If we view the present situation as an opportunity and press to take full advantage of this opportunity, I can foresee that it will help us to solve the problems which will follow the present activity

when the tapering-off period arrives. Inasmuch as there is no conflict between defense economy and peacetime economy, by tapering off with intelligence and by piecemeal it is likely that we can go on maintaining a larger national income in the postwar period and that the energy generated in the St. Lawrence will be of definite use then as now. Labor would welcome a complete and adequate trial of the full-production, adequate-consumption economic theory.

Two other points occur to me. The International Brotherhood of Electrical Workers is an international organization. We have strong local unions in Canada. We have a large membership in Canada. We have continuously tried for the last half century to build substantial and sound relationships with the sister republic in the north. We believe that this course is sensible and productive of future good. During the last 2 years it has been brought home to all of us that the destinies of the United States and Canada are intertwined. This has been our position as a labor union for a long time. We believe that the erection of the St. Lawrence waterway project will only stress anew the long-time friendly relations between the two countries and will serve to cement these good relations and enable two nations to play a larger part in the politics of the world.

The concluding point I wish to make is that the St. Lawrence waterway is just another challenge to the American spirit. Prior to 1929, rather boastfully and always insistently, the American people adhered to the philosophy that there is no job too big for them. In terms of pride we do the impossible.

After 1929, Americans were considerably disillusioned about themselves and notes of timidity, nervousness, and reaction crept into our national litany. We who had built the Panama Canal, when other nations failed; we who found the spanning of the Columbia River and its gorges only another job to do; we, who had been noted for our engineering prowess, began to question our own ability. I think it is time to recover our national genius. I think we ought not to be timid. I think we ought to see the St. Lawrence seaway as an opportunity to prove that we have the skilled labor, the engineering genius and the resources to take on this project in our stride, and make it contribute fully to increased production and a higher standard of living. I can detect none of the pessimism in the ranks of labor that I detect in other sections of the population. There is no reason from labor's point of view, therefore, at least in the direction that we have indicated, why this job could not be done now.

The CHAIRMAN. Any questions?

Mr. RANKIN. Yes, Mr. Chairman.

Mr. VOORHIS. I have some questions.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Are you an electrical engineer?

Mr. HEDGES. No, sir.

Mr. RANKIN. You are not an electrical engineer?

Mr. HEDGES. No, sir.

Mr. RANKIN. You have not gone into the question then of the cost of generating and transmitting and distribution of this power over the State of New York?

Mr. HEDGES. Congressman, only in an academic way. I have turned over practically all of the reports that have been made on that.

Mr. RANKIN. The gentleman from Ohio, Mr. Bender, undertook to tell us a while ago that the people of Ohio had not been overcharged for electricity.

Now, the people in New York, Ohio, and Michigan, all of that tier of States, are entitled to the same electric power rates that they have in Canada, are they not?

Mr. HEDGES. I should think so.

Mr. RANKIN. You are familiar with the fact that many Canadians heat their houses with electricity; large numbers of them?

Mr. HEDGES. Yes.

Mr. BEITER. They certainly do not do it in Buffalo.

Mr. RANKIN. No; up there they are heating with something else and will be if you do not get right on this proposition.

If you had the same rates in the State of New York, they would heat their houses there with electricity?

Mr. HEDGES. Well, that has been the trend as I have observed.

Mr. RANKIN. I will say to you, frankly, we do at home, and the time is not far distant when we break down this resistance of this monopoly, we will be heating homes all over the country with electricity.

Now, the gentleman from Ohio, moving a little farther west—and by the way, Ohio is just across the river from Ontario, and not so very far away from there.

The CHAIRMAN. It is a pretty wide river there.

Mr. BENDER. Yes.

Mr. RANKIN. As I pointed out yesterday, Winnipeg has the cheapest light and power rates in the world at least, so far as I have ever been able to find out, and Ontario has the next cheapest.

In 1940, I will say to the gentleman from Ohio, Mr. Bender—and I have just looked at the Ohio Edison rates here in the rate book, and the rate for 20 kilowatt-hours was a dollar. In my town 40 kilowatts cost a dollar.

Last year the people of the State of Ohio used 7,544,000,000 kilowatts for which they paid \$144,000,000.

Under the Ontario rates that cost would have been \$76,000,000, or a difference of \$68,000,000. That is the overcharge in round numbers.

I know that they are going to come back and say that in Ontario they pay no taxes; but I looked that up, and all taxes and cash contributions and fees, including both Federal and State income taxes paid by the electric utilities of the State of Ohio in 1936, amounted to \$17,000,000, which leaves a net overcharge in the State of Ohio alone of \$50,000,000 a year, and the Federal Power Commission tells us that those taxes have not changed to amount to anything since 1936.

Now, it is true that they have cheap electricity in Cleveland, and if they had had the same rates all over the State the people of Ohio would have saved something like \$30,000,000 or \$40,000,000 a year, but the point that I am driving at is this: The time has come, and this seems to be the last opportunity, so far as I can see, in the immediate future, of developing water power on the St. Lawrence.

The people of New York and New England have no coal, no natural gas, and no oil. This is our only chance to get a natural-resource

development that will supply them electricity at reasonable rates, and if that is done, then, talk about what we can do for labor or wages—by supplying cheap electricity for their homes and their business establishments, would that not make their wages go a great deal further in purchasing the comforts and conveniences and necessities of life?

Mr. HEDGES. Yes.

Mr. RANKIN. Your answer to that is what?

Mr. HEDGES. That is what I say has happened in other sections of the country, and I conclude that that will happen in New York State.

Mr. BENDER. You say that wages have increased as a result of public power in other parts of the country?

Mr. HEDGES. Very greatly in the T. V. A., Congressman; very greatly.

Mr. BENDER. For your information, in Mississippi the hourly rates for labor as of July 1939 were 32 cents per hour; in Tennessee they were 32½ cents an hour; in Alabama they were 37 cents an hour; in Georgia they were 26 cents an hour—these are T. V. A. States. What State do you come from, sir?

Mr. HEDGES. I live in Washington.

Mr. BENDER. Washington?

Mr. HEDGES. Washington; yes.

Mr. BENDER. What is the labor rate here per hour?

Mr. HEDGES. \$1.75 for the electrical workers.

Mr. BENDER. For the electrical workers?

Mr. HEDGES. Yes, sir.

Mr. RANKIN. He is not talking about electrical workers.

Mr. BENDER. I am talking about common labor.

Mr. RANKIN. Your electricians get the same wages down there that they do here, do they not?

Mr. HEDGES. They get \$1.375 an hour in the T. V. A.

Mr. RANKIN. On the T. V. A. project?

Mr. HEDGES. Yes.

Mr. BENDER. Well, you say that the standard of living has been raised by virtue of the T. V. A. and other comparable projects?

Mr. HEDGES. Well, I ought to stay in my own back yard. The going rate for electrical workers in the Tennessee Valley before the T. V. A. was instituted was 80 cents. It is now \$1.375 an hour.

Mr. BENDER. \$1.375 an hour?

Mr. HEDGES. \$1.375 per hour.

Mr. BENDER. Are they unionized in that area?

Mr. HEDGES. Yes, sir.

Mr. RANKIN. They are considered skilled workers; are they not?

Mr. HEDGES. That is right.

Mr. BENDER. How about unskilled workers in Washington; what is the average hourly wage?

Mr. HEDGES. I do not know what it is.

Mr. BENDER. What percentage of expenditures—that is of the budget—of the average person—in your budget, what percentage of your expenditures—go toward electricity; have you any idea?

Mr. HEDGES. It is very small.

Mr. BENDER. Less than 2 percent?

Mr. HEDGES. Probably.

Mr. BENDER. The cost of living in Ohio, the average cost of living in Ohio, is how much—well, we will forget Ohio. What is the average cost of living here?

Mr. HEDGES. Washington probably has the highest cost of living of any city in the United States.

Mr. RANKIN. Probably in the world.

Mr. BENDER. What is the average cost of living in the T. V. A. area; have you any idea?

Mr. HEDGES. No; but I will tell you, Congressman, we do not adjust our wage scale on the basis of cost of living. We use other factors of determination.

Mr. BENDER. What is the average wage, for example, in the State of Alabama?

Mr. HEDGES. I have no idea.

Mr. BENDER. For your information, the average wage there is less than \$800 a year.

Mr. VOORHIS. Does that include farmers?

Mr. BENDER. I am talking about anyone engaged as a laborer.

Mr. VOORHIS. Does that include farmers?

Mr. BENDER. Yes, sir; it includes everybody.

Mr. VOORHIS. I see.

Mr. BENDER. The average wage in my own State is \$1,379. We do not have the benefit of the T. V. A. in Ohio.

Mr. HEDGES. Well, may I make a comment there?

Mr. BENDER. Surely; you are welcome to.

Mr. HEDGES. I would say that the two points have no relationship to each other. I may have a simple mind, but it seems to me that the two points have no relationship to each other.

Mr. BENDER. You made a point of the fact that this is a great blessing to humanity.

Mr. HEDGES. I merely stated—

Mr. BENDER (interposing). And contributed to higher standards of living and higher income as a result of this great blessing coming to a community.

Mr. HEDGES. I merely made the statement that before the T. V. A. came to these seven States the going rate for electrical workers was 80 cents. It is now \$1.375.

Mr. BENDER. For your industry, by virtue of your being unionized, that benefit comes to you, partly; is that correct?

Mr. HEDGES. Certainly in part it is true that it is due to unionization.

Mr. BENDER. Now, have you any idea as to the comparative rates for power in the cities of Mississippi as compared to the cities in Minnesota; one served by one kind of power and the other by another?

Mr. HEDGES. I would not be able to speak with any authority.

Mr. RANKIN. I will give it to you if you will name the cities.

Mr. PITTINGER. Let us don't get into that question. We want to hear the witness.

Mr. BENDER. Frankly, now, Mr. Chairman, there has been great emphasis placed on this project as a power project and the advantages to this community and the country by virtue of power. And I think that John Rankin is 100 percent all right in making known his interest in this as a power project. He is being consistent,

and I like him for it, and I have no argument with him about it. But he and I disagree as to the advantages of public power, and here is a public power project. I think it is essential that we know the facts concerning the power rates in various parts of the country in relation to a project of this kind.

Mr. PITTENGER. Will the gentleman yield?

Mr. BENDER. Surely; I will be glad to yield.

Mr. PITTENGER. Now, Mr. Chairman, there is absolutely no testimony since the hearing began that Minnesota claimed any power benefits from this project. I don't know why we want to get off on these side roads. We ought to let the witness finish and get to the next witness.

Mr. RANKIN. Because this is the greatest issue before the American people, getting plenty of electricity for what it is worth.

Mr. PITTENGER. How about the sale of the power?

Mr. RANKIN. From the sale of the power and all of the profits. I am ready to take on all of you, the rest of the House and the rest of the Senate, on this issue; anybody and anywhere.

Mr. PITTENGER. And in the meantime a thousand dollars an hour worth of power is going to waste down the St. Lawrence.

Mr. RANKIN. All right; it will not if we can help it.

Mr. PITTENGER. It is wasting a thousand dollars worth of power an hour.

Mr. BENDER. Are you gentlemen interested in this information?

Mr. DONDERO. If the power rates are put in the record, that would take care of it and there is no need to badger the witness.

Mr. RANKIN. He is not being badgered.

Mr. DONDERO. He has consistently said he does not know about the rates in the various States. He has testified clearly on the subject for which he is here, and he can give information of any kind pertaining to that, and I think that is pertinent. But anything else I think should be avoided.

Mr. BENDER. I have no quarrel with the witness; he is a splendid witness.

Mr. CULKIN. May I say to the gentleman from Ohio that after some experience in court, some of it to my sorrow, I found it was impossible to prove my case by the other fellow's witness. I think that is where the major mistake is being made by the gentleman from Ohio.

Mr. BENDER. The gentleman from Ohio is merely following the gentleman from Mississippi, who made the statement here, and it is in the record; and he and I disagree, and I think in all fairness that the record—

Mr. CULKIN. May I suggest that the gentleman from Mississippi is acting on a high-grade principle which he is supporting, and if the gentleman thinks that he is, then I withdraw my objection.

Mr. BENDER. I did not know that I was contending for anything else. I am interested not only in the principle, but in the interest involved here in this project.

Mr. PITTENGER. Minnesota is not involved in the power angle.

Mr. BENDER. I did not say it was. Minnesota has no benefit from the T. V. A., and will not have any benefit from this project.

Mr. PITTENGER. The project has apparently done good to the country.

Mr. BEITER. I think the gentleman from Ohio is entitled to ask questions.

The CHAIRMAN. What is the question?

Mr. BENDER. I ask a question that my friend from Mississippi can answer, and Mr. Rankin is ready to answer it and I am using this witness—

The CHAIRMAN. If it calls for an answer from the gentleman from Mississippi, I think we better rule it out of order.

Mr. PITTINGER. The gentleman has already made nine speeches here today and this is supposed to be evidence.

Mr. RANKIN. That is all right. I am ready to answer on \$22,-000,000 overcharge for Minnesota, if that is what you want.

Mr. BENDER. I am interested in the rate for the domestic kilowatt used in the city of Amory, Miss., which, as I understand, is 75 cents; is that right?

Mr. RANKIN. Amory; yes.

Mr. BENDER. And in the city of Hibbing, Minn., is 50 cents.

Mr. PITTINGER. That is municipally owned.

Mr. BENDER. How about Holly Springs; it is a dollar there?

Mr. RANKIN. And 25 cents of which goes to amortize the investment in the distribution system.

Mr. BENDER. How about Brainerd?

Mr. PITTINGER. That is not in my district.

Mr. RANKIN. And all of that goes into the profits of the private utilities. In other words, the overcharge is the difference between 75 cents and \$1.20.

Mr. BENDER. How about 250 kilowatt-hours in Holly Springs? What is the charge there?

Mr. RANKIN. I believe it is 45 cents.

Mr. BENDER. It is 60.

Mr. RANKIN. It takes a portion of that cost, as I say, to amortize the investment in the distribution system. When you pay these rates and charges in Ohio it is not based on enough amortization, and you pay about twice as much.

Mr. BENDER. In Brainerd, the same analysis shows that they paid 81 cents.

Mr. RANKIN. Now, you know you cannot get the cat out that way. That is not getting rid of this 57 cents overcharge in Ohio, at all.

Mr. BENDER. Frankly—

Mr. RANKIN. If you want to name those cities, any time—I do not want to take up the time of the committee—but I will bring the rates here and analyze every city in Minnesota or any place else, as I have done time and time again, with the best experts that could be had.

Mr. PITTINGER. Regular order, Mr. Chairman.

The CHAIRMAN. This bill was introduced for the purpose of creating a seaway from the Great Lakes to the ocean and the development of this power plant in the St. Lawrence River. If the bill is enacted, some time in the future there will be another bill before Congress to approve whatever arrangement is made by the President with the Power Authority of the State of New York. Then these questions of local issues of power might become an issue. But I do not see how they are an issue in this proceeding before us now. I am going to rule them all out of order.

Mr. VOORHIS. Mr. Chairman, may I ask a question of the witness?

The CHAIRMAN. Yes.

Mr. VOORHIS. Mr. Hedges, I want to say, first, I appreciate your statement very much; I think it was splendid.

The CHAIRMAN. A little louder, Mr. Voorhis.

Mr. VOORHIS. I think his statement was very splendid; a broad exposition on this subject, and I appreciate it very deeply. I think it is the kind of thing we need.

I just wanted to ask you if you would read to me what you said the meaning of labor shortage had come to, today; I mean, the one you did not agree with?

Mr. HEDGES. Well, labor shortage, as I understand it, has taken on a kind of technical meaning.

Mr. VOORHIS. Yes.

Mr. HEDGES. That is, if you have not got the men at a given place, at the right place in the defense industry, then you have a labor shortage. But that has nothing to do with the total manpower in this country.

Mr. VOORHIS. Available for that particular type of work?

Mr. HEDGES. Available for that particular thing; and if we had the kind of direction that would reallocate the activities properly, that this could be done.

Mr. VOORHIS. Now, is there anybody in the United States, with all due respect to the O. P. M. and everybody else, that knows as much about the availability of skilled electrical workers as the I. B. E. W.?

Mr. HEDGES. I don't think so.

Mr. VOORHIS. I don't either. And your testimony was that you had not on a single occasion failed to supply the desired skilled electrical workers within 72 hours, up to date?

Mr. HEDGES. That is right; and that was in the period, Congressman Voorhis, when they were building these cantonments.

Mr. VOORHIS. Right.

Mr. HEDGES. Which are now largely finished.

Mr. VOORHIS. Yes.

Mr. HEDGES. Releasing many men.

Mr. VOORHIS. Right. And are you worried about the situation where we might have everybody at work, I mean?

Mr. HEDGES. Well, I have been a kind of heretic on this labor shortage question all along, because I have been aware of the tremendous inroads that the machine has made upon manpower in this country. And I still think it has to be prepared for that condition as to our manpower. I think we have the manpower.

Mr. VOORHIS. Now then, you made the plea that in attempting to carry on our defense program that we should realize that if we could step up the total production to over a hundred billion dollars, that that would first make our country very much stronger. In fact, it is the essence of national strength; and that, as I understood you, would do two other things: It would mean you could have billions devoted to national defense and still maintain a very high standard of living.

Mr. HEDGES. That is right.

Mr. VOORHIS. And secondly, you could, if you took that amount of national income, pay for the defense bill?

Mr. HEDGES. That is right.

Mr. VOORHIS. I should like to reemphasize that, because I think it is tremendously important.

Then is not this correct, that according to all the testimony of every expert who has studied the question, that one of the major and fundamental keys to the possibility of speeding up production is an additional supply of electrical power?

Mr. HEDGES. It cannot be any other way.

Mr. VOORHIS. On the way over here I was reading the thing sent out by the Aluminum Corporation of America, where they were complaining because there was not enough power. That was their complaint from their experts, but any one knows the whole question of increased national income, in part, at least, depends upon an adequate supply of electrical power.

Mr. HEDGES. I do not think that any one that is engaged in the generation of electricity by means of coal needs to fear this thing. We can utilize all the power that we will take under this kind of economy or any other; we will need all the waterpower we have got and all the classes of generated electricity we can get. There is room for everybody.

Mr. VOORHIS. Would you not agree that the place to use steam plants with coal is near to the coal mine, and the place to get the hydro power is the place where you have got a dam in a river?

Mr. HEDGES. Of course, but that is an engineering question.

Mr. VOORHIS. I understand.

Mr. HEDGES. The question of the cost of coal where you can generate electricity.

Mr. VOORHIS. The only purpose of that question was that some on the committee have been contending that the thing to do here was to build steam plants, and I wanted to get it in the record.

I have just one or two more questions: Some point was made of the fact that you had said that the development of public-power projects have increased wages and living expenditures in certain areas. And, as I got it, the point was made that only 2 percent of the consumer's expenditures goes for electricity. But that is not the only effect, is it, of the development of cheap electricity? What would be some of the other effects of the development of cheap electricity which would tend to raise the wage scale and the standard of living?

Mr. HEDGES. You would tend to attract industries.

Mr. VOORHIS. That is right.

Mr. HEDGES. They gravitate, naturally, to cheap power, and they increase transportation and increase consumer demand. And in Tennessee it transformed an economically arid region into a region of prosperity. I do not think anybody can deny that that is what happened in the land-locked States along the Tennessee River.

Mr. VOORHIS. I do not believe they can deny it, either.

I have just one more question: Would it be your position, and if possible to state it, would it be the position of the union, that falling water, the property of water running down hill is so fundamental a fact in the universe that it should be exploited only for the public benefit and by public agencies where it is not already controlled by some other agency?

Mr. HEDGES. I think that is accidental.

Mr. RANKIN. May I ask a question: You spoke a while ago about the machine that was interfering with the individual or touching the little fellow. Now, is not the trouble caused with the little fellow in not getting the benefit of the machine, caused by benefiting by cheap electricity to the individual householder and the small businessman to operate these machines in their homes and in their businesses, from the refrigerator to the electric iron; is not that very thing to a large extent the answer to the statement that the machine age has injured the little fellow?

Mr. HEDGES. You get an opportunity to do this, do you not: To decentralize industry back into these communities that are dying by means of electric power.

Mr. RANKIN. And another thing, you get an opportunity to decentralize population and spread them out and where they can have more room and where they can produce many of the things they live on on the land they have. Now, the gentleman from Ohio has been talking about the labor down on the farm, and he does not know a cotton stalk from a cockle burr.

Mr. BENDER. You are talking about me?

Mr. RANKIN. Talking about the cotton farmer.

Mr. BENDER. I see.

Mr. RANKIN. But the industrial laborer is now living out in the rural districts where they can have a corn patch and a garden and have vegetables and things of that kind, to help to reduce the cost of living. And that is one of the benefits to the little fellow, and is an answer to the very contention that the machine age has brought about that detriment to the little fellow.

The CHAIRMAN. Gentlemen, we will call another witness—

Mr. BENDER. Mr. Chairman, I beg your pardon; the gentleman on the stand just testified that as a result of the benefit of this power project it would attract new industries.

Are you aware how much new industry was attracted in the State of Tennessee as a result of the T. V. A.?

Mr. HEDGES. I have never made a canvass of it.

Mr. BENDER. Well, for your information, in 1938, 5 years after the T. V. A. was created, the State of Tennessee was listed last, and its nearest rival for the bottom position had gained two and a half times as much in new industry. Now, with a total of over \$143,000,000 invested in the State during that year, Tennessee with the T. V. A., when the T. V. A. was built, attracted only \$548,000 of that, or a mere three-tenths of 1 percent. On the basis of population, Tennessee should have been over \$8,000,000, or 15 times as much as was actually obtained. So that the T. V. A. did not attract new industries to the State of Tennessee. But it did attract plenty of taxpayers' money to that area from my home State, and from your State possibly, or from your community.

Mr. HEDGES. What is the date of that figure, please?

Mr. BENDER. That is 1938.

Mr. RANKIN. Will the gentleman yield?

Mr. HEDGES. What about 1940 and 1941?

Mr. BENDER. I have not figures for 1940 or 1941.

Mr. HEDGES. I think you will find there are a great many defense industries going into Tennessee right now; very necessary defense industries.

Mr. BENDER. You are talking about the aluminum industry?

Mr. HEDGES. No; I am talking about the munitions industry.

Mr. RANKIN. In 1938 the State of Tennessee had not gotten the benefit of the T. V. A. power. I thought the gentleman from Ohio knew that; we had to pass a bill last year.

Mr. VOORHIS. Incidentally, a very large part of that development is just across the line in northern Alabama, I believe. I have read extensively of things that are happening there.

The CHAIRMAN. Mr. Robert Handschin—

Mr. BEITER. Mr. Chairman, I have some questions.

The CHAIRMAN. Let this gentleman go on and get through, and then you can call him back, if you want to.

Mr. HEDGES. Thank you.

The CHAIRMAN. Thank you, Mr. Hedges.

**STATEMENT OF ROBERT HANDSCHIN, RESIDENT SECRETARY,
FARMERS UNION LEGISLATIVE COMMITTEE, WASHINGTON,
D. C.**

The CHAIRMAN. Mr. Handschin, you represent the National Farmers Union?

Mr. HANDSCHIN. Yes; I am here on behalf of the union.

Mr. RANKIN. A point of order: Let me suggest the witness could insert his statement in the record, and then submit to cross-examination.

The CHAIRMAN. The others could, too; they could do the same thing.

Mr. RANKIN. That ought to be explained to all of them.

Mr. HANDSCHIN. Mr. Chairman and members of the committee, my name is Robert Handschin, and I am resident secretary of the Farmers Union Legislative Committee here in Washington. I have a short statement which I desire to read, and after that I shall be glad to answer any questions that I am able.

The CHAIRMAN. We will be glad to hear from you.

The National Farmers Union is happy to have again the opportunity to appear before a committee of the Congress in behalf of a measure in which our membership has had for so many years such a vital interest. Our national president, Mr. James G. Patton, of Denver, and our national legislative chairman, Mr. M. W. Thatcher, of St. Paul, both were anxious to appear in support of the St. Lawrence seaway and power project, but the pressure of work just at harvest time unfortunately prevents them from being here.

The National Farmers Union is one of the three national general farm organizations, and because of its long activity in the area which would be most vitally affected by the seaway, it has been a strong supporter of the project for many, many years. Although the Farmers Union was once strong in the southeastern States, for many years most of our membership has been in the area between the Mississippi River and the Rocky Mountains. Particularly because we devote a major part of our efforts to the establishment and successful operation of farmers' cooperatives, we have been greatly interested in more efficient transportation for those commodities which

our cooperatives market or purchase. Especially in the great Wheat Belt from the Texas Panhandle to the Pacific Northwest have we been successful in organizing efficient marketing cooperatives. In the central and northern part of the Wheat Belt, which would be benefited by this project, we sponsor regional marketing organizations in Kansas City, Omaha, Denver, and St. Paul. The number of farmers marketing through these organizations approximates 100,000. Our educational membership in the States most directly affected by the project is approximately 75,000 farm families, with perhaps another 175,000 families who patronize our various cooperatives. We are the main farm organization in much of this area, particularly in the spring-wheat area of the Dakotas, Minnesota, and Montana. We also have a sizable membership in the cheese and butter areas of Wisconsin, and in the fruit-growing regions of Michigan and Ohio.

The organized farmers of the Central States and of this north-western area were among the first to press for deep-water transportation, both via the St. Lawrence and the Mississippi, and today although other benefits of the seaway are of equal importance to more efficient transportation, farmers throughout the Midwest and Northern Great Plains are still solid supporters of this long-time aim.

In the early days of the proposals to open the Great Lakes for ocean traffic, the farmers' main interest was in establishing cheaper transportation to European markets which were then much more important both to agriculture and to the Nation's economy. Even though farmers were responsible for Federal regulation of railroad transportation, two generations of organized pressure had not and even today has not, brought full justice to Agriculture through equal freight rates on all of our commodities and in all of our producing areas. Farm supporters of the seaway thought lower waterway costs would not only mean larger returns on exports and consequently also from their domestic sales, which were dependent upon the world price, and also improvement of their competitive position in international markets, but they looked to such a seaway as a yardstick and a safety valve from what were felt to be exorbitant railroad rates and unfair practices in hauling farm products and supplies.

Although export costs were the main goal which farmers had in mind in the earlier years, this no longer is the case today. Our export markets with the exception of aid to Britain are gone, and we do not have too much assurance that they will return, even when democracy is the victor in Europe. We do know, however, that the people of this country are going to demand and get sufficient food of the right kind to wipe out for the first time undernourishment amidst agricultural plenty. We know that the peoples of this hemisphere are also going to work together to bring about a more efficient distribution of food products toward the same end. The value of the seaway in promoting both of these trends is today perhaps of equal importance to farmers as is the improved position regarding European trade which the seaway would bring. An analysis by commodities will bear this out.

Grain, principally wheat, has always been the leading export from the Great Lakes area. The various estimates which have been made on cost over the seaway route indicate that grain moving to Europe from Duluth or Chicago would receive a saving of at least 5 cents

per bushel in reaching the European market, as compared with present water-rail-ocean rate of 15 cents a bushel. Although we probably shall not have a domestic price geared ever again completely to the world market, such wheat as may be exported will still play an important part in domestic price. The farmer will benefit not only from the 5-cent saving, but also by its competitive effect upon present export rates. With other grain-producing areas more favorably situated, with the exception of Canada, our position in the world market will be somewhat improved. The Farmers Union operates in the spring wheat area the largest grain cooperative in the United States, servicing nearly 40,000 farmers and handling 30,000,000 bushels of grain per year. It is the spring wheat area which would benefit most, but some benefits should result for wheat growers in the Iowa, Nebraska, Colorado, Kansas areas as well. There has been some discussion before this committee, I understand, about possible injurious consequences to wheat farmers in the southwestern areas. We have not made a complete study of that question, but we would be glad to do so, and file a statement with the committee, especially since we have a vital interest in the problem ourselves among our members belonging to regional cooperatives at Amarillo, Tex.; Enid, Okla.; Hutchinson, Kans.; and Kansas City, Kans. Our opinion about the effects, is however, that there will be no harmful results, since the volume of spring wheat which is likely to move into the international market is comparatively small and does not compete fully, since it is of a special type. Under normal conditions the benefits of lowered transportation costs should accrue to northwestern producers without lowering the world market for southwestern producers.

We must not forget that the domestic market always has been the principal market for American wheat, and that it was the fact that American wheat brought only the world price which made the export trade so important. Today, the American market is even more the main interest of wheat farmers, and in the movement of grain out of the northern wheat area to the heavy consuming centers of the eastern seaboard, we can expect some economies from the seaway. There is little danger that the milling industry, now centered at Buffalo, will become decentralized in the major Atlantic port cities, although the differential between the present water-rail haul and the all-water route probably will be even greater than on shipments to Europe. This differential will allow some shift in flour production to the eastern ports, and introduce greater flexibility in flour production, as well as avoid possible bottlenecks at Buffalo. Since almost all of our high-grade spring and durum wheat is consumed in this country, this saving may be of more benefit to farmers than savings from future export trade. The largest part of such savings will be passed back to the farmer and little injurious effects should be felt by producers of other types of wheat from other areas, since the needs of the flour trade for spring wheat are limited.

With the current expansion in dairy and poultry products, and the probable growth of that trend in future years, many farmers in the near northwest area will come to depend even more heavily upon such commodities for their income. Already nearly 100,000 tons of cheese, butter, eggs, and dressed poultry move over the Great Lakes to Buffalo and with a deep-water route allowing use of larger car-

riers direct to the high consumption areas of the eastern seaboard, much more can be expected to move. The fact that high production months for dairy products fall within the shipping season will further develop this trade, now still largely dependent upon special refrigerator car service which has been criticized as expensive in past years.

Present costs for water-rail transportation are \$17 per ton on dairy products from Duluth or Milwaukee to New York City, and the all-water route would probably reduce the cost to not more than \$12 per ton, a saving of one-fourth cent per pound, which doesn't sound very large, but on butter it would be a difference of about 7 cents per hundredweight for milk which the farmer sells to the creamery. Not only might this allow somewhat larger consumption in the eastern cities and still return the farmer more, but new markets might easily be created along the South Atlantic where production of milk for manufacturing is uneconomical in most localities. People in the heavily populated South Atlantic States may be able to afford more butter. This possibility is also based upon the availability of profitable return cargo from that area, such as citrus fruits from Florida, thereby bringing about the better exchange of farm produce which we are aiming at in our farm programs.

There is some possibility that meat products, including bulky commodities, such as lard, will benefit in lower costs to the eastern seaboard, as well as in whatever exports to Europe may develop. Both Chicago and Milwaukee are large packing centers on the Lakes, and perhaps other locations, such as Duluth, might develop, although the fact that there is not a year-round season might limit such development.

Lastly, the fruits and vegetables canned in the Great Lakes area, and the potato crop of the near Northwest should be mentioned as possible beneficiaries of lower deep-water costs to the eastern seaboard.

In addition to Florida citrus which now costs about \$19 per ton to move to Chicago, and would cost, via the waterway, only about \$14.50 per ton, thus insuring greater consumption among farmers and other consumers of the Great Lakes area, there are products from Central and South America, and even from Hawaii, which would be cheaper via the waterway, thus increasing their consumption. Coffee, for instance, now costs about \$19 per ton to move from Brazil to Milwaukee, and a saving of \$6 per ton might be expected. Bananas might be considerably cheaper in the upper Great Lakes area. Pineapple, both fresh and canned, could reach the Lakes from Hawaii at reduced cost. This more efficient exchange would assist in developing inter-American solidarity, and might also aid in finding an outlet for certain American farm products in some areas to the south of us.

Farmers would also benefit to a limited extent on reduced freight rates for such manufactured products as they might obtain from the Atlantic seaboard, including shoes, some electrical equipment, and some items of farm machinery.

I should like to say a word about some of the objections which have been raised against the seaway. We have been told that our present railroad facilities are sufficient and that the seaway will only carry a limited volume for 8 months of the year, and is therefore neither necessary or worth its price. However, with the tremendous defense

effort already upon us, and possibly more to come, we would be short-sighted not to remember the congestion which occurred on our railroads during 1917-18, and the bad effects which it had upon our farmers. Already, due to large surpluses and defense orders, we have had to take extraordinary steps to insure movement of this year's grain crop, and that situation may still be with us when the waterway is completed.

It has also been stated that Federal subsidizing of the waterway will result in unequal advantages for the Midwest. We believe that figures will show that it will merely restore the balance existing prior to the Panama Canal opening, and will grant to the Great Lakes Basin the competitive opportunity which its resources make desirable. In one sense, building of the Waterway completes the program begun with the Panama Canal of providing adequate water transportation, although there will still remain much to be done on our rivers towards cheap transportation. We do not believe that the further development of the Mississippi Valley waterway will be hindered, and we have always been backers of that project as well.

We have been told that Federal subsidy to the waterway is unfair to the railroads, but we can't believe that in light of the great subsidies to the railroads, especially in our area of the country, and in light of the comparatively privileged treatment which railroads have obtained from the Government down through the years. We believe the railroads will benefit by a more flexible and economic transportation system, and by the larger exchange of commodities and goods. And we still believe that there is no harm in having a yardstick of transportation costs and practices, however small, by which to measure railroad service.

Summing up the objections, we are forced to feel that they are the complaint of special interests who lack the foresight and constructive imagination which their forefathers displayed in an earlier day in establishing those very special interests in the face of hardship and risk.

I have not touched upon the most important phases of the Seaway development—additional power, increased manufacturing in the Lakes area, much-needed shipbuilding facilities on the Lakes and increased economies in shipping the products of Midwest industries. It goes without saying that our organization and Midwest farmers, generally, are really united in placing our Nation's defense needs before all else, and certainly these are most urgent defense needs. Although the cost is heavy, we cannot see how anyone can longer block this project which today as never before is in the entire Nation's interest. Incidentally, to this we should add that further industrialization of the Midwest is an aid to farmers' markets in the territory and an opportunity for their sons and daughters who are unneeded on the farms to have an opportunity for making a decent living.

Farmers were in the forefront working for the seaway a generation ago and while it has taken a long time, we are none the less appreciative of the opportunity to tell this committee that the Farmers Union is 100 percent behind this bill, and that we do hope and believe this will be the last time that we shall have to appear in this capacity.

The CHAIRMAN. Before we have any questions, we have a number of telegrams and letters from the masters of State granges favoring the

bill: Beulah L. Haase, Montana State Grange; Neal Peck, Wisconsin State Grange; James G. Patton, Farmers' Educational and Cooperative Union, Denver, Colo. That is the farmers' union, your organization, but the others are all granges?

Mr. HANDSCHIN. Yes, sir.

The CHAIRMAN. Sherman K. Ives, Connecticut State Grange; Ray W. Gill, Oregon State Grange; William G. Armstrong, Michigan State Grange; William J. Neal, New Hampshire State Grange; Harry B. Caldwell, North Carolina State Grange; and E. T. Taylor, Idaho State Grange. All of these are State granges, except the one which was the farmers' union.

Mr. ANGELL. Mr. Chairman, what about the stand of the National Grange?

The CHAIRMAN. I do not have any here.

Mr. CULKIN. I understand they are going to appear.

Mr. ANGELL. Is the National Grange in favor of this?

Mr. HANDSCHIN. I so understand. They have been for many years. (The letters and telegrams are in full as follows:)

[Telegram]

BUTTE, MONT., June 18, 1941.

Congressman JOSEPH J. MANSFIELD,

Chairman, House Committee on Rivers and Harbors,
Washington, D. C.:

Deeply interested in favorable passage of St. Lawrence project bill, H. R. 4927.

BEULAH L. HAASE,
Master, Montana State Grange.

[Telegram]

MARINETTE, WIS., June 16, 1941.

Congressman JOSEPH J. MANSFIELD,

Chairman of the House Committee on Rivers and Harbors,
Washington, D. C.:

Knowing that bill, H. R. 4927, will greatly benefit farmers of Wisconsin, may I express their wish of its speedy approval by Congress.

NEAL PECK,
Master, Wisconsin State Grange.

FARMERS EDUCATIONAL AND COOPERATIVE UNION OF AMERICA,
Denver, Colo., June 27, 1941.

Hon. JOSEPH J. MANSFIELD,

Chairman, House Committee on Rivers and Harbors,
Washington, D. C.

DEAR CONGRESSMAN MANSFIELD: The National Farmers Union favors the proposal to construct the St. Lawrence waterway and hydroelectric units. It was the consensus of opinion of our national board of directors' meeting in Denver, Colo., June 23, that the completion of this project would mean a great deal to agriculture in the Middle West. It would lower transportation rates, and would mean a great deal to the Nation as a whole in providing low cost of electric power.

We have asked our Washington representative, Mr. Robert Handschin, to appear before your committee to present a formal statement.

Respectfully yours,

JAMES G. PATTON, *President.*

CONNECTICUT STATE GRANGE,
June 14, 1941.

HON. JOSEPH J. MANSFIELD,
Chairman, House Committee on Rivers and Harbors,
Washington, D. C.

DEAR SIR: This is to advise you the Connecticut State Grange has always been interested in low-cost transportation and electric power, and I therefore urge you to promote the completion of the St. Lawrence seaway and power project.

Yours truly,

SHERMAN K. IVES,
Master, Connecticut State Grange.

OREGON STATE GRANGE,
Portland, June 13, 1941.

Congressman JOSEPH J. MANSFIELD,
Chairman, House Committee on Rivers and Harbors,
Washington, D. C.

DEAR CONGRESSMAN MANSFIELD: As master of the Oregon State Grange I wish to offer most hearty support for the passage of the St. Lawrence seaway and power project legislation. I believe that this improvement of the St. Lawrence would be very beneficial to agriculture, even in States as far removed as Oregon.

Thanking you for your kind consideration,
Yours sincerely,

RAY W. GILL,
Master, Oregon State Grange.

MICHIGAN STATE GRANGE,
Niles, Mich., June 17, 1941.

HON. JOSEPH J. MANSFIELD,
Chairman, House Committee on Rivers and Harbors,
Washington, D. C.

DEAR MR. MANSFIELD: The position of the grange, the largest and oldest farm fraternity, concerning the development of the Great Lakes-St. Lawrence waterway, is greatly in favor of its construction.

The difficult position and often precarious position of agriculture must seek every possible avenue to reduce the cost of placing its product in the hands of the consumer. The establishment of this deep-water channel will without doubt be of great benefit to not alone our great State of Michigan, but to the entire central area of these United States. These great benefits, when coupled with the development of a tremendous horse power to be utilized in industry, appear to make this of unusual importance at this time of national defense. It is to be hoped that your committee will favorably request this project and that the action of Congress will be guided by the recommendation of your committee.

Respectfully yours,

W. G. ARMSTRONG,
Master, Michigan State Grange.

NEW HAMPSHIRE STATE GRANGE, P. OF H.,
Meredith, N. H., June 20, 1941.

Congressman JOSEPH J. MANSFIELD,
Chairman, House Committee on Rivers and Harbors,
Washington, D. C.

DEAR CONGRESSMAN MANSFIELD: I understand that your committee now has under consideration H. R. 4927, known as the St. Lawrence project bill.

While our State grange has never taken any definite action on this matter due to the fact that we do not, as a general rule, legislate on national policies, I have referred the matter to members of our standing committee on electrifica-

tion and power and they are of the opinion that the passage of such a bill will be in the best interests of New Hampshire, and I trust that your committee will find it possible to give a favorable report on H. R. 4927.

Very truly yours,

WILLIAM J. NEAL,
Master, New Hampshire State Grange.

NORTH CAROLINA STATE GRANGE,
Greensboro, N. C., June 12, 1941.

HON. JOSEPH J. MANSFIELD,
Member of Congress, House Office Building, Washington, D. C.

DEAR CONGRESSMAN MANSFIELD: I understand that the Committee on Rivers and Harbors, of which you are chairman, will begin hearings on the St. Lawrence project (H. R. 4927) on Tuesday, June 17. The granges of the Nation have recognized the importance of developing the St. Lawrence River for navigation and the generation of power, for many years, and we sincerely hope that the project may receive favorable consideration by this Congress.

Yours very truly,

HARRY B. CALDWELL.

IDAHO STATE GRANGE,
Coeur D'Alene, Idaho, June 28, 1941.

HON. JOSEPH J. MANSFIELD,
*Chairman, House Committee, Rivers and Harbors,
House Office Building, Washington, D. C.*

DEAR MR. MANSFIELD: The farmers of Idaho are very much interested in H. R. 4927, the St. Lawrence project resolution now before your committee for consideration.

Along with the mighty army of farm people who are producers of the farm crops of this country, we are seeking fast and economical transportation for our products.

The picture today of the Pacific coast being stripped of vessels and the movement of our produce being forced eastward by rails is one that calls for deep consideration by your committee when they weigh the effects of this bill.

The normal flow of commerce has been to the East, and the development of a deep seaway from Duluth, Chicago, and western lake ports to the Atlantic means much in providing our basic crops with transportation rates that are a benefit both to the producer and the eastern consumer.

The present and future demands for electrical energy, to be generated by the St. Lawrence project, justifies its development by all means.

The Grange of Idaho trusts that your committee may see its way clear to favorably consider the enactment of H. R. 4927.

Sincerely yours,

E. T. TAYLOR,
Master, Idaho State Grange.

The CHAIRMAN. I have to quit you now. I want to thank you, Mr. Handschin, for your statement before I leave; I cannot stay to hear it any further. The gentleman to my right will take charge of everything now.

Mr. DONDERO. Will there be a session tomorrow morning?

The CHAIRMAN. Tomorrow at 10:30. Mayor LaGuardia and Captain Garsaud, of New Orleans. Mayor LaGuardia is for and the other gentleman against.

Mr. ELLIS. Which one is first?

The CHAIRMAN. Mayor LaGuardia.

Mr. VOORHIS (acting chairman). Gentlemen, does anybody have any questions he wants to ask the witness?

Mr. ELLIS. I do; I have one question I would like to ask.

Mr. VOORHIS. All right.

The CHAIRMAN. Mr. Beiter, wants a witness recalled, directly, to ask a few questions.

Mr. VOORHIS. Yes. Well, let us go ahead.

I would like to ask one; it won't take but a minute. You mentioned the fact that the question of railroad traffic has been brought up and that it has been contended that as long as the river would be closed a certain number of months in the year, anyway, that it might be an undue interference with our present transportation system. But is it not true that the months when the river will be closed are the months when there is less railroad traffic, and the months when it will be opened are the months when there is heavy railroad tonnage; so that in case there was too much tonnage to be handled by the railroads, the river would be available at the very time it is most needed?

Mr. HANDSCHIN. That certainly is true, and, of course, applies particularly to the movement of farm products after the harvest to the terminal markets.

Mr. VOORHIS. Yes. Now, Mr. Ellis?

Mr. ELLIS. In how many States are you organized?

Mr. HANDSCHIN. We have 22 State divisions of our organization.

Mr. ELLIS. You are organized in Nebraska and Kansas and Missouri?

Mr. HANDSCHIN. Yes; we are.

Mr. ELLIS. And Arkansas?

Mr. HANDSCHIN. Yes.

Mr. ELLIS. Have you given any thought to what effect this seaway might have on freight rates of farm commodities moving out of Missouri, Arkansas, and Kansas?

Would your statement as to the savings apply that far inland on all commodities moving to Chicago?

Mr. HANDSCHIN. I am not a freight-rate expert, but it seems to me that the areas in the central part of the country, the central part of the West, would not benefit to the same extent as the areas close to the Lakes. But they definitely would benefit.

Mr. ELLIS. Now, why not on this score: If you make a 5-cent saving per bushel of wheat, why would not that saving reflect itself, whether you hauled that wheat a hundred miles or a thousand miles, if it is going to Chicago, anyway, for export to the world market?

Mr. HANDSCHIN. Well, it is a smaller part of the total transportation costs, if it has to go farther to get to Chicago.

Mr. ELLIS. But the 5 cents would still be there?

Mr. HANDSCHIN. The 5 cents would still be there, but your total transportation cost is larger and the effect of the saving is somewhat less.

Mr. ELLIS. The saving might not be the same size, but the 5 cents would still be there?

Mr. HANDSCHIN. That is right; if the commodity is now moving through such channels and it is going to Chicago.

Mr. ELLIS. And that would apply also to livestock?

Mr. HANDSCHIN. That would depend on what saving there might be in transportation of processed meats. I am not too sure whether it would be very substantial.

Mr. ELLIS. Yes. Now, you are familiar with Chairman Joseph Eastman's statement recently to the effect that the railroads of this country perhaps are not going to be able to transport all the commodities that should be transported in the next few years. You agree with it?

Mr. HANDSCHIN. I think so, definitely.

Mr. ELLIS. That is all.

Mr. VOORHIS (acting chairman). Any other questions Mr. Green?

Mr. GREEN. Mr. Witness, I was interested in your statement concerning making more accessible facilities of the Atlantic Ocean to the Mississippi Valley area. Now, we have a project in the Southeast providing for a ship canal, 30 feet deep, across the State of Florida. It would save about six or seven hundred miles between New Orleans and the east coast ports above Jacksonville, Fla. Now, I am wondering if the same advantages that you stress for the St. Lawrence as an outlet to ocean shipping would not apply to the Florida Canal likewise?

Mr. HANDSCHIN. I believe much of it would, assuming that it is a feasible engineering project; something I don't know much about. Of course, it would tap a different area, and that should be borne in mind.

Mr. GREEN. Well, the railroads have undertaken to issue propaganda to the effect it would ruin the Florida ground water; but the authorities say that it is all bunk, which it is, of course. And we put a provision in the bill to protect from any damage which may possibly ensue from any ground water infiltration. The salt water from the ocean front has not yet infiltrated in, in spite of all the tales, from New York City to Miami, Fla., on the coast, and I do not think it would do it much across the strait of Florida. Likewise, on the west coast, the Pacific has not come in for a hundred or two hundred miles and spoiled the water from salt. That is just an argument which sounds pretty good for those who are not advised.

Now, the congestion during the World War in railroad traffic, while they did a wonderful job in transporting, nevertheless there was a serious congestion in shipping on the rail lines, particularly those going up to the industrial East. That same thing applied in my area; we had to put an embargo, for instance, on building materials in Florida, when we had our Florida boom; we had 3 months of that. Our Florida Canal, and likewise the St. Lawrence, during the season you could use it, the summer season, would have a tendency to eliminate this traffic congestion bottleneck.

Would not the Florida Canal, assuming that it should be constructed, eliminate a part of this congestion, the same as the St. Lawrence? It has been estimated, too, that it would carry a cheaper freight rate of some \$10,000,000 a year for the shipping of the country.

Now, these great projects, I think, are all in the public interest. However, our problem here is approving these projects in a way that will not disturb the present economic balance. Now, the St. Lawrence project up in one corner of the country, half of it a foreign project and half of it an American project, will have a tendency to shift the economic center and disturb the economic balance, unless there are projects to offset this possibility in other parts of the country.

I do not think there is any further question.

Mr. VORHIS (acting chairman). Anybody any other questions?

Mr. BENDER. Mr. Chairman, I have some questions. You have an organization in Ohio?

Mr. HANDSCHIN. Yes; we do. Not a very large one.

Mr. BENDER. Who is the head of it in Ohio?

Mr. HANDSCHIN. Mr. Charles Few, of Fostoria.

Mr. BENDER. Mr. Charles Few, of Fostoria. How many members do you have in Ohio?

Mr. HANDSCHIN. Approximately three and a half thousand are members.

Mr. BENDER. About 3,500 members?

Mr. HANDSCHIN. That is, farm families.

Mr. BENDER. Families?

Mr. HANDSCHIN. Yes. There are also others who might be members of our cooperatives.

Mr. BENDER. Ever have any meetings in Ohio of your organization?

Mr. HANDSCHIN. They hold an annual convention. I don't know how many local meetings.

Mr. BENDER. Did you ever discuss Argentine beef at any one of your meetings?

Mr. HANDSCHIN. I have not been present at any of their meetings recently; so I don't know, really.

Mr. BENDER. Have you, in the last few years, discussed Argentine beef?

Mr. HANDSCHIN. I expect so. For a good many years many farmers have.

Mr. BENDER. You are not so keen about it, are you?

Mr. HANDSCHIN. Well, I would have to voice more or less my personal opinion about that. My personal opinion is that I do not believe the production methods and system of the Argentine is that which we in this country would favor; although perhaps the meat itself might be alright under certain circumstances.

Mr. BENDER. Don't you believe that this project would facilitate the distribution of Argentine beef throughout the Middle West?

Mr. HANDSCHIN. Oh, by no means. I do not believe so. Argentine beef is allowed to come into this country, now, in certain canned forms, with a tariff on it. A treaty is being negotiated now with regard to that, and if it comes in it has to come in over the tariff. I doubt very much if we are going to change that tariff to a great extent and allow a great deal more of such beef to come in.

Mr. BENDER. You do not believe the railroads have any bearing on the distribution of Argentine beef today throughout the country?

Mr. HANDSCHIN. They have a slight bearing, I would say.

Mr. BENDER. And this waterway would not have any bearing at all?

Mr. HANDSCHIN. It would have a slight bearing.

Mr. BENDER. It would make it easier to get the Argentine beef to the Middle West?

Mr. HANDSCHIN. It would be easier, except that we still have tariff barriers there, and they can be raised or lowered in the light of such a general policy.

Mr. BENDER. The tariff barriers are not keeping Argentine beef out of the country; is not that a fact?

Mr. HANDSCHIN. They are keeping it down and restricted to a pretty low level, and they are taking the market primarily in canned beef products, in which we could not compete at the present.

Mr. BENDER. You referred to the railroads having certain subsidies some years ago. You do not like subsidies; do you?

Mr. HANDSCHIN. I think that depends entirely on the purpose. I think the farmers were as much behind the land grants which the railroads got at the time they got them as anybody. The people of the country were pretty much for them. You will find such subsidies were acted upon with favor by farmers. But we were not in favor of subsidies benefiting special groups only. The same way the farmers favored the tariff at one time to help industry get on its feet.

Mr. BENDER. They are not in favor of it now?

Mr. HANDSCHIN. Well, they would like to have something to equalize us with industry.

Mr. BENDER. I understand you are not in favor of granting subsidies?

Mr. HANDSCHIN. We are in favor of subsidies where they are needed to develop an economic operation to benefit the whole country.

Mr. BENDER. What kind of farmers do you represent?

Mr. HANDSCHIN. Most of them are wheat farmers, some are general, some livestock, some dairy farmers, some cotton growers, down in Oklahoma in particular, and the Texas Panhandle.

Mr. BENDER. Do you represent farmers in Virginia?

Mr. HANDSCHIN. No; no longer. The Farmers Union once was strong in Virginia some 15 years ago.

Mr. BENDER. You are speaking for the farmers of 22 States?

Mr. HANDSCHIN. That is right.

Mr. BENDER. How large an organization do you have?

Mr. HANDSCHIN. The organization has about a third of a million farm families who are members of cooperatives that it sponsors, and about 120,000 members of the educational organization.

Mr. BENDER. Do they all believe this St. Lawrence project would be of great benefit to them?

Mr. HANDSCHIN. I wouldn't say every last one, but in the major areas I was describing before, this project has been discussed since you and I were kids, Congressman. We grew up with it, and most of the farmers in that country are in favor of the project still and still hope they will get it. It is possible that some of the farm people in our organization, in the deep South, know very little about it, but I certainly know the leaders of the southern organizations, even in the territory that would not be affected, are familiar with it, and, so far as I know, have never voiced any opposition to the development of the project.

Mr. BENDER. That is all.

Mr. BETTER. If my memory serves me correctly, I think you stated in addition to the outlet to the sea this would be of vital importance to the national defense.

Mr. HANDSCHIN. I stated that the farmers had earlier been interested in this project primarily for reduced transportation costs, but

it happens today there are other factors more important from a national standpoint, the development of adequate power supplies, the possibilities, I believe quite accurately stated, of building ships in the Great Lakes area and possibly more and greater flexibility in our defense-production efforts by use of the waterway for transporting raw materials and finished defense products. Those happen to outrank at the moment the particular reasons why farmers earlier were for the project. I did not comment on those, other than to say I thought they were necessary now.

Mr. BEITER. Is this your first appearance before a House or Senate committee in behalf of legislation?

Mr. HANDSCHIN. No; I have appeared many times.

Mr. BEITER. Did you ever appear before the Senate Military Affairs Committee in opposition to the draft law?

Mr. HANDSCHEN. Yes, I did; for some of our State organizations.

Mr. BEITER. You were opposed to it?

Mr. HANDSCHEN. We were.

Mr. BEITER. You thought at that time it was not necessary to have any legislation for defense, and now you appear before this committee and say this is necessary for the national defense—

Mr. HANDSCHEN. Mr. Chairman—

Mr. DONDERO. I object to that. There are members of this committee who did not favor the draft law. I cannot see the slightest connection between the draft law and the St. Lawrence seaway.

Mr. VOORHIS. I think I am inclined to agree with you. I don't believe the witness should be put in the position of having to defend a position he may have taken on other legislation, which it was his right to do.

Mr. BEITER. They are both claimed to be necessary for national defense. It is difficult to understand why this witness on a previous occasion saw no need to prepare for national defense and on this occasion believes it absolutely essential.

Mr. BEITER. That is all.

Mr. VOORHIS. We are obliged to you, Mr. Handschen.

Now, I believe it has been requested that Mr. Hedges return for further questioning.

FURTHER STATEMENT OF M. H. HEDGES

Mr. BEITER. Did you say you represent the I. B. E. W.?

Mr. HEDGES. Yes, sir.

Mr. BEITER. Did you ever take a poll of the membership of the committee prior to appearing before this committee?

Mr. HEDGES. No. Neither does any Congressman take a referendum, I take it, of his constituency before he votes on the policy of the Congress. We follow the Congressmen's policy of reading the sentiment of our organization, then checking back with them every 4 years by an election. We do have the initiative and referendum as a part of our machinery, and we never change the fundamental law of the organization without a referendum.

Mr. BEITER. So that you do not know whether your membership—

Mr. HEDGES. I know just as well as any Congressman knows when he votes on the policy of Congress.

Mr. BEITER. Has your executive committee ever taken action on this?
Mr. HEDGES. No.

Mr. BEITER. So you, yourself, are taking this action?

Mr. HEDGES. Not myself. The president of our organization makes the policy for our organization.

Mr. BEITER. For the entire organization, not referring it to any committees?

Mr. HEDGES. Under the constitution, that is the president's function. He is fulfilling the constitution when he is doing that sort of thing. He would be derelict in his duties if he didn't do that.

Mr. BEITER. Then you contend your organization is unanimously for this?

Mr. HEDGES. I would say it is in line with the historic policy developed over 15 years. That policy has been referred back in convention to the organization. There is no deviation from this policy on the St. Lawrence River, and our policy on the Bonneville, Boulder, Dam, or T. V. A.

Mr. BEITER. Do you know William P. Fisher?

Mr. HEDGES. Who is he?

Mr. BEITER. He is president of the Electrical Workers at Buffalo.

Mr. HEDGES. Yes; I know him. He is president of the city council.

Mr. BEITER. Yes; that is right. This item is published in the Buffalo Federation of Labor Herald.

The interest of labor representatives in doing all they can to block this scheme is not confined to the fear that certain members will lose their jobs. It is more far-reaching than that.

He goes on to explain how it will affect the members of the labor organizations throughout, not only New York, but the entire country. So that you differ with him in that respect?

Mr. HEDGES. I respect Mr. Fisher very much; I admire him. But Mr. Fisher does not speak for the international organization.

Mr. BEITER. But he speaks for the group he represents.

Mr. HEDGES. He may do that.

Mr. BEITER. And they are opposing it.

Mr. HEDGES. That is their privilege.

Mr. BEITER. That is their privilege. So that your representations are not the consensus of your entire group.

Mr. HEDGES. No. In America we never have unanimous opinion, and that is a good thing.

Mr. BEITER. Among your electrical workers, do they manufacture dynamos? Do your boys work on dynamos?

Mr. HEDGES. Yes.

Mr. BEITER. Do you have a surplus of men at the present time that would be available for the building of dynamos?

Mr. HEDGES. I cannot say with accuracy, because I have not explored that field. But we have pushed up our man power on the T. V. A. in the last year almost 50 percent. We supplied T. V. A. with that kind of men. You are speaking of the building of turbines and generators?

Mr. BEITER. Yes.

Mr. HEDGES. That is a field that we are not very much concerned with. We are not organized in the industries that produce turbines and generators. We do have organizations in 500 manufacturing

plants that manufacture electrical products. For instance, we are organized in Allis Chalmers, Westinghouse, and places of that kind.

Mr. BEITER. You don't know, then, whether there is a shortage of trained workers—

Mr. HEDGES. I cannot speak with the same certainty about that as I did about the men available for erection or construction of this project.

Mr. BEITER. I had in mind, of course, the construction of steam plants, as compared with hydro plants. If we construct more steam plants and made them available in the next 15 to 18 months, that would serve the purposes of national defense—

Mr. CULKIN. I object to the question, Mr. Chairman.

Mr. BEITER. And I wondered if the men would be available for that particular work or not.

Mr. HEDGES. We have not failed, as I stated in my direct testimony, to supply either private plants or the Government with men up to now.

Mr. BEITER. So that if we do build steam plants, rather than this hydro plant which would take 4 years, you could furnish us the men?

Mr. HEDGES. I think we could.

Mr. BEITER. Who is the president of your organization?

Mr. HEDGES. Edward J. Brown.

Mr. BEITER. Does he live in Washington?

Mr. HEDGES. He lives in Washington. He came to us from Milwaukee.

Mr. BEITER. That is all.

Mr. ELLIS. Then your statement with regard to your approval of the T. V. A. and Bonneville and others that have been created would likewise apply to the proposed Arkansas Valley Authority?

Mr. HEDGES. We would very much like to underwrite the power section of the Arkansas bill. It is the best I know.

Mr. ELLIS. And you do endorse it?

Mr. HEDGES. Yes.

Mr. BENDER. You say you speak only for your own organization, and not for others in the American Federation of Labor.

Mr. HEDGES. Not for the others.

Mr. BENDER. I have information from headquarters, from your leaders, that they are very much opposed to the project. Do you represent a national or international organization?

Mr. HEDGES. An international organization.

Mr. BENDER. You have units in Canada?

Mr. HEDGES. In Canada, Hawaii, Panama Canal.

Mr. BENDER. In Toronto?

Mr. HEDGES. Yes.

Mr. BENDER. Earlier, when you were on the stand before, Mr. Rankin referred to Toronto. Are you aware that bricklayers in Toronto are paid 90 cents an hour as compared with Buffalo, at \$1.25 an hour?

Mr. HEDGES. I am aware that there is a differential, but I am also aware that the standard of living in Canada is quite different from that in the United States. I do not think you can arrive at any comparison as to wages as between nations. You cannot do it. There is no common denominator.

Mr. BENDER. You do not think the British are as generous with their help?

Mr. HEDGES. I don't think one can say that. I have been in the international field. I attended the International Labor Conference at Geneva, 4 consecutive years, and I have talked with those people. Mr. Henry Ford undertook to make a survey of wages over an international area. You cannot find a common denominator for comparing either a standard of living or a wage scale in the various countries.

Mr. BENDER. Do you know whether the prices of commodities in Toronto are higher than they are, for example, in Buffalo?

Mr. HEDGES. I was in Toronto the first week in May, and I found Toronto booming, prosperous, and the laboring people never happier. I don't think we can go on the basis of wage scale alone. There are so many intangibles in the standard of living.

Mr. BENDER. They have a publicly owned hydro plant there, comparable to what the St. Lawrence will give to New York, and Toronto which is used as a yardstick, and as exhibit A by Mr. Rankin and others as to the benefits that we will receive as a result of the development of the St. Lawrence project. Let me ask you, Are you aware that in Toronto painters receive 75 cents an hour, while in Buffalo they get \$1 an hour?

Mr. HEDGES. I think that is about the differential.

Mr. BENDER. And plumbers get 90 cents an hour and in Buffalo they receive \$1.50 an hour as against that 90 cents in Toronto?

Mr. HEDGES. Electrical workers get \$1.12½ in Toronto where they receive \$1.37 in Buffalo. The differential is not so great there.

Mr. BENDER. Undoubtedly that is due to your good work.

Mr. HEDGES. That is right. Mr. Congressman, I think I ought to state here that the Hydro Electric Commission of Ontario has continuously and vigorously resisted unionization. That is the marked difference between it and the T. V. A. and these other power projects in the United States. In that sense we are far ahead of them.

Mr. VOORHIS. We thank you very much, Mr. Hedges, and the committee stands adjourned until 10:30 tomorrow morning, when Mayor LaGuardia will be present.

(Whereupon at 4:45 p. m. the committee adjourned to 10:30 a. m. tomorrow, Wednesday, July 9, 1941.)

GREAT LAKES-ST. LAWRENCE BASIN

WEDNESDAY, JULY 9, 1941

HOUSE OF REPRESENTATIVES,
COMMITTEE ON RIVERS AND HARBORS,
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in the committee room, New House Office Building, Hon. Joseph J. Mansfield (chairman) presiding, for further consideration of H. R. 4927.

The CHAIRMAN. The committee will come to order.

Gentlemen, Mayor LaGuardia was to be on hand this morning and I understand he has been called to the White House and will be delayed a while. However, Captain Garsaud of New Orleans is here, and we will hear from him now.

STATEMENT OF MARCEL GARSAUD, GENERAL MANAGER, BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS

Mr. GARSAUD. Mr. Chairman, and gentlemen of the committee; my name is Marcel Garsaud; I am general manager of the Port of New Orleans Board of Commissioners.

This statement is not very long, and with your indulgence, I think I had better read it.

It is with a deep feeling of responsibility that I appear before your committee in relation to the St. Lawrence seaway project, because of my high respect for the ability and competence of the men who have from time to time submitted reports on this project to the President of the United States. In a matter of such major importance as this is, however, it behooves every citizen of this country, when called upon, to express frankly such views as one may hold concerning the project, or at least some aspects of the project.

The President of the United States has addressed the Congress urging the prompt passage of the bill under consideration on the grounds of national defense; from press reports, the President has indicated that the opposition to this bill would develop from a group of selfish interests. The issue, therefore, has been made plain and the discussions have been placed on the highest plane possible. We approach opposition to this bill with the utmost deference to the President of the United States, but with a sincere conviction of its adverse effect on the port of New Orleans. The section of the country whence I come yields to no other section of the country, to no group, to no individual in its patriotism and in its determination to support the President in our national foreign policy and our national-defense program. We, of New Orleans, during the past 8 months, have demonstrated in many ways our wish and hope to perform such part of

the national task in this emergency as the Federal Government should determine is to be allocated to us. We have made it possible for both the Army, the Navy, and the Air Corps to establish bases and defense units in New Orleans; and by constant cooperation with the armed services of the United States Government, the board whom I have the privilege of representing has placed its facilities and the services of its personnel at the pleasure of the Government. We are, therefore, vitally interested in any project advanced for national defense, when such project has been declared essential to national defense.

We raise the question as to whether or not the St. Lawrence seaway project is such a project. It has been said that the Army and the Navy have recommended this project as vital to national defense. I have read carefully all of the reports submitted on this subject, and I have yet to find in any report an outright, unqualified declaration by either the Army or the Navy that this project is vital for national defense. The nearest that I could find in these various reports to such a declaration is in the joint report of the United States and Canadian committees, submitted on January 3, 1941. The paragraph in the report to which I refer reads as follows:

Throughout their investigations the two committees have been constantly impressed with the defense aspects of the project as a part of a long-range program for use of the Great Lakes-St. Lawrence Basin by both peoples to strengthen the defenses of the North American Continent. The power which the project will provide is urgently needed for expansion of essential defense production on both sides of the border. A deep waterway will afford an unexampled opportunity for the expansion of shipbuilding, both cargo vessels and naval vessels, in naturally protected water.

I call to your attention the absence in this paragraph of any firm declaration. The committee simply were "impressed with the defense aspects" of the project; they believed that it would provide the power needed for expansion of defense production, and that the waterway would provide opportunity for the advancement of shipbuilding. I may make it clear to the committee what I mean by an illustration: If I were to place on this table a few samples of any one article of manufacture and pick one sample up and ask a group of experts in that line of manufacture for their opinion, they might well say: "This is a good article and can be made effective use of"; but, on the other hand, if I did not pick one of the samples myself, but said to the same experts: "Out of these samples pick the one sample which you believe is the best of the lot and will accomplish the job in hand best"; it may well be that these experts would not at all pick up the sample which I would have shown to them in the first place. In our humble opinion, this is exactly what has been done with the St. Lawrence seaway project. Experts have been asked to consider it, study it, and report on its engineering and economic aspects, and later, on its national defense value; but these experts have never been asked, as far as I know, for an opinion of what could best and most effectively be done during this emergency for national defense with the sum of \$300,000,000. Were they asked such a question, I believe that a board of military and naval strategists could point out a few projects, or a group of projects, for which this \$300,000,000 can be spent with more effective and prompt results, and contributing a much larger share of national effort toward national defense, than will the St. Lawrence seaway and power project.

And now the Congress is being asked to pass this bill without the benefit of such advice. A project of this magnitude, and involving so many considerations, should have the approval of Congress, and the very fact that it has been submitted to Congress supports that view. But the Congress should not launch the St. Lawrence seaway project without knowing from the military and naval experts whether or not they recommend this project at this time from a strategic viewpoint, in preference to some other projects badly needed by the armed services.

The intimation that the project would be opposed by selfish interests is undoubtedly true, but it is equally true that the project is being sponsored by selfish interests. I find nothing wrong in this, because, as a matter of fact, our whole national policy is one of selfishness. Have we not again and again proclaimed to the world that we are helping Great Britain and other nations attacked by the aggressor, not on the grounds of brotherly love or sentimentality, but because our selfish interest of preservation requires us to help Great Britain and the other nations? Furthermore, the selfish interests which are alined for and against this project are the same character of selfish interests which always dictate a national policy. In a democratic country like ours it is a composite view of selfish interests which always govern. As a matter of fact, the members of this committee know that when sufficient selfish interests form a preponderance of opinion, those cumulative selfish interests become the public interest. In our democratic form of government, that is the only way that the Congress can determine what is public interest and what is the will of the majority of its people. Therefore, we have no hesitancy in presenting to this committee our self interest.

Many objections have been raised to the St. Lawrence seaway and power project and some of the statistics furnished in the various reports have been pointed out as incorrect. I will leave to others the task of contradicting some of the statistics furnished to the President as to the time and cost of construction, savings effected, and such other matters. Personally, I have such respect for some of the men who signed these reports that, outside of a few discrepancies, which I propose to point out, I will accept their figures. I differ from them, however, in some of their conclusions, and I reach contradictory answers by using their own figures.

I want to say at this time that should this project be approved by the Congress and placed under the care of the Corps of Engineers of the Army, the job will be done well, expeditiously, and reasonably within their estimates; but I trust that the Congress will not see fit to burden the Corps of Engineers with that task, especially during the emergency.

I will confine myself for the next few minutes to the economic effect which I believe the St. Lawrence seaway would have on the port of New Orleans. It has been estimated that the seaway will have a capacity of 25,000,000 tons of cargo and that, in addition to the 8,000,000 or 9,000,000 tons which it now handles, will attract to the Great Lakes an additional 13,000,000 tons of cargo annually. I take it from the reports that this 13,000,000 tons of additional traffic to the Great Lakes is intended to consist of exports and imports. The Congress has been furnished with a mass of statistics, compiled from the year 1926; there is no need to burden the committee any further

with such statistics and I will, therefore, use what I have taken from various reports submitted as general averages. We can say that the annual foreign commerce of the United States, using a general average, is 100,000,000 tons of cargo; of which, for a like period in all cases, the Great Lakes have enjoyed about 14 percent; the city of New York, 25 percent; and the port of New Orleans, from 5 to 8 percent.

Attracting to the Great Lakes an additional 13,000,000 tons would more than double the percentage of foreign commerce of the Great Lakes. You will find nowhere in the reports the statement that this is new traffic but, on the contrary, that the additional 13,000,000 tons of traffic is to be taken away from the eastern seaboard and the Gulf area. In fact, General Markham testified before the Senate committee as follows:

Senator WAGNER. So that would be taking traffic away from somewhere else?

Colonel MARKHAM. Oh, yes; I think all ports on the Atlantic coast that receive these things tranship them by rail. You would look for the difference as the Lake regions expanded in the Northwest commercially and industrially and by way of population; but, off the bat, to use that term, yes; it would take it from somewhere—it has got to.

It is our belief that for a long period of time after the St. Lawrence seaway is completed, if this project is developed, there will be no new traffic to attract to the Great Lakes; any additional foreign traffic to that region will have to be a diversion from other ports. We will first have to establish new world markets for goods, a process which will take years and years, before our foreign commerce can reach such a figure as to make up to the Atlantic and Gulf ports for the losses occasioned by the St. Lawrence seaway. And let us not forget that when the present war is over, our manufacturers and our farmers will have to compete, both in buying and in selling, against the European market, including Great Britain.

I have estimated that out of the 13,000,000 tons annually diverted from other ports and attracted to the Great Lakes, New Orleans alone will suffer a loss of 3,000,000 tons, or about 25 percent. Of that amount, the public wharves of the port of New Orleans, owned by the State of Louisiana, will lose about 2,200,000 tons annually. These figures are not guesses, but have been calculated upon data obtained as accurately as could be obtained within the short space of time since this bill was introduced in Congress. A tabulation is furnished to the committee herewith, showing how this loss of tonnage has been estimated.

Of this 3,000,000 tons loss to the port of New Orleans, some selected commodities have been studied to show what the loss in those commodities would be. It is shown that we would lose in coffee imports through the port of New Orleans annually over 120,000 tons; in sugar, over 420,000 tons, not counting 62,000 tons of sugar produced in Louisiana; sisal, 50,000 tons; iron and steel for export, 93,000 tons.

What would be the loss to the port of New Orleans in monetary value, as represented by the loss of 3,000,000 tons of commerce? The records of this port show that our average income per ton of cargo passing over the public wharves is about 50 cents, so that the annual loss to the State agency in New Orleans would be over

\$1,000,000 per year—and this, gentlemen, would be a fatal blow to public ownership of terminal facilities at the port of New Orleans.

This board has an investment in terminal facilities at New Orleans of over \$52,000,000. Our average interest payment is about \$1,500,000, and payment on the principal of our bonds amounts to about \$1,100,000 a year. In addition the maintenance of our facilities alone requires an expenditure of from \$300,000 to \$400,000 per year, operating expenses amount approximately to \$1,500,000 a year. Our operating expenses and fixed charges, therefore, amount to about \$4,500,000 per year. As against that, we collect by contracts with two other State agencies and through a gas tax, about \$2,100,000 per year. Our income from service for use of our facilities averages about \$2,300,000; so that we find ourselves at the end of each year, after proper administration, just about even. Tables are attached herewith showing this financial set-up.

You can realize, therefore, that such loss in tonnage as to occasion a loss to us of \$1,000,000 a year would create a serious annual deficit and thereby compel this board to appeal to the taxpayers of the State of Louisiana for relief. And let us remember that the public wharves at the port of New Orleans are not operated for profit. Whenever there is a surplus greater than is necessary for safe and sound administration of the affairs of the port, the charges imposed by the board for the use of its facilities are intended to be reduced. This loss to the board I represent of \$1,000,000 a year is not the only loss that will be imposed upon the port of New Orleans. Correlated and consequential losses will take place. Less labor will be employed; fewer ships will come to New Orleans; a lesser amount of supplies will be bought from local merchants; the city, itself, will suffer a very material and indirect loss amounting, in my opinion, to several times the loss sustained by the board itself.

The losses occasioned to the port of New Orleans by virtue of a curtailment of 3,000,000 tons of commerce annually have been calculated on the basis of the number of ships that would be lost to the port and the consequent loss in pay rolls and funds spent for ship supplies and repairs. An average ship of about 6,000 tons gross register, carrying 4,000 tons of cargo, and making five annual round trips to New Orleans, was used as a basis. We find that a typical ship of that kind would have had a total expenditure in 1 year, disbursed in the city of New Orleans, of \$292,500, carrying inward and outward cargo amounting to 40,000 tons, or a loss of \$7.30 per ton. With a total loss of 3,000,000 tons of cargo it is seen, therefore, that the indirect losses to the city of New Orleans would amount to over \$60,000,000 per year, which is about one-third of the total savings calculated by the governmental reports would be effected by the use of the St. Lawrence seaway. It is not unreasonable to assume that the Gulf area, which includes the ports of Galveston, Houston, Lake Charles, Port Arthur, Texas City, Orange, Gulfport, and Mobile, would lose another \$20,000,000, which would be 50 percent of the total savings to be effected by the St. Lawrence seaway. In other words, construction of that project would take away badly needed funds from the pockets of the taxpayers in the struggling South and place them in the pockets of

the already wealthy Great Lakes region. I submit that this is not good national economics.

I have indicated what the losses may be, predicated on our present foreign commerce, but I can assure the committee that my long experience in this character of work teaches me that our losses will be several times greater. I say that because at present New Orleans is not a port of Louisiana alone; it is the port of the Central Valley of the United States, and the port of all the States whose waters are tributary to the Mississippi, Missouri, Ohio, and Illinois Rivers. The same region of the United States which has been pointed to by the reports submitted to the President as the Great Lakes area looks upon New Orleans as its outlet to the sea. With our coming trade in Latin and South America, especially after the emergency is over, the great traffic passing through the port of New Orleans for export and import must originate from, or be destined to, the very region which is tributary to the Great Lakes. With the St. Lawrence seaway project an accomplished fact, little of that potential traffic to and from South America is likely to pass through New Orleans. You will relegate the port of New Orleans from a port of major importance, second or third in the United States in foreign general cargo commerce, to a port of minor importance and of very little significance in the maritime picture of the United States.

The reports point out the great benefits that will accrue to the Great Lakes ports if they are converted into seaports, but it is within the province of the Congress to determine whether or not the already wealthy region of the Great Lakes is to be further benefited at the expense of the Gulf area, and particular of New Orleans. We point out that instead of injuring our port and impairing its effectiveness as a great port of the United States, the Congress and the National Government should make every effort to help us in developing the port of New Orleans into a greater and still greater port for the benefit of the whole Nation.

In addition to the investment of \$52,000,000 made by the State of Louisiana in public terminal facilities at New Orleans, there are vast investments by private capital and especially by the railroads. In addition, the United States Government has spent \$44,812,165 in the construction of improvements as South and Southwest Passes of the Mississippi River, and the maintenance of an adequate channel through those passes amounts to, in round figures, \$402,500,000 annually. Certainly the United States has not appropriated such a generous sum of money with the intent of now relegating the port of New Orleans to a mere river terminal port.

We have established, I believe, the fact that the St. Lawrence seaway project, as a navigation project, will immeasurably injure the port of New Orleans. Let us now examine to what purpose this would be done. If you construct the St. Lawrence seaway as a navigation project, you will undoubtedly deter industries and manufacturing establishments from locating in the Gulf areas, and it will tend to increase very materially the number of industries and manufactures already established in the Great Lakes area. Are we to

approve a project that will further congest that section of the country, already intensely populated, densely spotted with industries, with further establishments of that kind, or rather should we encourage industries and manufactures to establish themselves in the South where there is ample room for more population, more economical and just as efficient labor, and a plentiful supply of fuel and natural resources?

We concede the figures shown in the Department of Commerce report on the important and vast number of industries in the Great Lakes area, but we want to point out to the committee the pitiful comparison between certain cities on the Great Lakes and cities like New Orleans and Memphis on the Mississippi River. Chicago, for instance, has over 9,000 plants with over 500,000 wage earners and wages amounting annually to \$750,000,000; New Orleans has a little over 600 plants with about 27,000 wage earners and about \$20,000,000 wages; Memphis has about 300 plants with 17,000 wage earners and about \$15,000,000 wages; Cleveland and Detroit together have about 5,000 plants, 500,000 wage earners and \$800,000,000 wages. How much better would it be to increase the number of plants in the South, the wage earners and the pay rolls, than to further congest the Great Lakes areas?

Now a few comments as to some of the discrepancies found in the reports:

On pages 84 and 85 of the engineering report, it is said that in arriving at the savings effected by using the St. Lawrence seaway for ocean vessels, the total amount of exports to be attracted to the St. Lawrence area is the same percentage of the total United States exports as the production of the area bears to the total production of the United States; and then that report uses a figure of 70½ percent when, as a matter of fact, on page 158 of the report of the Department of Commerce, it is stated that the production of the area tributary to the St. Lawrence seaway is 46.28 percent of the total production of the United States; then I ask, why has the figure of 70½ percent been used? If the percentage used by the Department of Commerce is correct, then, of course, the savings estimated by the engineering report are entirely out of line.

Again in the report submitted this year by the Department of Commerce, entitled "St. Lawrence Survey—Part II," it is shown that the present time of passage, including lockages, from Duluth to Montreal is 142 hours; and yet, it is now estimated that with the St. Lawrence seaway completed, with more lockages, greater number of vessels using the seaway and, therefore, a greater number of hazards, the time of passage from Duluth to Montreal would only be 129 hours. These figures are irreconcilable and it is my belief, confirmed by a sea captain of years of experience in navigating the globe, that the time of passage from Duluth to Montreal would be at least 150 hours and even more.

The reports submitted to Congress have gone to great lengths to estimate the tonnage to be attracted to the Great Lakes area, and the savings to be effected, but it seems to me that those reports have completely ignored some simple facts.

For instance, based on the very figures which are submitted in the engineering reports and the reports from the Department of Commerce, as to distances traveled and time consumed from Duluth to every quarter of the globe, and after arriving at a weighted average taken from tonnage figures of the report as to origin and destination, I find that the average time consumed by a vessel from Duluth to the average point of the globe, as estimated by the reports, would be 32 days, or 64 days for a round trip. Since the reports state that navigation is possible on the Great Lakes about 230 days each year, it follows that the average vessel would make three and one-half round trips each year from Duluth to the average point of the globe. In order to carry the tonnage estimated by the reports, I have estimated that it would take 2,000 vessels to handle the anticipated Great Lakes' foreign commerce of 22,000,000 tons, composed of the 9,000,000 tons now being handled through the Great Lakes with canal boats, plus the 13,000,000 tons expected to be attracted to the Great Lakes by the completion of the project. Before the sinking of so many vessels during the present emergency, and again according to the figures submitted by the reports, there were afloat about 5,700 vessels of a draft of 25 feet and under. Therefore, it would require about 35 percent of the available vessel tonnage to handle the foreign commerce of the Great Lakes, which would then amount to about 20 percent of the total foreign commerce of the United States. I submit that the use of 35 percent of available ships to handle only 20 percent of foreign commerce is unsound economics.

A critic should make constructive suggestions. Therefore, with due respect to the administration, I suggest that the St. Lawrence seaway, if needed for expansion of defense production as far as power is concerned, be developed merely as a power project. If, however, it is felt that the 40- or 50-mile section which already has a 14-foot depth is too shallow, I suggest that the restricted section be increased to 18-foot depth at a comparatively small cost. You would then have a project which would produce all the additional power wanted, and a channel which would accommodate ships of adequate capacity to carry all of the Great Lakes' foreign commerce that should economically and without injury to other sections of the country be carried through the Great Lakes.

As the reports have pointed out, navigation has been taken care of in the Great Lakes with vessels, specially designed, of not over 14-foot draft and, as a matter of fact, some very fine ships of nearly 18-foot draft have been built and operated on the Great Lakes to advantage. We refer you to page 9 of the St. Lawrence survey by the Department of Commerce—Part II, where you will find pictures of the steamship *Carmelfjell*, built in 1935, and the steamship *Taborfjell*, built in 1938. Ships of that character, with about 17½-foot draft, could navigate the whole distance from Duluth to Montreal and out to sea, without any trouble. I am not suggesting an impossible thing and I quote from page 35 of part II of the St. Lawrence survey, as follows:

A study of world shipping history will indicate that there is an interplay between ship designs and limitations of channels and harbors which the ships are intended to use. This has been the experience in Great Lakes shipping. It has also been the experience in other parts of the world. A ship line, for instance, wishing to utilize the Suez Canal to the Orient must necessarily design its ships to suit that traffic. This is true for ships that wish to go up the Yangtze River, or up the Amazon. They must, in their very construction, conform to the limitations imposed by the channels.

I also quote a statement from Admiral Land, Chairman of the Maritime Commission, in the same part II of the St. Lawrence survey, as follows:

When a vessel or group of vessels is designed for a specific route the available depths of channel are always the governing factor in the selection of maximum draft, i. e., it is recognized that ships intended to serve the port of Buenos Aires, Argentine, must not exceed in draft a figure of 28 feet when entering or leaving that port. All pertinent considerations are governed accordingly. Another illustration: In the approach to the port of Shanghai are certain bars which limit the draft rather rigidly to 28 feet. In this case, given ample power, it is possible to enter or leave drawing as much as 29 feet.

However, for a new ship a designer fixes his dimensions and deadweight so that 28 feet will not be exceeded when approaching or leaving Shanghai. Referring further to this same port, consultation of various sources of information, including charts of the river, indicate that ships exceeding 750 feet in length will have difficulty in turning. Accordingly, it is this limitation on length which is accepted for vessels intending to serve the port of Shanghai.

I continue quoting from the Department of Commerce St. Lawrence seaway survey—part II, as follows:

Indeed, special boats were constructed during the course of the past 7 years to ply between the Great Lakes and European ports over the 14-foot canals. Norwegian and Dutch shipowners have maintained regular services with these boats which are modern in design and efficient in operation.

I think this is sufficient evidence to show that the channel through the bottleneck between Lake Ontario and Montreal could be dredged to 18 feet at small cost and that shipping lines would then design ships to navigate that channel and to handle the traffic which could economically be transported through that channel. You would strike a much fairer balance between the interests of the Great Lakes and the interests of the Atlantic seaboard and the Gulf areas by such modification of the project as would not injuriously affect the latter two.

Finally, I wish to suggest to the committee that from a national-defense viewpoint there are, I am sure, many, many projects which could be developed more quickly and with greater effectiveness by the expenditure of \$300,000,000 than can the construction of the St. Lawrence seaway. Ships, planes, and tanks could be constructed; more defense and shipbuilding plants could be rapidly erected in the South; more training camps could be established and provided with greater facilities of highways and public utilities.

Therefore, gentlemen, I urge this committee to weigh carefully the mass of evidence which is now being submitted by selfish interests on both sides and to determine the national policy of this country insofar as the St. Lawrence seaway project is concerned by the weight of evidence submitted. I respectfully urge you gentlemen not to be swayed by the statement that this is a No. 1 project for national defense, because the two branches of our armed services have never

declared this project to be essential to national defense, but have merely stated that it was a good project, would benefit the Great Lakes area, and would furnish more power. The fact of their being impressed with the defense aspects of this project is not an unequivocal and firm declaration of its necessity for national defense.

(The tables referred to above are as follows:)

Loss of tonnage to port of New Orleans due to St. Lawrence seaway—Traffic originating from or destined to Great Lakes area as defined in governmental reports, 1940

	Tons
River traffic.....	1,270,595
Of which 30 percent is exports and imports, or.....	¹ 381,000
Total foreign and coastwise movements through the port of New Orleans.....	11,613,772
Of that barge lines handled for acceptance and delivery ship, approximately (13 percent of total).....	1,500,000
Then 381,000 divided by 0.13 equals.....	3,000,000
Which represents lost tonnage to New Orleans in imports and exports handled ship-rail-water.	

¹ Lost from barges.

Importations of green coffee through New Orleans, as reported by members of the Green Coffee Association of New Orleans

[Pounds]

JAN. 1 TO DEC. 31, 1939

State	All-rail	All-barge	All-truck	Barge-rail
Illinois.....	43,326,577	13,133,998		32,524,827
Indiana.....	2,857,948	2,096,941	5,016	1,500,276
Iowa.....	6,453,490	467,755		2,146,853
Kansas.....	3,487,885			137,640
Kentucky.....	1,998,772	183,200		946,031
Michigan.....	170,591			
Minnesota.....	11,140,585	1,298,057		5,647,446
Missouri.....	32,680,303	23,555,334		4,060,759
Nebraska.....	2,280,160	130,528		9,625,714
Tennessee.....	17,417,829	4,658,536		10,925,244
Wisconsin.....	4,907,559	78,723		1,352,230
Total.....	131,721,699	45,603,072	5,016	68,867,040
Grand total, 246,196,827.				

JAN. 1 TO DEC. 31, 1938

Tennessee.....	20,143,832	4,133,065		6,002,387
Kentucky.....	3,434,951	60,466		818,551
Illinois.....	46,298,702	6,954,173		22,654,064
Indiana.....	2,523,661	123,695	4,488	3,816,470
Iowa.....	8,168,239	498,581		1,274,832
Missouri.....	54,166,942	23,001,769		599,794
Wisconsin.....	6,503,550			1,181,262
Minnesota.....	12,035,854	846,890		3,896,211
Nebraska.....	4,763,113			6,519,386
Kansas.....	3,892,248			213,477
South Dakota.....	827,881			
Total.....	162,748,973	35,618,659	4,488	46,976,434
Grand total, 245,348,554.				

Sugar movement, New Orleans and Louisiana to States as listed below in tons of 2,000 pounds, calendar year 1940

State	Sources					Total
	No. 1	No. 2	No. 3	No. 4	No. 5	
Illinois.....	35,881	1,977	31,086	13,020	137,332	219,296
Indiana.....	7,551	958	9,752	1,862	5,847	26,070
Iowa.....	5,039		180		2,031	7,250
Kansas.....	763				1,041	1,804
Kentucky.....	19,767	2,471	6,492	1,381	9,748	39,859
Michigan.....	25		149			174
Minnesota.....	370		989		3,046	4,405
Missouri.....	5,513	1,221	591	494	4,452	12,261
Nebraska.....	281				818	1,099
North Dakota.....					914	914
Ohio.....	1,733			1,335		3,068
Oklahoma.....	4,700		4,270		1,376	10,346
South Dakota.....					375	375
Tennessee.....	29,090	2,118	11,152	5,478	28,035	75,783
Wisconsin.....	5,576		2,851	433	9,056	17,916
Total.....	116,299	8,745	67,512	23,993	204,071	420,620
Grand total, exclusive of Louisiana sugar, 420,620.						
Louisiana grown sugars, 61,832 tons.						

Sisal—New Orleans to States as listed
[In tons of 2,000 pounds New Orleans to States as listed]

State	Source				Total
	No. 1	No. 2	No. 3	No. 4	
Illinois.....	259	639	6,234	9,392	16,554
Indiana.....			59		59
Iowa.....			18		18
Kansas.....	114				114
Kentucky.....			16		16
Michigan.....		1,350			1,350
Minnesota.....		1,852	4,593		6,445
Missouri.....	2,778	6,264	11,019		20,061
North Dakota.....			113		113
Ohio.....			966		966
Oklahoma.....	226				226
South Dakota.....			622		622
Wisconsin.....		17	1,419		1,436
Total.....	3,407	10,122	25,059	9,392	47,980
Grand total, 47,980 tons.					

Export steel, via barge lines, for calendar year 1940

[Tons, 2,000 pounds]

Source:	
(1).....	19,400
(2).....	23,409
(3).....	33,115
(4).....	17,291
Total.....	93,215

This steel originated in Chicago and St. Louis districts.

Statement of average yearly revenues and expenses

Average yearly interest payments.....	\$1,562,905
Average yearly bond redemptions.....	1,166,000
Total average yearly bond redemptions and interest.....	2,728,905
Average yearly operating expense (including maintenance).....	1,500,000
Total.....	4,228,905

Statement of average yearly revenues and expenses—Continued.

Average yearly income from services.....	2,200,000
Average yearly other income (State agencies and gas tax).....	2,175,000
Total.....	4,375,000

Losses to port of New Orleans in pay rolls, expenses for supplies, repairs, etc.

[Typical ship, 5,500 gross register tons, carrying 4,000 tons cargo, in port 4 days, 5 round trips per year]

Ships' terminal expenses, inclusive of stevedoring, clerks, commissions, towage, pilotage, wharfage, etc.....	\$10,000
Repairs and supplies.....	10,000
Loaders and unloaders, and drayage while in New Orleans.....	2,500
Total.....	22,500
Monthly pay roll of crew about \$15,000, or for each trip 12/5 at \$15,000.....	36,000
Total expenses.....	58,500

4,000 tons cargo each way or 8,000 tons (per ton).....	7.30
3,000,000 tons at \$7.30 equals (annual loss).....	21,900,000

Mr. DONDERO. Captain Garsaud, do you hold a public position in the city of New Orleans?

Mr. GARSAUD. Am I a public official, sir?

Mr. DONDERO. You are director of the port of New Orleans?

Mr. GARSAUD. No, sir. I am general manager of the port of New Orleans. I am a colonel in the Reserve Corps of the Army.

Mr. DONDERO. Then I had better call you colonel; that is a higher designation than captain. Do you believe in water transportation?

Mr. GARSAUD. I do, sir.

Mr. DONDERO. Do you believe it is the cheapest form of transportation we have in this country?

Mr. GARSAUD. With certain exceptions; yes, sir.

Mr. DONDERO. The port of New Orleans has been a great beneficiary because you have had water transportation. That is correct; is it not?

Mr. GARSAUD. Not exactly, sir. The port of New Orleans has been a large beneficiary, but the largest beneficiary has been the Midwest of the United States and the Central Valley. Our benefit is an indirect benefit. We are acting as the port for the central portion of the United States.

Mr. DONDERO. If you haven't been benefited by water transportation why are you here objecting to some of this transportation being diverted from your port?

Mr. GARSAUD. My answer was that we have been benefited, but it is not solely the port of New Orleans. The whole Central West has been benefited.

Mr. DONDERO. That is because you have ocean transportation and New Orleans is an ocean port?

Mr. GARSAUD. Yes; because New Orleans is an ocean port, and also because the United States Government has provided water transportation up the Missouri, the Mississippi, and the Illinois Rivers.

Mr. DONDERO. You have 90 feet of water in the Mississippi River at New Orleans?

Mr. GARSAUD. Well, in the center of the river above the head of the passes, we have as much as 100 feet.

Mr. DONDERO. But it would average at least 90 feet?

Mr. GARSAUD. No, sir; it does not. In the south pass and the southwest pass the limit of the channels there is 35 feet, so that although you have 90 feet of water in the river itself at New Orleans, in the center of the river, the maximum draft of vessels that can come to New Orleans is 35 feet.

Mr. DONDERO. That 35 feet of water permits vessels that carry about 80 or 90 percent of the commerce of the world to come to your port, if they have any cargo to deliver?

Mr. GARSAUD. I would say about 75 percent.

Mr. DONDERO. And if you didn't have 35 feet of water to accommodate those vessels you would be before this committee, undoubtedly, asking that the Government of the United States deepen the Mississippi River to permit the ships of the world of that draft to come to New Orleans.

Mr. GARSAUD. We have done that time and again.

Mr. DONDERO. And that is exactly what the ports on the Great Lakes are asking for.

The CHAIRMAN. Will the gentleman yield? We have a project before us for deepening the Mississippi to 40 feet.

Mr. RANKIN. What is the amount of that project?

The CHAIRMAN. \$4,200,000.

Mr. DONDERO. The amount that the Government is expending has already been stated by the gentleman at \$44,000,000, which is correct, because I have the report before me.

Mr. GARSAUD. That is right.

Mr. DONDERO. You are afraid that if the St. Lawrence seaway is deepened that the port of New Orleans will lose its commerce in sugar and coffee. Does that amount of sugar and coffee going to the Midwest go through the port of New Orleans or the port of New York?

Mr. GARSAUD. I have indicated here in the territory pointed out by the engineering and economic reports as tributary to the Great Lakes that out of the total amount of sugar consumed in that territory New Orleans imports 420,000 tons per year. That doesn't go through New York; that goes through the port of New Orleans.

Mr. DONDERO. How do you know that goes into the Great Lakes area?

Mr. GARSAUD. Because I have with me tables produced by the sugar people of Louisiana, the importers, giving the amount of tonnage imported through New Orleans to every State within the area pointed out as the Great Lakes area. I have it State by State.

They have simply taken the per capita consumption of sugar in the United States and the population of that area, and then have said, "We will import through the Great Lakes that amount of sugar." It may be that the people of that area consume more or less sugar than other parts of the United States. Also, they have completely ignored the fact that already a great deal of the beet sugar produced in the beet States serves that territory. We haven't made

that kind of a guess. We have taken figures from the sugar importers in New Orleans and have determined that 420,000 tons of sugar coming through the port of New Orleans is distributed for consumption in the States in that Great Lakes area. As pointed out in the reports, that actually goes through New Orleans, and is consumed in those States.

Mr. DONDERO. That sugar, then, reaches the Great Lakes by water transportation?

Mr. GARSAUD. Not always.

Mr. DONDERO. Doesn't it go up the Mississippi?

Mr. GARSAUD. It reaches it by rail and by water-rail. We have three forms of transportation.

Mr. DONDERO. You are afraid you are going to lose that tonnage if the St. Lawrence seaway is deepened, and you will lose it because you think it will go through the St. Lawrence because the transportation may be cheaper.

Mr. GARSAUD. I am taking at face value the statements in the reports submitted to Congress. Those reports say that sugar will go to the Great Lakes. I am not saying I am afraid to lose it. They tell us they are going to get it. That is where they are going to get their 13,000,000 tons. In that they are going to get so much sugar. I took their own figures and estimated how much of that sugar now goes through the port of New Orleans.

Mr. DONDERO. If it goes through the St. Lawrence seaway it will only go through because transportation is cheaper than the transportation is now. There would be no other reason to ship it that way, would there?

Mr. GARSAUD. Well, the reports make an assertion of certain savings that will be effected.

Mr. DONDERO. Is it not a matter of fact that if there is any loss in customs from some of the Atlantic ports that will be sustained by Atlantic coast ports rather than the port of New Orleans?

Mr. GARSAUD. No, sir; I differ with you there.

Mr. DONDERO. And the mayor of New York, who is to follow you as a witness before this committee, is in favor of this project.

Mr. GARSAUD. Yes, sir.

Mr. DONDERO. You don't think there is any selfish interest there, do you?

Mr. GARSAUD. Yes; I do. I will tell you why. I happen to have spent the last 11 years in New York myself, and New Jersey, on this kind of work.

Mr. GAVAGAN. New Jersey is not New York.

Mr. GARSAUD. I know the mayor of New York is in favor of the project, but I also know the maritime interests of the State of New York are against the project. And I think you will hear from them later.

Mr. DONDERO. I was rather surprised to hear you say that selfish interests were promoting the St. Lawrence seaway. Do you know that every President of the United States, since the days of Woodrow Wilson, both Republican and Democrat, have endorsed the St. Lawrence seaway?

Mr. GARSAUD. I know that very well.

Mr. DONDERO. And President Roosevelt is for it.

Mr. GARSAUD. I know that.

Mr. DONDERO. And the Governor of New York. Do you think there is a selfish interest there?

Mr. GARSAUD. The selfish interests I referred to were not interests as represented by the Government, but represented by witnesses who appear before your committee as I appear before you.

Mr. DONDERO. The Army engineers have been before us, and at least four of the President's Cabinet have been before us. Do you think they represent selfish interests? All of them have been in favor of this project.

Mr. GARSAUD. I have made my statement, that in my opinion, no one representing the Government represents a selfish interest. I am referring to the witnesses this committee has heard and will hear in the future.

Mr. DONDERO. Well, General Robins, of the Army engineers, is in the room. He has testified before us, and he has been in favor of this project and has recommended it from the standpoint of the Army engineers of the United States. Do you think that is a selfish interest?

Mr. GARSAUD. I am sure you are taking up the committee's time. I repeat for the third time that no one appearing for the Government, in my opinion, represents a selfish interest. I have the highest respect for the men who have signed these reports, and I said so in my statement. I repeat, when I say selfish interests, I mean the citizens, like myself, who are appearing from the various areas in favor of this project.

Mr. DONDERO. They represent all of the people of the United States, the Government officials, and even the President, and they have taken the position that this project, if it is not vital, is highly important to the Nation from the standpoint of national defense, and also from the standpoint of opening up the bottleneck to permit the Middle West to have the advantage of cheaper water transportation. That is their position. It may be that there are sections of the United States that may be affected adversely, but do you think that the common interest of all the people should give way to sectional interest?

Mr. GARSAUD. It has not been demonstrated yet, if you will permit me, certainly not to the satisfaction of a large part of the population of the United States that the building of the St. Lawrence seaway will accomplish what you have just said it will accomplish.

Mr. DONDERO. You do not think it will?

Mr. GARSAUD. I don't think so; no, sir; as a navigation project. As a power project, as you will recall from my statement, we are not opposing it. But as a navigation project, I think the adverse effects on the Atlantic seaboard and the Gulf, and to our own American Merchant Marine is going to largely offset any benefits that you may find, either through the Great Lakes, or nationally. In other words, it is not a question of what it is going to do to the Great Lakes and my business, in my opinion, but the Congress should consider what it is going to do to the whole Nation. If the benefits in the Great Lakes outweigh the adverse effects on the Atlantic seaboard and the Gulf, that is for you to determine. But I am asking you to weigh the mass of evidence, and if you find that the injury done the seaboard and the Gulf and the Middle West is greater than the benefits to the Great Lakes ports, like Detroit

and Duluth, then I say reject the project. That is for you gentlemen to determine.

Mr. DONDERO. The St. Lawrence seaway has been deepened on three occasions, to 14 feet?

The CHAIRMAN. From Lake Ontario down to Ogdensburg it is 27 feet.

Mr. DONDERO. But on prior occasions they have been deepened to where they are now 14 feet. As I understood your testimony, you are willing we should deepen it again, to 18 feet; is that right?

Mr. GARSAUD. That is because you have most of it, except a small section that now carries 21 feet, and the only section now is the Canadian Canals, which only have 14 feet, and possibly 14 foot locks.

Mr. DONDERO. The maximum depth of any ship that can travel the St. Lawrence seaway now is 14 feet.

Mr. GARSAUD. Because of that section.

Mr. DONDERO. Yes. If it is 14 feet deep for only 10 rods, no ship can go through that draws a greater depth than that.

Mr. GARSAUD. That is right.

Mr. DONDERO. Now you are proposing we deepen it to 18 feet?

Mr. GARSAUD. I say that a modification of that project to that extent would accomplish what you have in mind, and would provide a fairer balance between the interests that you want to benefit and in the interests that are being injured in the South and on the seaboard. In other words, I think you ought to strike a fair balance. If you limit that channel to 18 feet, I think the Great Lakes will have all the navigation they want, and the Atlantic seaboard and the Gulf ports would not be as seriously injured, or their effectiveness impaired. It is not a question of giving it all to one, or the other. It is a question of balancing between the two. In my opinion, that would be a fair balance.

Mr. DONDERO. But if we deepen it to 27 feet as proposed by the agreement and the Army engineers, it will take too much commerce away from the port of New Orleans and the Atlantic seacoast, and get to the Middle West through this waterway?

Mr. GARSAUD. That is right.

Mr. DONDERO. But as a national-defense matter, you don't think there is very much to it?

Mr. GARSAUD. The question of depth of channel I shouldn't think has anything to do with national defense. And I haven't read in the papers, or seen any report to the effect that for national defense we have to have 27 feet or 25 feet. The national-defense aspect is more a power project than a navigation project.

Mr. DONDERO. We were informed yesterday morning that the Navy is going to be before Congress very soon asking for \$585,000,000 more to build new shipyards.

Mr. GARSAUD. That is right; and instead of spending \$300,000,000—

Mr. DONDERO. We have 45 yards on the Great Lakes now.

Mr. GARSAUD. That is right; and instead of spending \$300,000,000 on this project, we ought to give the Navy that \$300,000,000 and start to build ships in the South.

Mr. DONDERO. But you don't think it would be good business to spend \$300,000,000 on the St. Lawrence seaway and give the Nation the shipbuilding facilities of the 45 yards already established?

Mr. GARSAUD. No; and I will tell you why. You can build shipyards in the South for six or seven million. We are building one in New Orleans now, to build 25 ships in 2 years, and we will put up that plant in 6 months, and in 2 years' time you can have the vessels for the Navy. You won't have this completed for 5 years. What good is that going to do the Navy?

Mr. DONDERO. Do you think we made a mistake in 1934 when the Senate of the United States failed to confirm the treaty with the Dominion of Canada? Had they done so, you wouldn't be here before us now.

Mr. GARSAUD. Of course, if they had ratified the treaty and construction had gone on, I wouldn't be here. I don't think the Senate made a mistake at all.

Mr. DONDERO. And if the emergency 5 years hence is as great or greater than it is today, we will be making a mistake today if we don't do it.

Mr. GARSAUD. Yes; but the trouble with that is you ought to build your shipyards in the South, and you would have them.

Mr. DONDERO. You wouldn't want us to use what we have now?

Mr. GARSAUD. You have them now, but you haven't a sufficient amount of them.

Mr. DONDERO. We are building small ships there for the Navy now, and we are told by the armed forces of the Nation that every ship-building facility of this Nation is now taxed to capacity.

Mr. GARSAUD. That is right.

Mr. DONDERO. And that we need ships and more ships.

Mr. GARSAUD. That is right. You can build these plants in the South in 6 months, and in 2 years you can have the ships.

Mr. GAVAGAN. Mr. Witness, I am interested in this statement of yours on page 8. You talk about the bottleneck between Lake Ontario and Montreal, with its 14-foot depth, and you advocate that we amend the project so as to provide an increased depth of 18 feet, or an increase of 4 feet; is that right?

Mr. GARSAUD. Yes; I suggest it. I don't recommend it. That is not my job.

Mr. GAVAGAN. All right, then; you suggest.

Mr. GARSAUD. I suggest that instead of a 27-foot channel, you provide for an 18-foot channel. That would mean the dredging of the channel to 18 feet and the reconstruction of your locks to provide for 18-foot vessels.

Mr. GAVAGAN. Well, now, if you had a channel 18 feet, all these dire disasters that you predict to the port of New Orleans would not take place; is that right?

Mr. GARSAUD. Not to the same degree. That is the point; it would not be to the same degree, but we will still lose commerce.

Mr. GAVAGAN. Then it would be satisfactory to you to have merely a small disaster happen to the port of New Orleans?

Mr. GARSAUD. Well, as the other member of the committee pointed out, we are all very patriotic in the South; we are willing to sacrifice some of our interests for national defense, for the benefit of other regions, but we are asking you not to actually deal us a fatal blow in the interest of the Great Lakes. We say to you, strike a fairer balance, limit your navigation to 18 feet.

Mr. GAVAGAN. Now, Mr. Witness, the channel from Lake Ontario to Ogdensburg at the present time is 27 feet, is it not?

Mr. GARSAUD. Well, I think it is 27 feet. Some parts are 21 feet.

The CHAIRMAN. It is 27 feet all the way down to Ogdensburg.

Mr. GAVAGAN. It is all 27 feet from Lake Ontario to Ogdensburg, the chairman informs us, at the present time; and then from Ogdensburg down to Montreal it is 14 feet. Is that right; or do you know?

Mr. GARSAUD. That is right.

Mr. GAVAGAN. So you would be satisfied to have additional dredging of 4 feet? You would want us to fill in 13 feet of channel from Lake Ontario to Ogdensburg, would you?

Mr. GARSAUD. Well, not only you will not fill it in, but when you build a dam you will have additional depth.

Mr. GAVAGAN. So then you really believe now that with an increase of 9 feet over what you advocate would harm you, while you could have 18 feet from Ogdensburg down to Montreal without this tremendous disaster to the port of New Orleans?

Mr. GARSAUD. Right.

Mr. GAVAGAN. But the additional 9 feet you really believe will create this terrible disaster to your port?

Mr. GARSAUD. I didn't say terrible disaster. I pointed out to you a loss of 3,000,000 tons of commerce. I pointed out to you that is a loss to the port of New Orleans of about \$20,000,000 a year.

Mr. GAVAGAN. Well, that would be a disaster, would it not—the loss of \$20,000,000?

Mr. GARSAUD. It would be very serious, but people have—

Mr. GAVAGAN. And you really think an additional dredging of 9 feet over your own proposition would create this tremendous loss to the port of New Orleans?

Mr. GARSAUD. Yes; because that 27 feet will permit such a greater number of vessels to serve the Great Lakes that the effect on the port of New Orleans would be that much greater. If you limit your dredging to 18 feet, we are going to lose a certain amount of tonnage, but we will not lose the 3,000,000 tons. We say to you, then, "All right; we will go along. We will suffer, but we realize that some benefits must accrue to the Great Lakes, and if you strike that balance that suits us." But what is being done is, you are building a channel that practically 75 or 80 percent of the vessels afloat can use, and that will cause serious loss to the port of New Orleans, as we view it.

Mr. PITTENGER. You are willing for the Government of the United States to spend \$44,000,000, giving you folks a harbor, in the interest of patriotism, and you think that that ought to be denied the people on the Great Lakes?

Mr. GARSAUD. No. You forget that on the Great Lakes a much larger sum of money has already been spent on the Great Lakes than on the port of New Orleans. Do not forget that. I have not got the figures.

Mr. PITTENGER. Have you got the figures?

Mr. GARSAUD. I have not got them with me, but perhaps the chairman has. But a much greater sum than \$44,000,000 has been spent by the Government already for the Great Lakes. I think that they have gotten their share.

Mr. PITTENGER. Yes; including \$118,000,000 for New York; some \$40,000,000 or \$50,000,000 for Philadelphia and another item for Boston. Now, all of you folks on the seaboard think that it is a fine thing to have on ocean port, but you do not want to deepen this channel to 27 feet and give the Great Lakes ports of Buffalo, Chicago, Cleveland, Duluth, Detroit, and these other ports the same advantages. Do you not think that that is sectionalism?

Mr. GARSAUD. No; I do not think so. I think it is a question that this committee has got to weigh the benefits of and the adverse effects on each section of the country.

Mr. PITTENGER. Now tell me how these 3,000,000 tons you will lose will be lost; where they will come from now that you get that you will not still continue to get?

Mr. GARSAUD. They come from the same regions and go to the same regions as the reports have estimated. If you will look through these reports, you will find that they have estimated that we imported from and exported to India, Africa, the East, and South America and Central America so many tons of goods and the reports state that out of so many tons of goods, the St. Lawrence seaway will get 13,000,000 tons. I have taken the same figures and showed that 3,000,000 tons of those goods from the regions that the reports point out come through New Orleans.

Mr. PITTENGER. And you do not take into account at all the fact that there will be an expanding commerce and that if the channel is deepened to 27 feet there will be imports coming into the Great Lakes area, too, by the very nature of things that cannot come there now and it will not hurt New Orleans at all.

Mr. GARSAUD. Well, where are they going; where are they coming through now?

Mr. PITTENGER. They do not come, because of this bottleneck, and they do not come because if they did come——

Mr. GARSAUD (interposing). You must take into consideration——

Mr. PITTENGER (interposing). The transportation rates would be prohibitive.

Mr. GARSAUD. You must take into consideration those imports now go to the Great Lakes area except that they come through Boston, New York, New Orleans, or other ports and are transported either by rail or water, or rail-water; but there is a tremendous amount of imports to the Great Lakes and exports from the Great Lakes. You have exported 9,000,000 tons during the past few years from the Great Lakes.

Mr. PITTENGER. Yes.

Mr. GARSAUD. They went out somewhere.

Mr. PITTENGER. Yes, even with a 14-foot channel there; even with a 14-foot channel.

Mr. GARSAUD. Well, that is the point.

Mr. PITTENGER. You believe in a static economy; that you should not do anything that would benefit other sections, if it might have a little adverse effect on another section.

Mr. GARSAUD. No, sir; I did not say that. I did not say that. I said you should do such things as will benefit the section you want to benefit without seriously injuring the other side, the other part of the country, and I say for you to strike that balance. Now, I selected 18-foot. You might think that 14-foot would be all right.

Mr. PITTENGER. No; no.

Mr. GARSAUD. I do not know. You might say that—

Mr. PITTENGER. No; don't put any words into my mouth.

Mr. GARSAUD. That is because your school of thought wants to give the Great Lakes the greatest depth possible.

Mr. PITTENGER. No.

Mr. GARSAUD. Irrespective of anything.

Mr. PITTENGER. No; let me say there that I sit as a member of this committee and I vote project after project; I vote for Philadelphia; I vote for Boston; I vote for New Orleans; I vote for the deepening of the channel of the Mississippi; I vote to help out Portland, Oreg., and Seattle, Wash., and I do it because it is a benefit to those sections of the country.

My philosophy is that what benefits one section benefits all of the people of the United States and raises the standard of living and contributes to the general welfare.

Mr. GARSAUD. Well, of course, you have heard, as I understand, in the work of the committee, you have heard so far the proponents of the project.

Mr. PITTENGER. I have heard both sides.

Mr. GARSAUD. You have just mentioned a few cities on the Great Lakes. I suggest that you wait and hear from some of the others of them. It is my understanding that Buffalo does not want this thing, and yet you think it is going to benefit Buffalo, and Buffalo does not want it.

Mr. PITTENGER. We have heard so much about Buffalo that we feel that we almost live there.

Mr. GARSAUD. I am not sure that Chicago wants it. It may be that some interests in Chicago want it. I know that some interests do not want it. I know that there are some interests in Minnesota that do not want it.

Mr. PITTENGER. I do, too.

Mr. GARSAUD. There you are.

Mr. PITTENGER. I will tell you where they come from, too. They come from what I call selfish interests that are afraid that they are going to be hurt if there is any change in the existing situation and I do not say that to be disrespectful, but I say it because I think their motives are purely sectional and they do not look at the proposition like President Roosevelt does, that whatever is for the greatest good for the greatest number is a march forward in progress and will benefit all of the people.

I will tell you what I think about New Orleans. I think there would be a coastwise trade with Great Lakes section whereby you could ship things that they produce down there that the folks in your section want, and you folks would find things you had that they needed, and I really think it will help every one. I do not think it will hurt you.

Mr. GARSAUD. You have not looked at the map. You have not looked at the map. At New Orleans we will never get any of that. I will tell you why. We get today from Chicago and the Great Lakes, with a distance of only 1,100 miles by barge, rail, and water and rail that traffic.

Mr. DONDERO. Do you get automobiles that way?

Mr. GARSAUD. Yes, sir; we get automobiles.

Mr. DONDERO. It has been estimated that we can sell you automobiles \$10 apiece cheaper.

Mr. GARSAUD. We get automobiles; but let me finish.

The committeeman's reasoning is erroneous. It is 2,300 miles from Duluth, and approximately 2,000 from Detroit to the open sea, and then you are away up there in Nova Scotia, and you have got to come down to Florida, and around Key West to get to New Orleans. Now, by the time your steamer will carry anything coastwise from the Great Lakes to New Orleans, we will have it down in New Orleans through the river or rail, and it will be on its way to somebody in South America before we can get it to New Orleans by coastwise.

Mr. PITTINGER. If that is so, then New Orleans should not be here opposing this at all.

I do not want to be unfair to the other members of the committee and I have taken more time than I intended. I have no more questions.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Colonel, I suppose you and I could discuss this without any charge of sectionalism. We live in adjoining States. I am from Mississippi. As I understand you, you do not object to the power development on the St. Lawrence River.

Mr. GARSAUD. I do not; no, sir.

Mr. RANKIN. The power project?

Mr. GARSAUD. No, sir.

Mr. RANKIN. It is not necessary for you and I to argue that point.

Mr. GARSAUD. That is right.

Mr. RANKIN. Now, you are not objecting, of course, to the development of the waterways in the South; you do not object to that?

Mr. GARSAUD. What?

Mr. RANKIN. You are not objecting to the Florida Ship Canal, are you?

Mr. GARSAUD. Well now, we are not discussing the Florida Ship Canal; but if you want my personal opinion, I will tell you, I am opposed to it as an engineer, not because I live in Florida or live in New Orleans, but as an engineer I am opposed to the Florida Ship Canal.

Mr. RANKIN. Are you opposed to the Tombigbee inland waterway?

Mr. GARSAUD. I am not opposed to the 12-foot channel through there; no, sir; barge channel; I am opposed to a ship channel.

Mr. RANKIN. You are not opposed then to the proposed 9-foot channel connecting the Tennessee with the Tombigbee?

Mr. GARSAUD. I am not opposed to the 12-foot channel.

Mr. RANKIN. You are not opposing that?

Mr. GARSAUD. No.

Mr. RANKIN. You object to this on the ground that it would take commerce into the Great Lakes that would ordinarily go through New Orleans; is that your objection?

Mr. GARSAUD. That goes through there now; yes, sir.

Mr. RANKIN. That goes through there now?

Mr. GARSAUD. Yes, sir.

Mr. RANKIN. Now, as a matter of fact, is not the trouble with the South that we are paying a one-way freight rate; now, that is the trouble?

Mr. GARSAUD. Well, that is part of it.

Mr. RANKIN. All right. You know that you can ship goods from Detroit to New Orleans by rail, ordinarily, cheaper than you can ship from New Orleans back by rail; do you not?

Mr. GARSAUD. That is right.

Mr. RANKIN. All right. We are being strangled to death by the railroads and the Interstate Commerce Commission.

Mr. GARSAUD. We are trying to correct that.

Mr. RANKIN. I understand, but we are not getting anywhere. I am trying to correct it, too.

Now, let us get back to this question of what effect this would have.

I heard nearly all of the arguments against the Tennessee Valley Authority that I have heard against the St. Lawrence to be frank with you; but there is no wheat that goes through New Orleans to amount to anything, is there, for export?

Mr. GARSAUD. I should say at times we have put through New Orleans as much as 37 or 38 million bushels of wheat through New Orleans in a season.

Mr. RANKIN. In a year?

Mr. GARSAUD. Yes, sir; in one season. In other seasons we have put through there nothing.

Mr. RANKIN. That was one year out of a production of about 800,000,000 bushels; was it not?

Mr. GARSAUD. I do not know. I do not have the figures.

Mr. RANKIN. I will tell you. The production of wheat in this country runs from 600,000,000 to 800,000,000 bushels a year. Of course, it is not all exported, that is true. So that the shipment of wheat involved in New Orleans is practically out of the picture, is it not?

Mr. GARSAUD. I have not included in my figures any wheat at all.

Mr. RANKIN. All right. You have not included any wheat.

Mr. GARSAUD. No, sir.

Mr. RANKIN. When it comes to shipping livestock or meat products, there is not so much of that goes through New Orleans.

Mr. GARSAUD. You mean the livestock?

Mr. RANKIN. Yes, sir.

Mr. GARSAUD. We are shipping some livestock now; yes.

Mr. RANKIN. I understand; but a very small amount.

Mr. GARSAUD. Very small.

Mr. RANKIN. And, the meat that is shipped from this country to foreign countries, very little of it goes through New Orleans.

Mr. GARSAUD. That is right.

Mr. RANKIN. Well, all right. The main thing then that we ship out of New Orleans is cotton, is it not?

Mr. GARSAUD. Well, I have not included cotton in my figures. We are shipping practically no cotton at all.

Mr. RANKIN. All right. You do not ship cotton.

Mr. GARSAUD. Not right now; no. The Senate has frozen cotton in the interior, and we have no cotton, or practically no cotton to export.

Mr. RANKIN. What cotton is shipped, as a rule, is shipped from the southern ports?

Mr. GARSAUD. During peacetimes, the Gulf ports, Houston, Galveston, New Orleans, Mobile, ship a great deal of cotton; yes, sir.

Mr. RANKIN. All right. The balance of our foreign trade depends on cotton, does it not?

Mr. GARSAUD. It depends upon what country you are dealing with.

Mr. RANKIN. And has for 100 years, has it not?

Mr. GARSAUD. Depending upon what country you are dealing with.

Mr. RANKIN. Any of them, except South America. They produce the same things we do.

Mr. GARSAUD. If you are dealing with India—

Mr. RANKIN. Now, the balance of our trade with both Europe and Asia for the past 100 years has depended on cotton, has it not?

Mr. GARSAUD. I do not think that is correct, because in the last 10 or 15 years—

Mr. RANKIN (interposing). Just what do you think it has depended on during the last 10 years?

Mr. GARSAUD. Because, as you know, a great many of these countries grow their own cotton. In the old days we used to ship a lot of cotton to Russia. We have not shipped any cotton to Russia recently.

Mr. RANKIN. No. You cannot ship anything else to Russia now. There are a lot of things in this country that I would like to ship to Russia, but unfortunately I cannot get permission. I say that in all deference.

Mr. DONDERO. You do not mean the witness?

Mr. RANKIN. No; I do not mean the witness. The witness is from the right place.

Now, I want to ask you if it is not a fact that about 40 to 60 per cent of our cotton goes ordinarily into foreign trade, does it not?

Mr. GARSAUD. Something along that line.

Mr. RANKIN. For us to deal with the foreign countries; for us to have any foreign trade at all, the ships that take that cotton to the foreign countries must bring back foreign goods, must they not?

Mr. GARSAUD. They should.

Mr. RANKIN. If they do not, they will not travel, will they?

Mr. GARSAUD. Well, from the European ports it is all out of line.

Mr. RANKIN. I do not care about that.

Mr. GARSAUD. That is what you are ignoring.

Mr. RANKIN. I understand that; but no matter what we are ignoring, it is the height of stupidity for any country to imagine that any shipper is going to ship goods one way and bring the boat back empty.

Mr. GARSAUD. They try not to.

Mr. RANKIN. And that was the fallacy of the high protective tariff of 10 or 15 years ago.

Mr. GARSAUD. That is right.

Mr. RANKIN. Now then, if we are going to ship—I want to point this out to you, that I do not think that you will be hurt by this—if we are going to ship our cotton, that cotton is going to go to Europe and Asia, is it not?

Mr. GARSAUD. Part of it.

Mr. RANKIN. Largely to Europe when this war is over.

Mr. GARSAUD. That is right.

Mr. RANKIN. Then that cotton will go from southern ports, will it not? That is natural, is it not?

Mr. GARSAUD. Yes; I presume it would.

Mr. RANKIN. Then, the boat that takes that cotton—

Mr. GARSAUD (interposing). Now, let me tell you this—

Mr. RANKIN. Wait a minute.

Mr. GARSAUD (interposing). Let us stop at this point, if you will permit.

Mr. RANKIN. All right.

Mr. GARSAUD. But that is one of the things we are afraid of. You know, rails and barge lines work two ways. They go up as well as they go down.

Now, I am not so sure that when you take cotton from Oklahoma that a rate will not be established that will send that cotton to the Great Lakes ports.

Mr. RANKIN. You might get a little cotton from Oklahoma.

Mr. GARSAUD. We get a lot of cotton from Oklahoma.

Mr. RANKIN. Now, you are for—

Mr. GARSAUD (interposing). Most of the cotton we get, Mr. Rankin, in New Orleans, is from Oklahoma, Mississippi, and Louisiana; not from Texas at all.

Mr. RANKIN. All right. At least one-third of the cotton, or one-half of the cotton, grown in the United States is grown east of the Mississippi River and in Louisiana and Arkansas; and Texas grows about three-fourths of the balance of it, do they not, or four-fifths, so that practically all—I would say 90 percent—of the cotton would naturally go through those southern ports, would it not?

Mr. GARSAUD. Yes; a great deal goes through there.

Mr. RANKIN. Now, if that cotton is shipped to foreign countries, and that is what our balance of trade has depended upon—if that cotton goes to foreign countries from southern ports and they bring back those commodities, bring back the commodities that those countries produce, they are bringing them back to the ports from which they sail, are they not?

Mr. GARSAUD. Yes; but you are not—

Mr. RANKIN. Wait a minute. And that will bring this trade right back into the same territory from which the raw material emanated, will it not?

Mr. GARSAUD. No. You are forgetting one thing. You are one step ahead of the process. That ship that takes cotton out of New Orleans and goes where you say it is going has to have a balanced cargo. If it is all cotton, it is not going.

Mr. RANKIN. Has to have what?

Mr. GARSAUD. A balanced cargo. They have to have part cotton, part steel, part machinery, and other things.

Now, if the ships on the Great Lakes take the steel and the machinery that is now coming through New Orleans, and our ships only get cotton, that is not economics, either.

Mr. RANKIN. All right. You have sugar down there to ship?

Mr. GARSAUD. No; we do not. We do not export sugar. We import sugar.

Mr. RANKIN. We have lumber to ship, and we have a great many other things to ship. In other words, we are a raw-material country. Our prosperity depends upon foreign markets. There is not any question in the world about that. Our prosperity in the South, which is a raw-material section of this country, one of the great raw-material sections, depends upon foreign trade, upon a foreign market.

Now, to reach that foreign market these raw materials all go from southern ports, and in order to do so they will have to bring back the products of other countries and will necessarily bring them back from the very ports from which they sail.

Now, what is the answer to that?

Mr. GARSAUD. My answer is, where are you going to get the commerce these men are taking to the Great Lakes? Where is that coming from?

Mr. RANKIN. If they want to ship their wheat—I think that the Great Lakes is unduly excited about the benefits that they are going to get out of this, and I am friendly to the project; but they will ship their wheat to Europe, as a matter of fact, exchange that wheat for products produced in Europe, whether the manufacturers along the Great Lakes like it or not, and they are going to bring those products right back to the Great Lakes.

Mr. GARSAUD. Exactly; instead of New Orleans.

Mr. RANKIN. Why are you picking on that?

Mr. GARSAUD. Instead of through New Orleans.

Mr. RANKIN. All right. You do not expect them to close up the Great Lakes and have them ship all of their wheat and cattle down there, do you?

Mr. GARSAUD. No.

Mr. RANKIN. We must look at this thing realistically and I am as much interested in the South as you or any other man in or out of Congress, but I cannot see wherein this project will injure the South when we are shipping an entirely different raw material; entirely different products, from what they are shipping out of the Great Lakes, and when those vessels must bring back to us the products of the country to which our raw materials go.

Mr. GARSAUD. Yes; Mr. Rankin. You are speaking from the farmers' point of view or the manufacturers' point of view. I am speaking from the port's point of view, the point of view of the Port Authority.

Mr. RANKIN. All right.

Mr. GARSAUD. Wait a minute. Because we do not depend upon the raw products you speak of for the success of our port. We depend upon the material that the manufacturers of that Great Lakes region export, and also depend upon the material which they import.

Mr. RANKIN. Now then—

Mr. GARSAUD (interposing). If the port of New Orleans has got to live on the raw products you speak of, we are going to find ourselves in the position that I stated in this statement.

Mr. RANKIN. All right, let us go a little further. You spoke about iron and steel. Where is the second iron and steel center in America? Birmingham, Ala., is it not?

Mr. GARSAUD. Yes, sir.

Mr. RANKIN. All right. That is far closer to New Orleans—of course, they do not have to go around through New Orleans—but do not overlook Mobile, one of my pet ports.

Mr. GARSAUD. That is right.

Mr. RANKIN. Down on the mouth of the Tombigbee inland waterway.

Mr. GARSAUD. I like it, too.

Mr. BANKIN. That steel is not going to go around through Chicago to the Great Lakes in order to get on to a cargo of cotton ordinarily that would be shipped through New Orleans.

Mr. GARSAUD. I did not include that steel in my figures. I included in my figures the material that we got from the Great Lakes area which this year amounted to 90,000 tons. I did not figure the Birmingham steel at all.

Mr. BANKIN. Let me ask you just one or two more questions.

Take aluminum. We have the world's reserve supply of aluminum raw material, have we not, the bauxite? I am sorry that the gentleman from Arkansas [Mr. Ellis] is not here, but I think the overwhelming majority of the bauxite in America comes out of the State of Arkansas.

Mr. GARSAUD. That is right.

Mr. BANKIN. That is near the port of New Orleans, is it not?

Mr. GARSAUD. Yes.

Mr. BANKIN. And we are building aluminum plants along the Tennessee River and down through that area to produce that material.

Mr. GARSAUD. That is right.

Mr. BANKIN. That is closer to New Orleans than it is to the Great Lakes.

Mr. GARSAUD. How does that help the port of New Orleans? Bauxite is not shipped through there from Arkansas.

Mr. BANKIN. You do not object to its going through Mobile?

Mr. GARSAUD. No; Mobile gets bauxite now.

Mr. BANKIN. I see. You were talking about the proposition that this cotton had to have other materials to go with it, and I am not objecting to your statement, but I say that those materials are in the South.

Mr. GARSAUD. We cannot export bauxite.

Mr. BANKIN. For every boat that we need to ship our raw materials to foreign countries, we will have this additional material there to load those boats with.

Mr. GARSAUD. Yes; but we do not export bauxite. We import it.

Mr. BANKIN. We will be exporting it. We are talking about the post-war conditions now. When this war is over, we will be exporting the aluminum produced from bauxite.

Mr. GARSAUD. We have been importing bauxite to my knowledge for the last 18 years.

Mr. BANKIN. I understand; and we have imported it through New Orleans.

Mr. GARSAUD. Through New Orleans.

Mr. BANKIN. Yes; through New Orleans.

Mr. GARSAUD. That is right.

Mr. BANKIN. And it ought to come up the Tombigbee River and will when the country does its duty by the Tombigbee. But now, the point that I am making there is our lumber, there is the bauxite; there is the coal; there is the steel; there is the iron; and we have a monopoly of the world on sulfur in the South.

Mr. GARSAUD. That is right.

Mr. BANKIN. All of those raw materials are there in the South to be mixed in with cotton.

And, the third largest crop in America is cottonseed.

Mr. GARSAUD. Yes, sir.

Mr. RANKIN. These fellows from the West and the North do not know that we produce about two-thirds as many bushels of cottonseed as we do wheat in this country. We have all of that and all of the products that go out of the southern ports.

Now, if these vessels go out of those ports loaded with those raw materials, how in the world can this project hurt New Orleans or hurt the South, when the boats will be coming back with materials for other sections.

Mr. GARSAUD. I think that the answer to that is very clear. We have not figured those commodities of which you speak, grown in the South, or brought to the South, in our figures. We have taken the line of the reports which goes through Wisconsin, down through Tennessee, and up through Ohio.

Mr. RANKIN. Colonel, can you be back at 2 o'clock?

Mr. GARSAUD. Yes.

Mr. CARTER. I move that we adjourn until 2 o'clock, Mr. Chairman.

Mr. GAVAGAN. The committee will recess until 2 o'clock.

(Thereupon, at 11:52 p. m., the committee took a recess until 2 p. m. of the same day.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to recess.)

The CHAIRMAN. Gentlemen, we have the mayor of New York with us, and he is ready to proceed. Mr. Mayor, we will be glad to hear from you in your own way. You may remain seated if you wish.

STATEMENT OF HON. FIORELLO H. LaGUARDIA, MAYOR OF THE CITY OF NEW YORK

Mayor LaGUARDIA. Mr. Chairman, I appear on behalf of and in support of H. R. 4927. I want to make it clear that my city is divided on this subject, and I assume full responsibility for appearing here today in support of the St. Lawrence River development. My own business advisory committee, known as the Mayor's Business Advisory Committee of the City of New York, is on record in opposition to this project. I want the record to show that.

This subject is not new. Many of us have been giving a great deal of thought and study to it for many years and, like every other great project, it meets with opposition from those who know too much about it and those who know too little about it.

My city has the greatest port—

The CHAIRMAN. Mr. Mayor, would you allow me to disturb you for a moment? I understand there is about to be a vote on a rule on the May bill. I am afraid our Members will want to be on the floor.

Mayor LaGUARDIA. That is all right; I used to answer roll calls myself.

(The committee thereupon took a recess for the purpose of answering a roll call.)

The CHAIRMAN. Are you ready to proceed, Mr. Mayor?

Mayor LaGUARDIA. As I was saying, Mr. Chairman, and gentlemen, my city has the greatest port in the entire world. It is a typical port city. Surely I would not be endorsing this project if I had the slightest fear that it would injure my city as a port.

I have not come to this conclusion in the last few minutes. Some of us, as I said before, have been with this project for a great many years. It is natural that people might have a fear of competition. We are constantly confronted with that. At one time New York City was the only port on the Atlantic seaboard. Seventy-five years ago all of the ocean traffic, practically all, came into the port of New York. Since that time other great ports have developed on the Atlantic—Baltimore, Philadelphia, Boston, Charleston—

The CHAIRMAN. Norfolk.

Mayor LaGUARDIA. Norfolk. There was a time when all the cotton came up North. Within the last 30 years I would say your great Gulf ports have developed and we are still in business as a port in New York City.

The CHAIRMAN. And you have continued to expand and grow.

Mayor LaGUARDIA. We have several hundred millions of dollars of investment in our waterfront property. I would say that 80 percent of it is owned by the city. During my time, during the past 7½ years, I built several large new piers to accommodate the large ships and new business.

I want to say this: That if there were no navigation problem in the St. Lawrence project, this committee would now be confronted with the same opposition only they would try to pick upon some other reason. Let us be frank about this. It is not navigation that is causing the opposition. That is not the reason. The real reason is the power feature. Remove the power feature and you would see the opposition disappear. So I am perfectly willing to discuss it on the merits.

Any new, any improved means of transportation is an aid to commerce. The same with traffic. We build new parkways and new avenues in our large cities to ease up on traffic conditions and it creates more traffic. It was the boulevards and the parkways and the highways that were built in this country that developed our motor-vehicle traffic and industry, and the same is true here.

Now, granted that this new waterway will provide an additional avenue, and granted that it will be more economical to ship farm produce and manufactured goods from the north-central section of the country through this new waterway, and granted, if you please, that the Atlantic ports would lose some of this traffic, it would still be a net gain to our commerce.

Why? Because the more improved and economical means of transportation we can have with the other countries of the world, the better our foreign commerce condition will be. And it just creates and creates more export. So I want to make it very clear, and I realize and want to repeat that there is a division of opinion in my city on it, that I do not fear one bit this new waterway as interfering with or injuring any of the Atlantic seaboard ports.

Now, as to the power feature. I am strong for that, and I let the whole world know it. Power now is a necessity. When I was a little boy out in Arizona, some 55 years ago, I remember when we had the first electric light. It was magic; it was a luxury. We still had the old kerosene lanterns in our home, and candle light. And I remember when I first went into the Government service, back in 1904, electric light was still a luxury in Europe. Only a few of the first-class hotels had electric lights. Now, electric light and electric

power is no longer a luxury. It is a necessity. It is just as much a part of our life as water. It is just as much a part of our public health as sunshine. And, gentlemen, no group of people have the right to monopolize sunshine or water.

The time is coming so rapidly that this very necessary utility of life will be all publicly owned and publicly operated. If you send across the street to the Congressional Library, and get a history of the water-supply systems of this country, you will find that water went through the very same process, the very same opposition, the very same arguments against public ownership of water supply as power is now meeting. There was no difference at all, and there are now very few communities that have privately owned, privately operated water-supply systems. We had them in New York City at one time, and we still have a little bit of a section in Brooklyn that is served by a private water-supply corporation with a perpetual franchise. They won't last very long now. We provide water, the purest, in sufficient quantity to seven and one half million people from a publicly owned, publicly operated water-supply system.

The magnitude of this project does not shock me at all. For at this very time, right now at this very moment, we have in the course of construction an additional water-supply system in the Delaware River shed that will cost the city over 230 or 240 million dollars. And as an engineering problem it is far more difficult than this one. This is perfectly simple in comparison to the engineering problems we have in our water-supply system. That will be completed in 2 years; we have been building it for 4 years. So the magnitude and cost of this, in this day and age, does not at all shock me.

Mr. KIRWAN. Is that the trapping of the Delaware River waters?

Mayor LaGUARDIA. That is in the watershed; yes.

We use, in New York City, about 1,200,000,000 gallons of water a day. I only use that to illustrate that in this day and age we simply must adjust ourselves to undertakings of gigantic proportions.

Why are we so concerned and interested in this development? Frankly, because it is one of the very few remaining water projects to be developed, and we are greatly interested in that we want to see this power that is now going to waste utilized for the benefit of the people of our section of the country.

This is a peculiar age that we are living in. It is a heart-breaking age. It has been a difficult one. But when the history of this country will be written, covering the period from 1934 to date, when all our little problems, or what we consider problems, will long be forgotten, what will stand out? I will tell you what will stand out: Muscle Shoals, Boulder Dam, Bonneville, and Grand Coulee; just as that period of building of the West following the 1849 era, the great development of our railroads reaching out West and building a new continent stands out, and the little political differences, the little scandals of the railroads and the stock manipulations are all forgotten now. A great continent is there, and that is true in what we are doing now in harnessing and utilizing God's gift to this country on the St. Lawrence.

Now, we simply cannot, with the present state of development of engineering and what has already been accomplished, stand idly by

and permit another session of Congress to end and let the continued waste of power in the St. Lawrence flow into the Atlantic. It is wrong; it would be wrong to delay it any longer; and the opposition has delayed this year after year. First, you remember, Mr. Chairman, they would come to Washington and would say, "Well, we have not studied it enough yet; let us get more information; we want more studies made." We have had surveys and studies made, and survey after survey. Now, they cannot raise that point any more, and now that we have had all of these surveys made and we have had all of this study made, now we hear all of a sudden of a great interest in the Atlantic seaboard ports. I appreciate that interest, and I hope the same people will help me when we try to get a break in railroad rates to my port. I welcome such help, but it simply does not go. It is not genuine; it does not ring true. The real opposition is power, and that is why I favor it. Now, in 1934, shortly after I left Congress, I assumed my duties as mayor, and I was on the job only a month and a half when some of my good friends thought they would put the mayor on the spot, and they asked him this: "Congressman, you have been shouting in Congress for the development of waterpower. How do you feel on the St. Lawrence now? You are mayor of New York. How do you feel on the St. Lawrence water power now?" Well, you know, I never hesitated to stick my chin out, and this is what I gave my political friends for comfort. Let me quote from a letter I wrote about a month and a half after I became mayor.

Mr. DONDERO. What year was that, Mr. Mayor?

Mayor LaGUARDIA. 1934. This was in a letter to Senator La Follette. [Reading:]

No special interest or agency claiming to speak for the city of New York is justified in opposing the Great Lakes-St. Lawrence Treaty on the ground that it is inimical to the welfare of the people of our city.

President Roosevelt and Governor Lehman are entirely correct in their public statements to the effect that the municipalities of this State will readily absorb cheap electricity from the public power project on the St. Lawrence.

The joint report of the Federal Power Commission and the Power Authority of the State of New York shows that electricity can be generated on the St. Lawrence, transmitted, and delivered at the substation in New York City at a price of less than one-half cent per kilowatt-hour at 80-percent load factor. It would unquestionably benefit every consumer of electricity in the city of New York to have this potential abundant supply of exceptionally cheap current available through public development. The mere availability of St. Lawrence power would, in my opinion, provide the salutary force of public competition which has always resulted in lower electric rates for consumers. * * *

To build dams in the St. Lawrence for the dual purposes of developing power now running to waste and removing obstacles to navigation which today block off the access of the Great Lakes to the sea will admittedly save millions of dollars and reduce the cost of both power and navigation.

No official study has ever been sponsored by the city of New York that supports the claim that completion of the seaway will injure the commerce and shipping of our port. We have one of the great natural harbors of the world, and it has been improved by the use of public funds. New York City is unique as a port and not afraid of inland competition. Since 80 percent of the water-borne commerce of the United States is domestic rather than foreign trade, the extension of our seacoast into the Middle West will inevitably increase the profitable exchange of goods between New York and the other great American cities in the littoral of the Great Lakes.

A temporary or slight diversion of export and import tonnage does not justify, in my opinion, the obstructing of a national project so obviously in the interest of the United States as a whole. In the long run, it is certain that New York City, as

the metropolis of the Nation, will benefit from economic recovery and development in the Middle West.

I said that in 1934, and I stand by it now.

The CHAIRMAN. Gentlemen, are there any questions?

Mr. DONDERO. I would like to ask a few questions?

The CHAIRMAN. Mr. Dondero.

Mr. DONDERO. Mayor LaGuardia, there have been 2 types of fear expressed here, and you have touched on one of them. One is that the importation of cheap foreign manufactured goods will ruin the harbor cities of the Middle West, particularly those on the Great Lakes, and the other is that it would divert commerce from the coast ports, your own city of New York included. Do you care to comment on those statements?

Mayor LaGUARDIA. As I have already stated, anything that will increase commerce with foreign countries, we all benefit by; and a slight diversion, if any, will not injure the seacoast ports, because the increased commerce will more than offset that; and then, after all, it is not a 365-day proposition. They tell me it freezes up up there sometimes, so that would not hurt us any, either.

Mr. DONDERO. In spite of that freezing, we still carry about 22 percent of the commerce of the United States on the Great Lakes.

Mayor LaGUARDIA. And if you can carry it more economically through a natural waterway, you are entitled to do it.

Mr. DONDERO. Now, your great port of New York has been exposed to cheap foreign products since this Republic began. In spite of that, you have grown and expanded to be the greatest port in the world.

Mayor LaGUARDIA. The importation of cheap products is never local. That is national. They tell me the tariff has taken care of that, somewhat.

Mr. DONDERO. Yes; we have heard of that, although it is somewhat quiescent now.

Mr. RANKIN. That is taken care of; it is destroyed.

Mr. DONDERO. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Mayor LaGuardia, I infer from your statement that you think that the real opposition to this St. Lawrence project emanates from the private power interests?

Mayor LaGUARDIA. That is my opinion.

Mr. SMITH. I believe you stated that if you restricted this project only to the navigation feature and abandoned the power feature, why, a lot of that opposition would disappear?

Mayor LaGUARDIA. There is no doubt in my mind about that.

Mr. SMITH. Is it your opinion, then, that the railroads are not seriously opposed to it?

Mayor LaGUARDIA. Let me tell you about the railroads. They started thinking about 5 or 6 years ago. If the management of the railroads had paid more attention to the turning of the wheels of the railroads instead of the turn of the stock ticker, they would not be in the mess they are in today.

Mr. SMITH. It is your opinion that a lot of their opposition is not justified?

Mayor LA GUARDIA. Well, we cannot stop progress. The railroad managers cannot even adjust competition among themselves; they cannot adjust their own business, and then they have the nerve to come up before a committee of Congress and try to stop progress because a natural way of transportation is to be developed. The railroad managers are nice fellows, but they should have started thinking 45 or 50 years ago.

Mr. SMITH. Thank you, Mr. Mayor.

The CHAIRMAN. Are there any further questions?

Mr. SCHULTE. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Peterson?

Mr. PETERSON. I have no questions.

The CHAIRMAN. Mr. Bender?

Mr. BENDER. Mr. May, I understand the Merchants Association of New York City is against this project. Do you think they are controlled by the power trust?

Mayor LA GUARDIA. No; but they are influenced.

Mr. BENDER. You think they have some connection with the power trust?

Mayor LA GUARDIA. Oh, yes; they are very friendly; we know each other in New York, you know. The Merchants Association is a great association. It is very helpful to me. We do not always agree, and, of course, when they do not agree they must be wrong.

Mr. BENDER. The mayor is aware of the fact that there are some forty-odd associations in New York which have passed resolutions against this project. You would not say that is entirely due to the power trust itself?

Mayor LA GUARDIA. No; as I said in my opening statement, but they did oppose my efforts to build a publicly owned and publicly operated power plant in the city of New York.

I will tell you what they did, Mr. Chairman, and this is interesting. For some time, in New York State, and my New York colleagues will appreciate this, we have been fencing around trying to get public ownership of power plants, and so, finally, we got a law permitting a municipality, on a referendum vote, to build publicly owned power plants. Auburn and other cities had referendum votes, and the power companies went out, and this is the way they met the issue: "Do not vote 'Aye' on this referendum; it will be a burden on the taxpayers. You are going to be liable, and the politicians cannot run the business." They can with guaranteed rates. "Vote against it, because it is going to increase your tax rate," and they defeated the referendum in several cities. So I come along, and I submit a referendum not pledging the credit of the city, taking it out of any possible loss, making it self-financing, and self-liquidating, and what did they do? They took me up to the court of appeals, holding that it must be a charge and a pledge on the city of New York. They wanted to avoid competition. We have had it pretty hard in New York State. Let me tell you this, Mr. Chairman, they had a nice tie-up until 1934, when I became mayor of that town. Do you know what I found? I have slapped \$180,000,000 in increased assessed valuation on their property, and that is what I retrieved after going through the courts.

In other words, the public utilities of my town were under-assessed by \$180,000,000, and now they are paying their taxes, not getting out of them. Let me tell you something else about the situation in 1934 when I came in. We have one contract for the lighting of our public buildings, and the United States Government has a contract for the lighting of the Federal buildings. Lo and behold! Their rates were just as excessive in the one case as in the other. They sent a contract to the city and told me to take it or leave it. I said, "Leave it; we won't sign it." They said, "We will shut off your lights in the city," and I said, "You do, and we will take you over." In the meantime, the Treasury Department, which has charge of the public buildings, had the same proposition presented to them. So I went down to Washington. I saw the President, and we exchanged troubles, power troubles, and I said, "Now, what do you say if we build a power plant just for public use?" It was a brilliant idea. So, we took a blueprint, and, Mr. Chairman, I can tell you this, now that it is all over, we made a picture of a power plant, and I had Admiral Backenhaus come down to New York to put it up. He had a lot of blueprints under his arm. We said we were going to build a power plant, located so we could light the city streets and Federal buildings. I took off \$3,000,000 from my bill that year, and a million dollars a year ever since, on a blueprint. You can imagine what we are going to do with a dam.

Mr. BENDER. It was not necessary for the Great Lakes-St. Lawrence waterway to do that.

Mayor LA GUARDIA. No; but I needed these blueprints, and this [indicating map of the St. Lawrence project] will help a lot.

Mr. BENDER. You know, Mr. Mayor, we have a lot of respect for you, at times you have been a good Republican.

Mayor LA GUARDIA. I sat on that side of the House.

Mr. BENDER. One of my colleagues here said, "you better not tangle with him, because he is quick on the trigger," and I said, "yes, and I respect him for it."

Mayor LA GUARDIA. I am a very timid, gentle soul.

Mr. BENDER. You are all right. I remember back in 1932 the President, himself, said that mounting debt was an undesirable thing; is that not a factor?

Mayor LA GUARDIA. It is.

Mr. BENDER. Do you not believe that? The President was frank enough to concede that the taxes were paid by the sweat of every man's brow.

Mayor LA GUARDIA. That is right.

Mr. BENDER. And these large projects, like the St. Lawrence, of course, cost the country a tremendous amount of money. Do you think that is desirable to go on developing more of these projects and having the debt continue to mount?

Mayor LA GUARDIA. I do believe, with all my soul, that this will more than pay for itself. You cannot take a gigantic proposition like this and measure it in the term of 1 fiscal year. You cannot measure this in 50 years. This project will be here, gentlemen,

for several hundred years. Now, as I said before, the amount is not staggering. I have spent many times this amount in 7 years in my own city.

I have something to show for it, and my projects are self-liquidating, the Tri-Borough Bridge, the Whitestone Bridge, the Henry Hudson project, and the Marine-Brooklyn project are all self-liquidating. We started with one and built it, and it is paying for itself. They are all paying for themselves. The Thirtieth Street Tunnel will pay for itself. What is 40 years in a tunnel sunk under the river? We are building now the Battery-Brooklyn Tunnel, and it is going to cost \$81,000,000. It does not stagger us; it will pay for itself, and the St. Lawrence will pay for itself.

Gentlemen, these are challenges. When God made the world He was working on a 7-day week, and He did not quite complete it. He left something for man to do, and we are going there now on the St. Lawrence to do that work. The water was put there, the fall was put there for a purpose, and the human mind has conceived and developed possibilities to use this weight, this power, to turn a wheel which generates electricity. It is a challenge. We have got to complete this job. Mr. Congressman, that is one contribution to the next generation for all the other mistakes that we are leaving.

Mr. BENDER. Mr. Mayor, using your judgment, you would be in favor of all of these projects, everywhere throughout the country, building all of them?

Mayor LA GUARDIA. Oh, yes.

Mr. BENDER. You believe in public ownership?

Mayor LA GUARDIA. I believe in public ownership of water, light, air, and access.

Mr. BENDER. Do you believe, and I am not being facetious—

Mayor LA GUARDIA (interposing). No.

Mr. BENDER (continuing). That most of these utility interests are crooked?

Mayor LA GUARDIA. I will say this, they have a bad reputation.

Mr. BENDER. Just like some politicians, is not that correct?

Mayor LA GUARDIA. I don't get along with politicians very well.

Mr. BENDER. Some candidates are notoriously forgetful after election; is not that a fact, Mr. Mayor?

Mayor LA GUARDIA. Well, it is almost a rule, unless once in a while some of us provide an exception.

Mr. BENDER. Now, Mr. Mayor, you referred to the period of 1934 to 1940 in which you enumerated several things that you thought would stand out?

Mayor LA GUARDIA. I do think so.

Mr. BENDER. Do you not think the great unemployment in this country will stand out as well as one of the features of that era?

Mayor LA GUARDIA. No; it was the result of the mistakes of the previous era.

Mr. BENDER. You do not think we are making the same mistakes now?

Mayor LA GUARDIA. I hope not.

Mr. GAVAGAN. In other words, for years previous to 1934 a backlog was accumulating, those things were happening then.

Mayor LaGUARDIA. There was a school of thought in this country that saw this thing coming. There was a small group in the House that saw it coming, and they were called obstructionists and alarmists, but any student of economy, or any student of conditions, saw what was going on in that period from 1921 and 1922 up to the time that the crash came, and it was inevitable.

Now, that brings up another subject. Right now when we have this artificial stimulus by reason of the defense program creating employment and work, we must start planning to meet the situation when that period is over, and it will be over sometime. It just cannot continue indefinitely, and we must not make the same mistake again. It is going to require, gentlemen, very drastic treatment, but we have all of the experience of the after-war period of the 1920's. We have learned a great deal during the last few years.

So, right now, there ought to be people thinking about this, those who have the time to think it out, and we ought to have all of our blueprints ready and all of our plans ready, so that when the desired moment comes, when this troubled war condition rights itself, all we have to do is pull our plans out of the drawer and put them into operation.

Mr. BENDER. Mr. Mayor, until the Government started its defense program, why was there no expansion in the heavy industries? That is, the heavy industries were practically at a standstill.

Mayor LaGUARDIA. I would not say that. If you will take the amount of public works started from 1934 on, both through P. W. A. and W. P. A., I am sure you will agree that if it had not been for the Government's foresight and vision in keeping these industries alive, we would have had another condition in this country too terrible to contemplate.

Mr. BENDER. The National Manufacturers Association made a survey of the heavy industries only about 3 years ago, and at that time they gave several reasons for the heavy industries being at a standstill. They made a survey among their own people. The reply was that high taxation consumed the greater part of their income. How much of our national income would you say is consumed by taxes now?

Mayor LaGUARDIA. All that is necessary. You have got to tax. That is your only source of revenue; you cannot run a government unless you do tax. What they meant to say was that they were unable to adjust themselves to a new economic level.

It was not until comparatively recently, and that was after the enactment of the constitutional amendment, that we ever had an income tax in this country, and in the beginning it was very, very mild. I think you will remember, Mr. Chairman, that when we passed the act of 1917 we thought it was shocking then, and yet, in comparison with what is coming, that tax law was mild. Well, now, they simply have to adjust themselves to a new economic level.

Do you know that during the development of this country, following the Civil War and just prior to the Civil War, 15 and 20 percent interest was considered nothing? All of that is changed. Now you have to meet new conditions. The exploitation of labor is no longer recognized as being a smart thing in industry. We now be-

lieve in and see the necessity of paying decent wages. It is an economic adjustment which will have to be made in the entire world. Other countries have gone through it, and we are going through it now.

Mr. BENDER. Mr. Mayor, you spoke of the growth of New York City. What would you say contributed most to the city's growth?

Mayor LaGUARDIA. Do you want me to tell you?

Mr. BENDER. Yes.

Mayor LaGUARDIA. Immigration and the exploitation of those immigrants; my parents were among them. That is what made it.

Mr. BENDER. You do not believe that providing them with employment was a factor—

Mayor LaGUARDIA. Of course I do.

Mr. BENDER. And individual initiative? My father was with one concern for 52 years. He was just an average man, but we had opportunities, you and I, in this country for advancement through hard work. We had an opportunity to make something of ourselves in a small way.

Mayor LaGUARDIA. That is right, but I think that opportunity still exists in our country.

Mr. BENDER. You think it exists to as great an extent as it did a few years back?

Mayor LaGUARDIA. I certainly do; because we have a great many more opportunities for free education and better and more avenues; but if you just judge it on enormous incomes of a few individuals at the expense of a great mass exploited, then I say that that particular individual opportunity properly does not exist any longer.

Mr. BENDER. Your State and mine, and I come from Ohio, are fine examples of States that legislated and acted against that exploitation many, many years ago, over a long period of time.

Mayor LaGUARDIA. Yes.

Mr. BENDER. Mr. Mayor, that brings me to another question. I come from the city of Cleveland, and a great part of our income goes toward the payment of interest on our debt. We have been borrowing and borrowing, as many American cities have, and I do not believe New York is an exception. How long do you think we can keep that up without one of these days having a day of reckoning?

Mayor LaGUARDIA. Oh, it all depends on what you borrow for. If you are going to borrow for current expenses, you cannot keep it up very long. If you are borrowing prudently for public improvements, then, of course, you can keep it up indefinitely. I am speaking now of where you have limited borrowing capacity fixed by constitutional or other limitations. Now, in my city, surely, we have a large bonded indebtedness. The interest and amortization alone require \$160,000,000, but we have something back of it. We have a railroad system that cost and is worth about \$1,600,000,000. If you subtract that from the bonded indebtedness of New York City, then you will see that our bonded indebtedness is very small, but when you come to a sovereign State where you have unlimited borrowing capacity, that is, without limitations of constitutional provision, then your borrowing must be measured in terms of what you have back of it. In the case of the United States Government, you have back of it the entire commonwealth of the country, and when you come to a project like this, then you have dollar per dollar back of it, and you have not impoverished, you have enriched the Nation.

So, that is not our trouble. Our trouble with the cities and with the States, in many instances, is that they borrow for current expenses. I do not do that, and some of my older colleagues appreciate how distasteful it was for me to impose taxes on my city in order to meet current expenses, but I have done it, and I live within my means.

Mr. BENDER. Members of my own church got so that they could not worship in a small church. They borrowed money to build a beautiful, monumental building. We still owe several hundred thousand dollars. Before 1929 there was great expansion. Our cities built great auditoriums and stadiums with borrowed money. We got the "bigger and better than ever" fever. Some of us still have the fever. This project is an evidence of that. We borrow to build. Do you not think that it is about time to call a halt to that sort of thing, in the light of the fact that 39 percent of our Government expenditures are paid by borrowed money?

Mayor LaGuardia. Well, I would not build questionable projects. I would only construct good projects, and then you are perfectly safe.

Mr. Gavagan. You think a beautiful memorial church, built to the worship of God, is worth any price, do you not?

Mayor LaGuardia. Well, I do not think anyone loaning the money ought to take interest on it.

Mr. Rankin. I thought we had the separation of church and state in this country, and I would like to get back to this project, Mr. Chairman.

Mr. BENDER. As an active churchman, I believe the best investment we in America can make is to build churches. I am just using that as an illustration. Some of our governmental agencies are going broke as a result of our paying 39 percent of our expenses with borrowed money.

Mayor LaGuardia. It all depends on how prudently it is spent.

Mr. BENDER. Why would you say that our banks today are filled with idle money?

Mayor LaGuardia. Well, there are many reasons for that. You know, we used to think that our big financiers and bankers were wizards. They were, as long as the going was good, and the first time they were caught they were helpless. We must be fair; a great many restrictions have been put on them; but many of our banks have become pawn shops. They have to have more collateral than you borrow to make a loan, and under such conditions, of course, it follows that they have a great deal of liquid money.

Mr. BENDER. It is not the bank; it is the people who are putting their money there, who refuse to invest in enterprises that refuse to make the wheels go around.

Mayor LaGuardia. It is not the people who refuse. Since when do the banks consult the depositors on their investments?

Mr. BENDER. But the depositors keep their money in the banks rather than putting their money out to work.

Mayor LaGuardia. Well, now, a while ago it is true that the people used to put their money out to work, but you cannot blame them in view of the terrible licking they took after the crash. Today they are protected to a certain extent, now that the flotation of bond issues and the promotion of stock is under control and supervision, so that

avenue has been closed, but hundreds of billions of dollars have been lost through this believing public who did put their money to work. If they do make an investment now, they know that the facts on which they were induced to invest are reasonably true.

Mr. RANKIN. Mr. Chairman, I would like to make a point of order, that these are questions that ought to be propounded before the Committee on Banking and Currency, and are so far afield from the question under investigation by this committee that I think it ought to be stopped. We have already gone through the gentleman's church, and now we are going through his bank. It has absolutely nothing to do with this project.

Mr. BENDER. It is pertinent, because we are spending the taxpayers' money here to the extent of anywhere from three hundred million to a billion dollars.

Mr. RANKIN. I make the point of order that if he wants to ask any questions that are pertinent to this issue of power or transportation, all right, but if he is going to ramble around through his bank or through his church, I am going to make a point of order that it is not pertinent to the matter under investigation.

Mr. BENDER. The gentleman is not being funny.

Mr. RANKIN. And the gentleman is not being either profound or funny.

Mr. BENDER. With all of his facetiousness he does not impress me at all. I will say this to you that certainly it is apropos to the issue, this Government spending.

Do you not believe, Mr. Mayor, that we have reached the peak of Government spending and the point where we have to stop, look, and listen before we take on any more projects and burden the American taxpayer generally to a greater extent than he is already burdened?

Mayor LaGUARDIA. Not if the project is useful and desirable and self-liquidating.

Mr. GREEN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. Green.

Mr. GREEN. Mr. Mayor, I was interested in your statements about the general development of our country and the proper development of projects being for the benefit of all of the country, and I was particularly impressed by the statements of the gentleman concerning worth-while projects which are self-liquidating. I believe with you that the moneys we invest in them give us a double value. Now, we have a project in Florida that I believe the gentleman is pretty well familiar with.

The CHAIRMAN. What is it, Mr. Green?

Mr. GREEN. I am surprised that the Chairman does not know, having been exposed to it for so many years, but this project has been approved by the Board of Engineers, and the Chief of Engineers appeared before our committee, together with the Chief of Staff, and said it was of tremendous national-defense value, and transportation-wise men said it would have a million dollars a year in transportation, and it was said it was a self-liquidating coal project, or peat, which would liquidate in 40 years the investments. Those who know about transportation say it will carry twice the tonnage of the Panama Canal, and that has never been questioned,

a project where we will have an investment of about \$150,000,000 or \$160,000,000.

Mayor LaGUARDIA. A sea-level canal?

Mr. GREEN. Yes; and this committee has now three times approved it, and it is now ready to go should Congress approve it. Now, I wonder if the gentleman believes that the general philosophy that he has mentioned here about developments would apply to that canal the same as to the St. Lawrence?

Mayor LaGUARDIA. I take it you refer to the Florida ship canal?

Mr. GREEN. I refer to the Florida ship canal; yes.

Mayor LaGUARDIA. I have heard a great deal about that from General Somervell. He was down there digging it, and then somehow he got through. I had him up in New York, and he was building things for us up there. Of course, the gentleman knows that everything he ever offered on the floor of the House I always supported more or less.

Mr. GREEN. Now, there is one further question which is not proper here, perhaps, but I hope the committee will bear with me, and I ask this question because the committee is all interested in it.

I think Mayor LaGuardia is the best informed in foreign affairs and in American affairs of any man in this country. Now, there may be men in America that know as much about America as he does, and there may be men in Europe who know as much about Europe as he does, but combined together he is the A man.

I wonder if you would venture any view or guess as to how long this conflict may last? I mention that in connection with our national-defense program. Can you give us any estimate as to how long this conflict may last?

Mayor LaGUARDIA. I will say to my colleague that I did venture into the field of foreign affairs some 5 years ago, whereupon the Department of State was called upon by a representative of a foreign government to apologize for the statement of the mayor of the city of New York. So, since that time Cordell Hull and I have made an agreement, Cordell Hull to attend to foreign affairs, and I to clean the streets of New York. But the war cannot get over too quick to suit me.

Mr. HALL. I notice in Governor Lehman's testimony that he said the Department of Commerce reported that New York City might lose 1,800,000 tons of shipping a year, foreign shipping, if this project is completed.

Assuming that to be true what, in round figures, would that mean in loss of money to the city of New York each year?

Mayor LaGUARDIA. What is the total tonnage?

Mr. HALL. That is about 8 percent of the foreign-borne traffic of New York City. That is the Department of Commerce report.

Mayor LaGUARDIA. I do not agree with that figure, if you mean a net loss in tonnage. There has been a falling off of ocean traffic, I would say, ever since the World War, and the reason for that is there is less importing and exporting of specialized goods. The exporting and importing now is generally limited to native products. In the old days we exported harvesters, sewing machines, cash registers, and a great many manufactured goods like that.

Now, as you are aware, a license is given to a foreign country and they manufacture there. You gentlemen who have traveled in Europe

will recall seeing all over Europe Singer sewing machine, Remington typewriter, McCormick harvester, and Ford tractor factories, so that we have declined in ocean business for some time. I do not see what figures they have to estimate any net loss on at this time. It is highly speculative.

Mr. HALL. I assume their figures to be correct.

Mayor LaGUARDIA. I suppose the loss would be corresponding in percentage.

Mr. HALL. How much would it be in dollars if you could tell us?

Mayor LaGUARDIA. I could not tell you that.

Mr. HALL. Mr. Mayor, you spoke about railroad rates a moment ago. You said you would like some assistance in relation to railroad rates.

Mayor LaGUARDIA. I could use some.

Mr. HALL. I served with Mr. Gavagan in the New York State Legislature, and I think we have the best labor laws in the country, and I think we have some of the highest taxes in the country.

Mayor LaGUARDIA. I do not think so. You take the weighted percentage, and we just blow that theory right up.

Mr. HALL. What do you think is causing a number of our industries to leave New York City?

Mayor LaGUARDIA. It is not so. I can give you figures on that. That is a lot of real-estate propaganda in some of the neighboring States. It is just not so as to our city.

Mr. HALL. Is it not a fact that our Attorney General appeared before the Interstate Commerce Commission on the *Railroad Rate case* and brought out just that thing?

Mayor LaGUARDIA. I think what the Attorney General pointed out was the decided advantage that we have on those freight rates. By the way, we just won the *Lighterage case*, as you know. We are getting a pretty rough deal. Our friends to the South are getting the benefit of that. There is no question about that. I have been up against this talk about manufacturers leaving town so long that every time a manufacturer quarrels with his wife he comes down to the city hall and says, "I am going to leave New York, I am going away." But it is not so.

Mr. HALL. Just to give us an idea of the size of the job you have up there, what is the bonded indebtedness of New York City?

Mayor LaGUARDIA. A little over \$2,000,000,000.

Mr. HALL. A little over \$2,000,000,000?

Mayor LaGUARDIA. Yes; but we have something to show for it; that is, a water system, a subway, and other substantial public investments.

The CHAIRMAN. Mr. Rankin.

Mr. RANKIN. Mayor LaGuardia, just before you and I came to Congress—

Mayor LaGUARDIA (interposing). They did not get along so well then, did they?

Mr. RANKIN. They did not.

Cleveland, Ohio, the city from which the gentlemen from Ohio comes, also made an investment, and at that time it had one of the

most distinguished men in this Nation as its mayor, Tom Johnson, whom you and I always revered. They put in a municipal light and power system, and I have the record of it before me now. They had invested \$12,688,641, and it has been paid down, unlike the churches to which the gentlemen referred, and the banks to which he referred, it has been paid down to \$2,745,352. They have the lowest rates of any city east of the Rocky Mountains outside of the Tennessee Valley area, and that is the same system, as I understand it, that you have been advocating in the city of New York; is that correct?

Mayor LaGuardia. That is right.

Mr. Rankin. Now, I have pointed out time and time again that if all of the people of Ohio received their electricity at the same rates provided by this municipal plant in Cleveland they would save around \$40,000,000 a year, just the people in Ohio. So, the gentleman from Cleveland has had the wrong crowd making his investments. He ought to have Tom Johnson back there making his investments for him, and Newton Baker to handle the financial end of it.

Mr. Bender. And there have been Republicans operating that all the time.

Mr. Rankin. There have been Republicans running those churches and banks.

The Chairman. Have they run the churches, Mr. Rankin?

Mayor LaGuardia. It is true that either a Republican or a Democratic administration can run a power plant economically for the benefit of the people, just as it is true that it makes no difference where your power gang is, whether you have a Republican or a Democratic administration, they get away with it.

Mr. Rankin. I will tell you what they will do; they will go out and pick out a Democrat and nominate him for president, the Power Trust will. I have seen them do it in the last year. I say that advisedly.

Mayor LaGuardia, I think you and I understand each other on the power question, because I expressed my views awhile ago, and I have heard you express them time and time again when you were in the House. They talk about going down into the Federal Treasury and getting money to develop this power. As a matter of fact, this power sold at the rate mentioned by the Army engineers would pay this entire investment back to the Government, would it not, over a period of 50 years?

Mayor LaGuardia. Fifty years.

Mr. Rankin. And, that would leave them one of the greatest developments of ancient or modern times.

Mayor LaGuardia. That is right.

Mr. Rankin. Now, I have just looked at the figures of the Army engineers, General Robins, who is sitting behind you, and it shows that this power can be delivered to the city of New York at 3.132 mills per kilowatt-hour or, we will say, 3.14 mills per kilowatt-hour. That is wholesale.

Now, that is much cheaper than any of this power in the Tennessee as turned over to the municipalities in that area.

The city of New York is just as capable of distributing this power if turned over to them as Cleveland, Ohio, or Tupelo, Miss., is it not?

Mayor **LAGUARDIA**. Absolutely.

Mr. **RANKIN**. So, if this power were turned over, if it were delivered to the city of New York, if you had a municipal system, as you will have without doubt ultimately, and this power were laid down there at that price, you could distribute at the Ontario rates or the T. V. A. rates, or the Bonneville, or Tacoma rates, without loss on your investment, could you not?

Mayor **LAGUARDIA**. It is my feeling we could.

Mr. **RANKIN**. I have just gone over the rates with you here, and it shows that the householder in the city of New York, or throughout the State of New York, only uses about 65 kilowatt-hours of electricity a month. I do not know what it is throughout the T. V. A. area, but in my town it is 178 kilowatt-hours a month. That is residential.

Mayor **LAGUARDIA**. They use it for cooking, too?

Mr. **RANKIN**. We use it for cooking and washing, refrigerating, and also heating our houses.

Mayor **LAGUARDIA**. You will find that the difference in our city is we use mostly gas for cooking, and there is no reason for that.

Mr. **RANKIN**. Another reason is that your rates are so high.

Mayor **LAGUARDIA**. That is right.

Mr. **RANKIN**. That you cannot use it for heating purposes at all, and many families cannot use it for refrigerating.

Mayor **LAGUARDIA**. And do not forget that the same interests own the gas companies.

Mr. **RANKIN**. Certainly, and that exactly the same persons are down here and they have the same agents down here to fight this project just as they had them down here to fight the T. V. A. While we were having those hearings we had one excited gentleman come before this committee who said that he represented the railroad brotherhoods, and went back and wrote me a letter against flood control on the Tombigbee River, as if it would hurt the railroads. I am going to read it again. I understand that he is going to testify in opposition to this, and I am going to read it then.

Now, I have some figures here that I want to call your attention to. I have the rates for the city of New York. I believe you would call it the Queens, would you not?

Mayor **LAGUARDIA**. Queens is a part of New York City.

Mr. **RANKIN**. In Queens; and I also have the rates here for the T. V. A. area—the T. V. A. rates.

Mr. **BENDER**. Mr. Chairman, you will notice that I am not objecting to any of this.

Mr. **RANKIN**. You ought not to, because this is on the subject.

Mr. **BENDER**. What subject?

Mr. **RANKIN**. I want to call this to your attention if I may.

For instance, in the city of New York, 40 kilowatt-hours of electricity per month costs \$2.24; in Tupelo it costs \$1.

One hundred kilowatt-hours a month in New York, that is, Queens, costs \$4.69; in Tupelo it costs \$2.23.

In New York 250 kilowatt-hours a month costs \$8.67; in Tupelo it costs \$4.25; and 500 kilowatt-hours in New York City costs \$13.47, and in Tupelo \$6.18.

Now, those are the residential consumers.

We turn over now to the commercial consumers—the forgotten men in this electric game are the men who pay commercial rates, and I find that 1,500 kilowatt-hours a month in New York City costs \$88.17.

Probably I had better go back and say 150 kilowatt-hours a month in New York City costs \$8.28, in Tupelo it costs \$1.75; 375 kilowatt-hours a month costs \$19.57 in New York—that is for the merchant, the hotel operator, the restaurant operator, the filling stations, garage operators, people who pay commercial rates. If they use 375 kilowatt-hours a month it costs them \$19.57, in Tupelo it costs \$8.28; 750 kilowatt-hours in New York City costs \$44.54, in Tupelo it costs \$13.28; 1,500 kilowatt-hours a month in New York City, or in Queens, costs \$88.17; in Tupelo it costs \$21.90.

That is the reason they do not like to hear me talk about electricity on this committee.

Now let us turn over and see what it costs a man who pays in the higher brackets.

A commercial consumer in Queens, who uses 6,000 kilowatt-hours a month pays \$179.54 a month; in Tupelo, where you have the T. V. A. rates, instead of paying \$179.54 he would pay \$78.

Now, that gives you an idea of the difference in what it means to have the St. Lawrence Inland Waterway developed and this power made available to the people of New York, and what it means to let it run waste to the sea throughout the next few generations.

Mayor LaGUARDIA. That is right.

Mr. RANKIN. I find that in Jacksonville, Fla.—I want to call your attention to this—Jacksonville, Fla., has one of the great municipal systems of this country. It only makes one mistake. It tries to make money out of it.

Mayor LaGUARDIA. Most of the city's income comes from their electric plant.

Mr. RANKIN. They use it to pay taxes on vacant lots and on the other fellow's property.

In other words, they pick the pockets of the consumers, you understand, to pay the taxes on the other fellow's property, and that is exactly what we protested against and that is what we have prevented in the Tennessee Valley area.

Jacksonville has a plant valued at \$15,224,000. The debt on that plant is \$3,873,000.

It has rates which compare with or are lower than the rates in the Queens.

Last year the city of Jacksonville produced and sold electricity to the amount of \$4,134,838. Its operating expenses were \$1,519,041. It made a gross, had a gross earning of \$2,216,797; gross earning only.

Then for depreciation it allowed \$42,157. That left a net earning out of \$4,134,838—left a net earning of \$2,573,000.

Jacksonville hauls its fuel from Louisiana or California or Texas, because there is no fuel produced in Florida, and yet their municipal plant pays more than 50 percent; and has the lowest rates or among the lowest rates in Florida, and makes a profit of 50 percent or more.

It paid taxes to the amount, or it gave free service to the amount of \$100,000.

It paid taxes of \$57,090 and still turned into the city treasury \$1,780,000.

Now, that gives an idea as to what can be done even on the rates you are paying in New York; but you cannot do it and keep up all of these holding companies, and finance all of this propaganda and finance all of these fake lawsuits, and hire all of these lawyers, and all of these agents that have been over the country to carry on the propaganda that they have carried on here in opposition to public power or to cheap rates ever since you and I have been working on this.

MAYOR LA GUARDIA. You are telling me.

MR. GREEN. Mr. Rankin, in that connection, will you yield?

MR. RANKIN. I will yield; yes.

MR. GREEN. Down in Miami, Fla., where a private concerns owns a plant they pay the highest rates in the United States.

MR. RANKIN. Yes.

MR. GREEN. And furthermore, in that connection, the power properties that they bought a few years ago were valued at about \$21,000,000 or \$22,000,000. They supplemented that investment by repairs and enlargements to the extent of some \$3,000,000 and turned around and issued \$48,000,000 worth of bonds and sold them and left no investment at all, and now they are making 100 cents on the dollar.

MR. RANKIN. The day the Commonwealth & Southern was organized—and I am quoting now from the report of the Federal Trade Commission—they took four small holding companies and threw them together. They threw their securities together on their books and that day they amounted to \$341,000,000. They organized the Commonwealth & Southern, which is neither commonwealth nor southern, and put those same securities, same securities on their books the same day at \$872,000,000.

Now, that is the record of the Federal Trade Commission.

Yet every time we have attempted to do anything about this, which I consider the greatest racket of modern times, every time we have attempted to turn in the sunlight to show what electricity ought to cost the people, every time we have attempted to develop a natural resource from the Tennessee River to the Columbia, or the St. Lawrence, we have this barrage of propaganda against it and all of the misleading statements that they can accumulate.

MAYOR LA GUARDIA. You must admit, though, that the opposition is becoming weaker all of the time and less effective.

MR. RANKIN. Yes; because we are getting the facts to the American people and they understand them.

MAYOR LA GUARDIA. You remember, the older members will remember, what we went through on Muscle Shoals. Most of you gentlemen were not here. It is almost unbelievable. This is easy sailing now. I think the opposition is pretty well shot now.

MR. RANKIN. Mr. LaGuardia, you remember that they told us when we were fighting for Muscle Shoals, you remember when we passed a bill here in 1927 and tried to get President Coolidge to sign it, and he vetoed it—

MAYOR LA GUARDIA. They were about to give it away. You remember that.

MR. RANKIN. Yes; they were.

Mayor LaGUARDIA. Sure enough, a 99-year lease.

Mr. RANKIN. So at that time they said we had a surplus of power, did they not?

Mayor LaGUARDIA. Yes.

Mr. RANKIN. We were using 68,000,000,000 or 62,000,000,000 kilowatt-hours, and now we are using 118,000,000,000 kilowatt-hours, and if we had the T. V. A. rates all over the United States, we would be using 300,000,000,000, probably, and still there would not be a surplus, would there?

Mayor LaGUARDIA. People would live better, happier, and easier.

Mr. RANKIN. Now, Mayor LaGuardia, let me say this to you, because you know the answer to this proposition. We hear a great deal about slum clearance in New York and other big cities.

Nothing in the world would contribute more to that end than to deliver to those people an abundant supply of cheap electricity.

Mayor LaGUARDIA. It would be very helpful.

Mr. RANKIN. It would enable them to use the electric appliances that are necessary to make their homes pleasant and attractive and to lift the burdens from the shoulders of the housewife.

Mayor LaGUARDIA. Of course, you know in our city we have to have electric light. There is no other way. And we provide for electric light in our relief. We have to provide light in our relief allowances, and it is quite an item.

Mr. RANKIN. You do not have any coal in New York State at all?

Mayor LaGUARDIA. We have a little coal, have we not? It does not amount to much. All of our coal comes from Pennsylvania and West Virginia.

Mr. RANKIN. You have no oil in New York, do you?

Mayor LaGUARDIA. No.

Mr. RANKIN. No natural gas?

Mayor LaGUARDIA. No.

Mr. RANKIN. They have none in New England.

Mayor LaGUARDIA. No.

Mr. RANKIN. In New England they have no oil, or no coal.

Mayor LaGUARDIA. No.

Mr. HALL. We do up in our part of the State. There is some natural gas up in our State.

Mr. BEITER. We have natural gas and oil in Allegheny County.

Mr. RANKIN. But you do not have enough to generate any electricity or to supply any of the cities.

Mayor LaGUARDIA. No; water power is our hope.

Mr. RANKIN. This water power is your hope to get cheap electricity to the people in that area?

Mayor LaGUARDIA. That is right.

Mr. RANKIN. Now, then, going to the amount generated. You do not know how much electricity the people in New York use a year?

Mayor LaGUARDIA. I did know, but I have forgotten.

Mr. RANKIN. Well, 15,000,000,000 kilowatt-hours or 15,600,000,000 kilowatt-hours.

It is true that this project will only generate about 6,000,000,000, and some of them are going to contend that that will not be sufficient to supply them all.

Mayor LaGUARDIA. All right.

Mr. RANKIN. But if it is used as a yardstick—

Mayor LaGUARDIA (interposing). Take your Cleveland illustration. There you have a privately owned and operated plant and the municipal plant.

Mr. RANKIN. That is right.

Mayor LaGUARDIA. But your rates came down.

Mr. RANKIN. The rates are the same.

Mayor LaGUARDIA. Yes.

Mr. RANKIN. Or practically the same. I have them right here before me.

Mayor LaGUARDIA. That is right.

Mr. RANKIN. In other words, if you build a line into New York City, and into every other city, and make electricity available, and then they know that you can get this power at this rate, it will force the power companies to come down to that level, will it not?

Mayor LaGUARDIA. Absolutely.

Mr. RANKIN. I will give you a concrete illustration. Tarrant City, Ala., and Bessemer, Ala., or what you might call suburbs of Birmingham—municipalities on each side of Birmingham.

Mayor LaGUARDIA. Yes.

Mr. RANKIN. We were enabled to get the T. V. A. power to those two cities. Frankly, I helped to do it. Members of the Alabama delegation came to see me, and I went to bat for them, and we got the T. V. A. power into those two cities. It immediately broke the rates in Birmingham a million dollars a year, and they are using power generated by coal out there at the Gorgas plant they took away from us when you and I were in Congress. You remember that?

Mayor LaGUARDIA. Yes.

Mr. RANKIN. Which was built for a stand-by for the T. V. A.

Mayor LaGUARDIA. Yes.

Mr. RANKIN. So if this power is developed it will not only pay for itself in 40 years or 50 years, but it can be used as a yardstick to force these rates down all over the State of New York?

Mayor LaGUARDIA. Yes.

Mr. RANKIN. And all over the surrounding States.

Mayor LaGUARDIA. All over that whole section.

Mr. RANKIN. That whole section.

Mayor LaGUARDIA. Quite right, into New England, as you say.

Mr. RANKIN. Do you know what the overcharge in the State of New York last year was, for the whole State?

Mayor LaGUARDIA. It was pretty big.

Mr. RANKIN. According to Ontario rates—Ontario, of course, is right across the river, and that is a public system. According to the Ontario rates the people in New York State last year paid in overcharges a sum amounting to \$201,000,000.

Now, I know that the opposition is going to come back, just as they came back at you, about taxes. They are going to say that the Ontario system pays no taxes, which is true, but in 1936, according to the report of the Federal Power Commission, all of the taxes, cash contributions, and free services paid are presented by all of the power companies, all electric utilities, both public and private, in

the State of New York—and that includes income taxes to both the State and the Federal Governments, amounted to only \$48,000,000.

The Federal Power Commission tells me that that situation has not changed.

Taking that \$48,000,000 from that \$201,000,000, it shows a net overcharge for which you get absolutely nothing in return in the State of New York alone amounting to \$153,000,000.

Mayor LA GUARDIA. Well, you take your Jacksonville illustration. They charge themselves taxes there.

Mr. RANKIN. Oh, yes; they pay taxes.

Mayor LA GUARDIA. And it is a steam plant.

Mr. RANKIN. That is right.

Mayor LA GUARDIA. And still their rates are lower.

Mr. RANKIN. That is right.

I took the trouble to work out the figures for that whole area and I included the Niagara development, because there is a proposition incorporated in the bill which I have introduced for an authority in that area to cover both Niagara and the St. Lawrence Rivers.

A line 300 miles long from those two projects would cover practically all of New York; nearly all of Pennsylvania; nearly all of New England and a large portion of Michigan and Ohio.

I took the trouble to go into the overcharges and figured them out and also took the taxes paid for 1 year, and the overcharges paid in those, I believe, 10 northeastern States, after deducting all of the taxes, cash contributions, and free services paid or rendered by both private and public utilities last year, still left a net overcharge for those 10 States of \$401,000,000. That is enough to pay for this entire development and have considerable margin left.

Mr. OSMERS. Mr. Chairman.

The CHAIRMAN. Mr. Osmers.

Mr. OSMERS. I would like to ask you about the set-up in the New York State Power Authority. That is a body that is in being today, is it not?

Mayor LA GUARDIA. It is a State body.

Mr. OSMERS. But it is not at the present time distributing any power?

Mayor LA GUARDIA. No.

Mr. OSMERS. Now, under the legislation which created the New York State Power Authority, would it be possible for that body to sell power to surrounding States or is it to distribute power solely to the residents of the State of New York?

Mayor LA GUARDIA. Why, I do not know. I do not have the act here and do not know whether they are so limited.

Mr. OSMERS. I would guess that they were; but I do not know.

Mayor LA GUARDIA. I do not know.

Mr. OSMERS. I come from the State of New Jersey, and I was wondering whether this cheap power—and I admired your patience while Congressman Rankin was testifying—

Mr. RANKIN. And I admired yours.

Mr. OSMERS. This cheap power, after all, if New York expects to pay for it in time out of revenue that it receives from it, it is after all a Federal matter, and I think the States, all of the New England States and parts of New Jersey and Pennsylvania that come within

a decent transmission radius should receive the benefits of that cheap power if cheap power is going to be made available under this bill.

Mayor LA GUARDIA. I had the same fears, when I first examined the bill but the more I read it the more I am strengthened in this conviction, I think that there will be complete protection there because after all the New York State Power Authority will have to enter into a contract with the Federal Government.

Mr. OSMERS. That is correct, under this bill.

Mayor LA GUARDIA. And that contract must come here and be approved.

Mr. OSMERS. I believe it is to be approved by the President, is it not?

Mr. GAVAGAN. May I call your attention, Mr. Mayor, to page 3?

Mayor LA GUARDIA. It comes to Congress. Yes, when ratified by Congress, and the State of New York.

Now, I have certain misgivings about that, but I think that Congress does not lose control or give away permanently or in perpetuity any rights, because that contract must come back.

Mr. RANKIN. Will the gentleman from New Jersey yield?

Mr. OSMERS. Yes; I will yield.

Mr. RANKIN. Let me say this to him at this point, that I have stated before, that whatever authority handles this power must distribute it within the distribution of everybody within the distribution radius. That is, they must not confine it to one State, and it must be controlled by the Federal Government so that they can hold the rates down.

Mr. OSMERS. Of course we are arguing a little, Mr. Mayor, before the fact. That is, until this agreement is drawn and ratified by Congress and the New York State Legislature we do not know just how the power is going to be distributed.

I just want to raise the serious question, however, toward turning over power that should be distributed to a wide area to an authority of a single State in that area as a question of broad policy.

Mayor LA GUARDIA. I agree with you, that is your first natural reaction. If the signing of a lease providing for the payment of \$93,000,000 in X number of years ended it there, then, although I am from the State of New York, I would say that is hardly fair; but this bill provides that the State authority must first enter into an agreement with the United States and it must first meet with the approval of New York State, and then it comes here.

Now, failing to get the approval of Congress, it reverts right back to Federal control.

Mr. HALL. I think there is another thing, and that is that New York State has always contended that it owns this power. That is the nub of the situation.

Mayor LA GUARDIA. Yes; then, of course, we get into the realm of navigable rivers, and we are here.

Mr. OSMERS. I would like to bring this point out, because I think before the committee finally acts on the bill it is going to have to go into it very carefully. The Governor of New York contended, when he was a witness here as you are, that New York State has almost historically contended that they own the power in the streams of New York State, if I recall his testimony correctly.

Mr. ANGELL. Will the gentleman yield?

Mr. OSMERS. Yes.

Mr. ANGELL. On page 122 of our hearings on this bill, Governor Lehman stated:

Well, of course we have always maintained, and I believe very soundly, that the power on the St. Lawrence River, which touches the State of New York, belongs to the State of New York.

Mr. RANKIN. Will the gentleman yield right there?

Mr. OSMERS. Yes; I will, Mr. Rankin.

Mr. RANKIN. The same contention was made by the Governor of Alabama, Gov. Bibb Graves, I believe it was, with reference to power at Muscle Shoals.

MAYOR LaGUARDIA. And the State of Arizona. They went up to the Supreme Court on that.

Mr. RANKIN. They took that case to the Supreme Court.

Mr. OSMERS. And, it is for this very reason that I bring the case up now, that we do not want to turn back the clock.

MAYOR LaGUARDIA. I do not think you will.

Mr. OSMERS. And establish a set-up here where one State will be in the position to dictate the disposition of power that has been created by the investment of the Federal Government.

Now, the city of Boston is nearer to this power project than the city of New York.

Mr. PITTINGER. They do not want the power project.

MAYOR LaGUARDIA. That is all right with us.

Mr. OSMERS. I know, but the taxpayers and the people of Boston are going to have to pay their share of the cost of this investment as well as the people of the city of New York.

Now, there is another phase. I am new on the St. Lawrence project. This is the first time it has been before me. I was not a Member of Congress when it was up before. But, it has been brought in in the rather unusual proceeding that is now before us, that is in the form of legislation rather than in as a treaty and in a somewhat urgent manner because it is considered to be a national-defense project.

I am sure that the gentleman from Florida [Mr. Green] had that in mind when he asked the question about how long you thought that the present emergency was going to last, and you did not have your crystal ball with you and you could not answer it. But that, of course, is dominating the thinking of a great many of the people and many of the members of the committee and I am sure other Members of Congress, and if it could be established that this was urgent or vital to our national defense—and in your opening statement, and in fact almost throughout the answers to your questions, you never touched upon the phase of national defense. I think there might be some change of heart on the part of a great many if that were answered.

It is my opinion that it would be contrary to the best interests of national defense, because of the labor and the materials that it would divert at this particular time.

Now, I would like to get some of your views on that subject.

MAYOR LaGUARDIA. Now, may I answer the first part of your question first?

Mr. OSMERS. In your own way.

Mayor **LAGUARDIA**. And, may I say in all kindness, as an older member to a younger member, you will find the best argument presented on the State-ownership question that was ever made in Congress, you will find in the debates on Boulder Dam, if you will read the various statements made by Lew Douglas, who was then a Representative from the State of Arizona. He did a masterful job. And, of course, it was preparatory to the action which the State of Arizona later brought. So, that question has been answered, and the discussion would be only academic.

Mr. **OSMERS**. Interposing a word there, I am not questioning who owns the power. I am absolutely certain that the Federal Government owns the power, but when we sign an agreement to give away the distribution of that power, then we, of course, are giving away our interests in it.

Mayor **LAGUARDIA**. But, you have control as to whether you will sign.

Mr. **OSMERS**. That is true. If we do not sign, we have ownership.

Mayor **LAGUARDIA**. What I am concerned about is to have the power available, because of the reflected benefits, even though it is diffused and distributed up in the northern section rather than coming down to us, we will get the benefit of that. So, that is one part of your question.

Now, the other, on national defense: I am rather sensitive on that point. Being an executive myself, I have issued orders to all of my commissioners to come down with their demands on their merits, and not come in and say, "This is national defense," because you get that habit in these days. We had a W. P. A. project, where they had a group of professors and scientists who were out of work, so we created a project to study life in the waters. It was a very interesting study and purely scientific. Well, of course, when the number of W. P. A. workers was curtailed, we had to discontinue one of these projects, and that was one I discontinued. Immediately, I received a protest to the effect that it was damaging to discontinue this project because it was so useful as national defense. Just what sea life had to do with national defense, I do not know.

Of course, you have this great national defense here, because you realize, gentlemen, that you can create a way inland, strategically and so well located, back of a range of mountains, a naval base that could be used, and that in and of itself has a distinct advantage.

Now, we are located here [indicating on the map] smack on the coast. Boston is up here right on the coast. There is a navy yard here [indicating] and a navy yard here [indicating], and then when you come down to Charleston you have a navy yard.

Now here [indicating] you have this inland sea. You have this great lake here and you have this means out. If you have navigation inland, you have a distinct advantage, of course, in the building of ships inland which is so unusual and novel as to answer the question itself as to its usefulness in national defense; but I insist on this, gentlemen, that the merits of this project transcend the present world troubles and that your project will be there long after this terrible conflict and this terrible world condition will be a matter of the memory of this generation; it will be a matter of history.

Now, then, there is one thing that must never be forgotten in any progressive country in times of crises. War in and of itself is bad enough. It never does any country any good. And, therefore, we should not retard or interrupt national growth and progress because of the emergency. If perchance we become involved, there will be enough that will have to be laid aside and interrupted, that will take many, many years to recover.

Now, where you have a project that unifies in itself first military value and then a great social, economic benefit, I believe you are justified then in going ahead with it in your normal course.

Mr. OSMERS. Mr. Mayor, as a Nation, we are going into a period—I might call it a period of priorities; a period of first things first, where we will say we have a limited number of manufacturing facilities; that they are now engaged in making automobiles and we want to make a lot of tanks, and that the manufacture of automobiles must cease; and it is carried on in a number of phases of our national life, and I am raising the question as to whether this project should be prosecuted now or whether it should be one of the projects "in the drawer," to use the idiom that you used before, for that period after the emergency when we will certainly need a great many worth-while projects to fill the void that will come when we come to go back to peacetime economy.

MAYOR LaGUARDIA. My answer to that, frankly, is this, that it is coupled with certain national defenses and is justified and occasions, as well, a great social and economic value and that you are justified now in proceeding. First, if war does not come, then the percentage of manpower and machinery required to the total is so small that it would not hurt; and second, if the war should continue so long that we would be in serious trouble, then this additional protection as a water base would be of such great value that you would be justified in going ahead.

So, in either way, I would say proceed now, because it has been kicking around so long.

Mr. RANKIN. Will the gentleman from New Jersey yield for a suggestion?

Mr. OSMERS. I will yield to the gentleman.

Mr. RANKIN. This is merely an authorization. If the administration should decide that conditions are such that it is better not to proceed with it, all you have to do would be to hold up the appropriation. This is an authorization and not an appropriation.

Mr. OSMERS. Does the gentleman from Mississippi [Rr. Rankin] have any idea in his mind that it is not the intention of the administration to proceed with this as quickly as possible?

Mr. RANKIN. I hope it is the intention of the administration to proceed with it if it is authorized, but the administration does not have to do it. If the emergency should become so serious that it would be determined by the administration that it is better to hold off on this for a time, it could be done by just holding up on the appropriations.

The CHAIRMAN. Is there any doubt as to whether the administration is in favor of it?

Mr. OSMERS. Not in my mind, Mr. Chairman.

Mayor LaGUARDIA. I want to be perfectly frank. I am appearing here with the absolute belief that the appropriation will follow the authorization.

Mr. RANKIN. You certainly think if this authorization is passed that the project will go ahead?

Mayor LaGUARDIA. Yes.

Mr. OSMERS. Now, there is one point that the Mayor raised that I think should just be corrected for the purpose of the record. You mentioned the rather desirable objective of creating a naval base on Lake Ontario.

Mayor LaGUARDIA. Or anywhere on the Lakes.

Mr. OSMERS. Or anywhere in the Great Lakes area.

Mayor LaGUARDIA. Yes.

Mr. OSMERS. Now, that would mean that we would have to see that our opponents stopped making war on us from about December until May, because whatever was in would be in and whatever was out could never get back in.

Mayor LaGUARDIA. That goes also for competition, does it not? That makes me even.

Mr. OSMERS. That would help your phase out, I am sure, but it would not help the Navy. It would not help the city of New York if our naval vessels were on Lake Ontario and the enemy ships were offshore.

Mayor LaGUARDIA. My understatement is compensated then by my overstatement.

Mr. RANKIN. But, do not confuse the power generation with that, because this power will be generated during the entire year.

Mayor LaGUARDIA. Yes.

Mr. OSMERS. I am not including power.

Mr. PITTINGER. And, they will be building ships during the entire year.

Mr. RANKIN. And, the shipbuilding will be going on during the entire year.

Mr. DONDERO. Mr. Mayor, I have one question to ask. You have touched upon naval affairs and a naval base, and the use of inland seas as a base.

We understand that the shipbuilding facilities now under Hitler's domination exceed ours seven times. Do you not think from a commercial sense that 45 shipyards on the Great Lakes would be of a great advantage if we could build ships on the Great Lakes and get them out to sea?

Mayor LaGUARDIA. I grant that; but I do not think that Hitler is building so many ships.

Mr. DONDERO. At the present time he is not; but the facilities under his domination have been shown here to be seven times that of our own.

Mayor LaGUARDIA. The facilities?

Mr. DONDERO. The facilities for building ships.

Mayor LaGUARDIA. Oh, yes.

Mr. RANKIN. In that connection, every inland waterway in Europe has been developed almost to the *n*th degree now. The mayor spoke a while ago about being over there in 1904 when the develop-

ment of electricity was just beginning. Ninety percent of even the farm homes in Europe are electrified now, outside of Russia, and in some of those countries it is 100 percent. They are far ahead in the development of inland waterways and development of water power.

Mr. MACIEJEWSKI. Mr. Chairman.

The CHAIRMAN. Mr. Maciejewski.

Mr. MACIEJEWSKI. Mr. Mayor, some testimony has been brought out here to the effect that possibly a lot of this defense material will be taken up by this project. When Mr. Knudsen was here he testified that it would take about 10,000 men; take about one-half of 1 percent of the cement for the defense requirements for 1941 and 1942; about one-tenth of 1 percent of the lumber and possibly three one-hundredths of 1 percent of the steel, the three important materials that go into this project.

Now, I was just wondering what value the St. Lawrence project would have from the point of view of joint defense efforts of Canada and the United States, assuming this, that this emergency will last for a long time.

Mayor LAGUARDIA. Well, I will guarantee to furnish you the 10,000 men right off of my relief rolls in New York.

Mr. MACIEJEWSKI. And the value, Mr. Mayor, the value of the joint defense effort on the part of both the United States and Canada would be what? What value would that be, the use of the St. Lawrence project?

Mayor LAGUARDIA. Of course, if they break through the British fleet and then break through our fleet, then we will be in very serious trouble.

I am perfectly frank. Our present defense plan is an offshore defense plan. If they get that close we will certainly have serious trouble. If they get that close we certainly want this project and everything else we can get.

Mr. VOORHIS. Mr. Chairman.

The CHAIRMAN. Mr. Voorhis.

Mr. VOORHIS. Mr. Mayor, we have heard some witnesses come here and say that they were worried because there was going to be a labor shortage and that in constructing this project it was going to be serious from that standpoint.

I would like to have you tell me what you think about the possibility of having a labor shortage?

Mayor LAGUARDIA. Well, we still have in New York about 140,000 or 145,000 adults on home relief, and our W. P. A. has been reduced to 44,000.

Mr. VOORHIS. A considerable portion of those people would be able to do the work on projects of this kind?

Mayor LAGUARDIA. Oh my, yes. I will tell you what you have done, gentlemen, in taking the aliens off of the W. P. A. You have given them a premium instead of penalizing them. Now, we have to support them on home relief, while they used to work.

Mr. GAVAGAN. They sit back and gaw fat.

Mayor LAGUARDIA. And, if you will go through the parks, you will see them bowling like this (demonstrating).

Mr. GAVAGAN. Up in my district you will see them pitching horse-shoes.

Mr. VOORHIS. Here is the next question that I would like to ask. Would you agree that one of the most important elements in national defense and one of the real essentials would be to increase the general production of the country as much as possible?

Mayor LaGUARDIA. Yes, sir. Your power element in your defense is your biggest factor.

Mr. VOORHIS. What I am getting at is this: Is it not going to be a very basic factor in national defense to increase production generally of all sorts as much as we can?

Mayor LaGUARDIA. That is right.

Mr. VOORHIS. And is it not true that the possibility of doing that depends to a very large extent upon the availability of sufficient power?

Mayor LaGUARDIA. To a great extent.

Mr. VOORHIS. Another question that I would like to ask you is whether you have any idea as to how much electric rates in New York City would be reduced to the ultimate consumer if this project were carried out?

Mayor LaGUARDIA. I think anything that would reflect on the rates would be helpful. I know the rate schedules are very sensitive and the public service commissions are very sensitive, too. They get it once in a while.

Mr. VOORHIS. Now, assuming for the sake of argument—which I understand you do not agree with, as I understand you do not agree with the figures—but let us assume that there is a loss of \$1,000,000 a year of commerce in the port of New York; let us assume that that is right.

Then, let me ask you this, to what extent do you believe the development of additional industries in other sections perhaps of the State of New York or northern New England would be of any direct benefit to the city of New York? Do I make myself clear?

Mayor LaGUARDIA. Assuming that for the sake of argument?

Mr. VOORHIS. That is right.

Mayor LaGUARDIA. The net million-dollar loss which I will not concede.

Mr. VOORHIS. That is right.

Mayor LaGUARDIA. That loss would be offset and compensated for by increased commercial activities in that section of the State. Of course after all, we are an educational city; we are an amusement city; we are a light-manufacturing city; we get the benefit of increased activities in that whole direction.

Mr. VOORHIS. Would you even go so far as to say that if the development of this waterway makes it possible to open up many new industries, and cheaper transportation and cheaper goods, and so on in great sections of the country, would you go so far as to say if in the vicinity of Green Bay, Wis., there was additional prosperity, more people employed, more general employment, that some of that would be reflected in New York?

Mayor LaGUARDIA. Of course we would be benefited. Those people would wear more and better clothes which we make in New York, or buy other things which we make.

Mr. VOORHIS. One more question, Mr. Mayor. Can you tell me of any instance where new and improved methods of transportation were proposed or were about to become possible, where there was not widespread alarm over the fact that this improvement of transportation possibilities was going to ruin certain existing industries or certain existing facilities?

MAYOR LaGUARDIA. That is the history of progress.

Mr. VOORHIS. But nevertheless it has turned out to be of general social benefit, has it not?

MAYOR LaGUARDIA. Yes.

Mr. VOORHIS. I think that is all.

Mr. RANKIN. When they started to build a dam on the Shannon River in Ireland the power industry in England took it up and said that if they were going to build a dam on the Shannon, damn was the proper word to us, and tried to scare those Irishmen out so that they would not get the benefit of electricity.

MAYOR LaGUARDIA. And, they raised the question of scenic beauty.

Mr. RANKIN. Oh, yes; scenic beauty is their long suit.

Mr. ELLIS. Mr. Chairman.

The CHAIRMAN. Mr. Ellis.

Mr. ELLIS. Mr. Mayor, I appreciate your general endorsement of all of these projects. You are aware of the fact, are you—and I am assuming that you are—that there is pending before this committee a proposed Arkansas Valley Authority, similar to the T. V. A.

Would your general endorsement endorse that also?

MAYOR LaGUARDIA. That is a new one for me.

Mr. ELLIS. Assuming that such a proposal is pending here.

MAYOR LaGUARDIA. Assuming that you have sufficient water power to develop and generate cheap electricity, for that section of the country.

Mr. ELLIS. Yes.

MAYOR LaGUARDIA. It is a good investment.

Mr. ELLIS. Thank you, sir; and we do have it.

Now, one further question. To the extent that cheaper freight rates would provide for and enhance the future growth of this country, you would likewise endorse cheaper freight rates for the South and the West.

MAYOR LaGUARDIA. Well, give me a break too in the East, please. Do not forget to give us a break.

Mr. ELLIS. Throwing them all together you would be in favor of cheaper transportation costs?

MAYOR LaGUARDIA. Of course; but that is an economic question. You have to take everything into consideration; costs and everything.

Mr. ELLIS. We in the South feel that we are the ones who are being seriously discriminated against in transportation costs.

MAYOR LaGUARDIA. That is the way we feel up there, so something must be wrong everywhere.

Mr. VOORHIS. Mr. Chairman, would it be all right for me to get the Mayor's endorsement of the Central Valley project?

Mr. BEITER. Mr. Mayor, I was interested and almost frightened, by your statement before the Appropriations Committee at the time they were considering the second deficiency appropriation bill. You appeared before that committee, you recall.

Mayor LaGUARDIA. Yes, sir.

Mr. BEITER. With reference to the vulnerability of attack in the State of New York and that particular area. Can you elaborate on that a little bit more, give us the reason that you thought that was so vital?

Mayor LaGUARDIA. You see, the technique of warfare has changed entirely and this new technique has developed as a military necessity, the attack of industrial centers. First, it has the demoralizing effect on the population, and the morale of your people is always reflected in your fighting forces. That is ancient. That is not new. But, as someone pointed out here, war today is really a great industrial conflict. It is a question of which country can produce the machines and the weapons of war. Therefore, your military science dictates immediately that if you can get at the source of the production, you can destroy more than you can in actual combat and, therefore, it is considered now, in modern warfare, justifiable to attack and destroy sources of production. And in addition to that, when you get your population in consternation and in fear to the extent of almost panic, then you have demands for all sorts of protection—shelters, immediate location of air forces, antiaircraft, naval vessels out at sea; and you detract from your one objective of attacking the enemy; and you come back into a defensive war instead of an offensive war to end it.

One thing in war, you never must underestimate either the strength or the strategy or the cruelty of the enemy, and you must prepare for it. And that is why we are so concerned in conducting this campaign of education for the civilian population so that they can take care of themselves and not become panic-stricken, become confused. Because you take any of our large cities, unless you have them trained and unless you have some control of everybody, the natural tendency is to rush out, and you have a panic there immediately. And the loss of life through panic would be greater than it possibly could be from direct bomb hits. And that is why we are trying to impress, regardless of the situation, the necessity of proper civilian preparation and training and self-discipline, to take care of themselves in the event of such an attack. I have said that our chances are about 95 percent that we could not be in it; but we cannot overlook that 5 percent.

Mr. BEITER. And I believe you said that 5 percent is what we are afraid of?

Mayor LaGUARDIA. Yes; that is what I mean.

Mr. BEITER. Did you describe a certain area at that time which would be most likely to be attacked?

Mayor LaGUARDIA. I think this: If an attack comes, it will be an attack on our northeast coast cities, and if they can make any arrangements down in Africa or anywhere, then our Gulf oil cities would be a logical objective.

Mr. RANKIN. What is that?

Mayor LaGUARDIA. Our Gulf oil cities.

Mr. RANKIN. Mayor, you were in aviation in the last war?

Mayor LaGUARDIA. I was in bombing.

Mr. RANKIN. You were a bomber in the last war?

Mayor LaGUARDIA. Yes.

Mr. RANKIN. So that you are familiar with this?

Mayor LaGUARDIA. It has developed so much since that time.

The CHAIRMAN. He voluntarily gave up his seat in Congress to go to war.

Mr. RANKIN. Yes.

Mayor LaGUARDIA. We dropped 24 bombs. I flew a Caproni, and we dropped 24 bombs and 12 of them were incendiary bombs. The incendiary bomb was about that big [indicating], and we dropped 12 to create a fire. Now, they drop hundreds of them.

The CHAIRMAN. You say "about that big," and the stenographer cannot get how much that is; 2 feet?

Mayor LaGUARDIA. I would say about 2½ feet. Now, they drop literally hundreds of them. The bombing technique and the chemical technique has developed quite a bit. They drop them in drums or baskets, and they break on friction on the way down, then spread around. But they have licked that in London.

Mr. DONDERO. Mayor, do you mean in this war?

Mayor LaGUARDIA. Yes.

Mr. DONDERO. Recently?

Mayor LaGUARDIA. Not in the first World War. What we did is just child's play compared to what aviation is doing now. We cannot compare in instruments, we cannot compare in speed, we cannot compare in load or in accuracy.

Mr. BEITER. How does the accuracy compare at the present time with the accuracy while you were in the service?

Mayor LaGUARDIA. No comparison.

Mr. BEITER. No comparison?

Mayor LaGUARDIA. Just no comparison.

Mr. BEITER. Now, in your description of the area, I believe you included the St. Lawrence Valley in your testimony?

Mayor LaGUARDIA. Oh, that, of course, would come only if England blows up.

Mr. BEITER. Yes; if the 5 percent happens?

Mayor LaGUARDIA. If we have an attack along our coast here [indicating], the enemy might make a landing here [indicating] and then come down the St. Lawrence and go west of the Alleghenies. But a great many things must happen before they are able to do that.

Mr. MACIEJEWSKI. Mr. Mayor, here is the value of the St. Lawrence if that is what happened, that we could possibly get our ships in the Great Lakes?

Mayor LaGUARDIA. We would, of course. But a great many things have to happen before that.

Mr. MACIEJEWSKI. Mr. Mayor, may I bring this fact out for just a minute?

Mr. BEITER. All right; I yield.

Mr. MACIEJEWSKI. You started to explain how the English have those fires under control?

Mayor LaGUARDIA. Oh, yes.

Mr. MACIEJEWSKI. That is interesting. I wonder if you would continue on for a minute?

Mayor LaGUARDIA. In the beginning they had considerable trouble with that. And then they developed the art of fighting these incendiary bombs. The last I heard from Mr. Morrison, who is the Minister of civilian—home defense they call it there—they have got it licked.

Mr. BEITER. Now, Mr. Mayor, do you believe that the area you have described, from New York over to Philadelphia and Pittsburgh and up through the St. Lawrence Valley, should have special fortifications and extra protection?

Mayor LaGUARDIA. Well, when they get so near that you depend upon your local fortifications, kiss it goodbye, then. We have got to meet them way out. The only defense is your air defense, in the outposts and our bases that we have obtained now; you have to meet them coming in.

Then when they get through, and the signal comes, then you have your interceptor squadrons stationed all along, and they can go out and attack them before they can reach the coast.

Mr. BEITER. As I recall, you stated before the Appropriations Committee it would require an appropriation of approximately a billion dollars to equip those fire companies alone with extra firemen?

Mayor LaGUARDIA. We have reduced that now. We have our inventory almost complete, and I believe with what we have we won't need a billion dollars, or anything near it. We will need a sizable amount for the necessary supplementary emergency equipment. I do not want to make a guess, but I believe that we can take this whole—let us call it a target area in the Atlantic, the Gulf, and the Pacific—and equip it for 40 or 50 million dollars. That is my thought now.

Mr. BEITER. That does not include any antiaircraft guns, or any special fortifications?

Mayor LaGUARDIA. No; just the Army.

Mr. BEITER. Do you believe that your committee will consider fortifications of that kind?

Mayor LaGUARDIA. No; I think fortifications are a thing of the past. I think ample provisions have been made for the Army and Navy as you go along; they are your offensive and defensive weapons.

Mr. BEITER. You think, then, your first line of defense would be for bomber planes to meet the enemy at a distance from the shore?

Mayor LaGUARDIA. Interceptor and fighting planes. Of course, the Army is going ahead with that.

Mr. BEITER. What is the cost of one of the modern bombers?

Mayor LaGUARDIA. Oh, I don't know what the latest are.

Mr. BEITER. You have not any idea? Would not the amount of money spent for the construction of the seaway, plus the improvements that might have to be made along the Great Lakes area, be placed to better advantage at this time for the construction of bombers, rather than for the construction of the seaway?

Mayor LaGUARDIA. I don't think so, because this would last forever, and the bombers won't.

Mr. BEITER. That is true; but the war is not going to last forever?

Mayor LaGUARDIA. I hope that it won't.

Mr. BEITER. I realize the bombers won't last forever.

Mayor LaGUARDIA. I hope not.

Mr. BEITER. But we must replace the bombers that are destroyed?

Mayor LaGUARDIA. That is right.

Mr. BEITER. So that this money could be used to pretty good advantage in the construction of bombers?

Mayor LaGUARDIA. But this money will come back; this money will come back.

Mr. BEITER. Will come back? How?

Mr. RANKIN. With interest.

Mr. BEITER. Now, I was interested in the part of your statement—did you say you had an advisory committee in New York City and they advised against the construction of this project?

Mayor LaGUARDIA. That is right.

Mr. BEITER. Was it the power phase or the seaway phase of it, or both?

Mayor LaGUARDIA. I think it is both.

Mr. BEITER. Both?

Mayor LaGUARDIA. I think so.

Mr. BEITER. Do you suppose they would object to it as strenuously if it provided for either the seaway or the power phase of it alone?

Mayor LaGUARDIA. I don't know what they would do; but they went on record against it.

Mr. BEITER. Against the project as a whole?

Mayor LaGUARDIA. Yes, sir.

Mr. BEITER. You don't know what action they would take if it was just a power project or just the seaway?

Mayor LaGUARDIA. Well, they based it on the seaway project.

Mr. BEITER. On the seaway, mostly; they would not object to the power project.

Mayor LaGUARDIA. I don't know. I would like to see it developed.

Mr. BEITER. They are good citizens and sincere in what they do? They are interested in the welfare of the State?

Mayor LaGUARDIA. They have a certain viewpoint, and are entitled to it.

The CHAIRMAN. That is all, I believe.

Mr. GAVAGAN. Except, Mr. Mayor, Mr. Osmer asked you about a provision for the sale of this power, in the event this bill is put through, to the adjoining States. I would like to call to your attention that there is already a provision in the bill for sale to adjoining States. That provision is on page 3, line 9:

In addition, the arrangement—

The agreement between the United States and the State of New York Power Authority—

shall include provisions protecting the interests of the United States and assuring a widespread equitable disposition of the power to domestic and rural consumers within economic transmission distances.

Mayor LaGUARDIA. Yes, and are we not always pretty generous to New Jersey?

The CHAIRMAN. Mr. Mayor, I want to thank you. We thank you very much.

Mayor LaGUARDIA. Thank you. It is very nice to be up here.

The CHAIRMAN. Now, is Captain Garsaud here?

**FURTHER STATEMENT OF MARCEL GARSAUD, GENERAL MANAGER,
PORT OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**

Mr. GREEN. Captain Garsaud, this morning in your testimony, in reference to the Florida Canal, you indicated you were not for it. Have you ever made a study of this project?

Mr. GARSAUD. Referring to the Florida Canal?

Mr. GREEN. Yes.

Mr. GARSAUD. I said I was personally opposed to the project. In that statement I was not speaking for the port of New Orleans. My opposition to this project at this time is only from a superficial knowledge of the project. I do not propose to give my opinion to this committee as a considered opinion.

Mr. GREEN. Then, as an engineer, if you knew that the Chief of Engineers approved it, would not that have great weight on you?

Mr. GARSAUD. The Rivers and Harbors Board has never passed, so far as I know, on the economical aspects of the Florida ship canal; they have only passed on the engineering aspects; not the economic. They have never been asked about that.

Mr. GREEN. Now, Chief of Engineers Markham testified as to that before our committee.

Mr. GARSAUD. As a rule, those projects are referred to the Rivers and Harbors Board, and I have never seen a report from the Rivers and Harbors Board as to the economic possibilities of that project.

Mr. GREEN. And that would be your only objection to it?

Mr. GARSAUD. I think it ought to be studied by them, as they do other projects.

Mr. GREEN. That is all, Mr. Chairman.

(Whereupon, at 4:50 p. m., the committee went into executive session, at the conclusion of which the committee adjourned to Monday, July 14, 1941, at 10:30 a. m.)

INDEX

A

	Page
Accidents, number of in the Panama and St. Lawrence Canals.....	439
Affiliated Young Democrats, Inc., brief.....	2279
Agreement between Canada and the United States:	
Complete text of.....	22
Analysis of.....	1884, 1890, 2123, 2125
Article II.....	497, 733, 1892
Article III.....	569
Article VII.....	484, 519
Article XIII.....	55
Escape clause.....	1356
Essential elements of.....	1884
Legality of proceeding by.....	42
Agreement of 1933, excerpt from.....	863
Agriculture:	
Interests of.....	1034
Low-cost transportation and, article on.....	1978
Products of.....	1786
Witnesses for.....	1029, 1387, 1962, 2093, 2188, 2257
Air lines.....	1825
Airplane bombers, damage to power plants by.....	742
Alabama:	
Governor of, brief.....	1253
Payment to from gross receipts of the Tennessee Valley Authority..	980, 982
Rates charged in.....	884
Witnesses for.....	1253, 2096
Albany, N. Y.:	
Cost of St. Lawrence power at.....	1221
Port District Commission excerpt from report of.....	951
All-American waterway across New York State.....	99, 144, 306, 1166
Aluminum:	
Cost of producing by hydro and steam power.....	1293
Need of, for national defense.....	1697
New York State, power conditions in for making aluminum.....	837
Purchase of power for production of.....	1826
Production of in the United States and Germany.....	353
Second-hand, value of.....	836
Release of Office of Production Management in re.....	1229
Statement by International Union Aluminum Workers of America..	2243
Aluminum Co. of America.....	259, 517
Aluminum Workers of America, International Union of, brief.....	2259
American Mining Congress.....	1495, 1520
American Short Line Railroad Association:	
Facts as to 302 member lines.....	2117
Legislative program of.....	2110
Officers, board of directors, and members, lists of.....	2111
Anderson, Hon. Chandler P., memorandum in re diversion at Chicago....	1735
Angell, Homer D.: New York State share of cost for power.....	129, 268, 355
Anthracite coal.....	1622, 1623, 1686
Anthracite committee, statement.....	2248
Anthracite Joint Conference, resolution adopted by.....	1479
<i>Appalachian Electric Power Company, U. S. v.</i> , decision of the United States Supreme Court.....	691
Appalachian Joint Wage Bituminous Coal Conference, resolution adopted by.....	1479

	Page
Appendix to statement of Secretary Wickard.....	1978
Arkansas:	
Charges for electricity in.....	653
Development of electric power in.....	93, 300, 830, 1043, 1090
Armstrong, W. G., letter.....	1035
Associations, national and international.....	369,
660, 1003, 1017, 1029, 1041, 1269, 1307, 1387, 1488, 1495, 1760	1760
1987, 2134, 2140, 2271.	
Atlantic ports, diversion of traffic from.....	1048, 1071
Atlantic States Shippers' Advisory Board, letter on commerce of New York Harbor.....	2263
Attack, vulnerability of locks and dams to.....	657
Attorney General, correspondence with the Department of State.....	42
Automotive vehicles.....	1716, 1814, 1848

B

Bacon, Senator, question of, relative to diversion of water from Lake Michigan.....	1736
Baker, Hon. Newton D., excerpts from statements by.....	777, 1744
Baldwin, Hon. Joseph A., letter.....	2247
Baltimore, Md.:	
Chamber of Commerce of, resolution.....	1716, 1718
Gavel Club.....	1717
Iron-ore receipts in harbor of.....	1506
Power situation at, in 1918.....	322
Traffic Club.....	1717
Bessemer & Lake Erie Railway, dividends paid:	
Banking and currency.....	1365
Banks and bankers.....	1081
Barnes, Julius H., statement of.....	302
Barnhart Island powerhouse, estimated cost.....	214
Barrett, Hon. George F., relief.....	2248
Barrie (Ontario) Banner, article in.....	2209, 2215
Bates, J. L., letter in re increased cost of ships partly constructed on the Great Lakes and completed on the Mississippi River.....	2063
Bath, Edwin J., brief.....	2248
Battle, John D.:	
Statement of.....	1522
Letter.....	2141
Bauxite.....	1070
Beauharnois plant, further development of.....	2077
Bede, Hon. J. Adam, statements of.....	1844, 1854
Beef.....	1406
Beiter, Hon. Alfred E., letter of.....	1492
Bellamy, Paul, letters.....	231, 2248
Benzol.....	1776
Bergen, Hugh G., statement of.....	1324
Berkman, M., telegram.....	2219
Berle, Hon. Adolf Augustus, Jr.:	
Excerpt from statement by.....	1656
Record of service.....	64, 67
Testimony of.....	19, 48
Bethlehem, Pa., letter from mayor of.....	775
Beukema, John C., statement of.....	939
Bierd, William G., views of.....	2281
Bill, H. R. 4927:	
Complete text of.....	1
Defense objectives of.....	1295
Extracts from.....	123, 268, 358, 384, 398, 526, 530, 862
Binghampton, N. Y., cost of St. Lawrence power at.....	1221
Birmingham, Ala., lowering of rates for electricity in.....	1090, 1600
Bituminous coal industry, economic trends in.....	1778, 1779, 1780
Bjornson, E. Hjalmar, article by on agriculture and low-cost transportation.....	1978
Bland, Hon. S. O., statement of.....	1460
Blunt, Royden A., statement of.....	1488
Board of Engineers for Rivers and Harbors, no recommendation made by.....	1203

	Page
Boats. See "Vessels."	
Bodman, H. L., statement of.....	1118
Bombing of power plants.....	614, 658, 742
Bonbright, Dr. James C., statement of.....	841, 878, 895
Bonneville Dam project.....	185, 337, 517, 979, 1073, 2278
Boston, Mass.:	
Chamber of Commerce, telegram.....	633
Citizens Lobby, brief.....	2248
Grain and Flour Exchange, telegram.....	634
Post, editorial in.....	637
Propeller Club, telegram.....	634
Testimony of representative of.....	632
Boughton, V. T., report by in the Engineering News-Record.....	2118
Boulder Dam.....	186, 883, 1073, 1365
Boyer, Mayor Ian V.....	775
Brampton (Ontario) Conservator, article in.....	2211
Braun, Hon. V. O.....	2247
Brazos River (Possum Kingdom Dam project).....	2278
Brisette, Armand J., Jr., statement of.....	1654
Bristol (Va.) Chamber of Commerce.....	1451
Brockville (Ontario) Recorder and Times, articles in.....	2210, 2215
Brooklyn (N. Y.) Chamber of Commerce, brief.....	2248
Brown, Alexander C., statement of.....	1638
Brown, Andrew H., statement of.....	751
Brown, Maj. Gen. Lytle, excerpt from statement of.....	1727
Bruce, William George, letter.....	2226
Buchanan County (Va.) Chamber of Commerce.....	1452
Buffalo, N. Y.:	
City Council, communication from.....	564
Defense Committee.....	1176
Diversion of traffic from.....	120
Federation of Labor Herald, article in.....	1042
Grain receipts and shipments, charts.....	524
Harbor, cost of improving.....	985, 1106
Industries of, which have declined.....	1295
Power and Progress, Committee for.....	2220, 2221
Power situation at in 1918.....	322
St. Lawrence power, cost of at.....	1221
Wage earners in.....	572
Witnesses for.....	523, 558, 707, 766, 1105, 1125, 1128, 1136, 1176, 1191, 1194
Budd, Ralph, views of.....	2282
Burns, Carlisle, statement of.....	2028
Burton, Frederick W., statement of.....	1195
Burton, Hon. Theodore E.:	
Excerpt from statement of in re Chicago diversion.....	1743
Supported the seaway project.....	465, 727
Butler, Hon. J. C., statement of.....	1115
Buying power of the people.....	1615
Byrum, H. E., excerpt from statement by.....	2280

C

Caffert, Hon. Frank J., statement of.....	1173
Caldwell, Harry B., letter.....	1036
Calgary (Alberta) Herald, article in.....	2208
Callaghan, Cornelius H.:	
Address of on Great Lakes fleet.....	1340
Testimony of.....	1333
Canada:	
Ability of, to prosecute seaway project.....	137
Exports of coal and coke to.....	1541
Imports of coal into.....	2072
King, Hon. W. L. Mackenzie, letters of.....	494, 502
Minister of Finance, excerpt from report of.....	1689
Needs and resources of.....	1907
Opinion in as to seaway project.....	2208
Pacts with, in the past.....	1889
Shipbuilding and ship repair yards in.....	164
Testimony of witness from.....	1688

	Page
Canadian Temporary Great Lakes-St. Lawrence Basin Committee, report..	28
Canals and waterways, cost in taxes.....	2154
Cape Cod Chamber of Commerce, telegram.....	634
Cargill Elevator Co., excerpt from letter to Senate committee relative to shipment of grain.....	1707
Carlisle, Wm. Floyd.....	263
Carmody, Hon. John M., statement.....	1998
Carton, Augustus C., brief.....	2222
Central Nebraska Public Power and Irrigation District.....	2279
Central Valley project of California.....	184
Chalmers, Hon. W. W., letter and brief.....	2250
Champlain Canal route.....	1675
Chemical industry:	
Plant location.....	1781, 1790
Raw material resources, present and potential.....	1784
Chicago & Alton Railroad, views of receiver of.....	2281
Chicago & Great Western Railroad, views of S. M. Felton.....	2283
Chicago & North Western Railway Co., views of president of.....	2281
Chicago, Burlington & Quincy Railroad, views of president of.....	2283
Chicago, diversion of water at. <i>See</i> Great Lakes.	
Chicago, Ill.:	
Population trend.....	568
Sanitary District Canal, estimated and actual cost of.....	1212, 1655, 1701
Chief of Engineers Office, witnesses for.....	3, 165, 203, 967
Churchill, Hon. Winston, excerpt from writings by on Valley of the Nile.....	1167
Cincinnati Chamber of Commerce.....	1553
Cincinnati Enquirer, editorial.....	1554
Citizens Anthracite Regional Conference, letter.....	2205
Citizens Lobby, Boston, brief.....	2248
Clark, Senator Bennett, excerpt from speech of in 1933.....	1728
Clay, Henry, statement of.....	309, 475
Cleveland, Ohio:	
Chamber of Commerce, statements of representatives of.....	709, 736, 751
Editorial in the Cleveland News.....	550
Editorial in the Cleveland Plain Dealer.....	549
Letters from the Cleveland Plain Dealer.....	320, 2248
Population trend of.....	568
Public power plants in.....	1084
Clifton Forge, Va., city council.....	1448
Coal:	
Anthracite Committee, letter.....	2203
Canada, exports to.....	1513
Danielian, Dr. N. R., letter of, and statement by.....	1944, 2069
Economic trends in the bituminous industry.....	1778
Efficiency of.....	605, 1568
Electricity, use of for generating.....	1484
Foreign coal.....	1624, 1819, 1823
Imports of, into Canada.....	2072
Imports of into the United States.....	930, 1513, 1527
Mining of.....	1811; 1624
Number of people employed.....	1512
Opposition of coal interests.....	1909
Production.....	1567, 1635, 1780, 1781, 1908, 1909
Supply of in the United States.....	605
Tennessee Valley Authority area, consumption in.....	1573
Total production, by States.....	1780, 1781, 2143
Witnesses for coal industry.....	1522-2142
Coffee.....	1404, 1716, 1751, 1762
Coke.....	1541, 1768, 1812
Commerce:	
Atlantic ports, diversion from.....	1048
Baltimore, diversion from.....	1715
Buffalo, chart showing grain receipts.....	524
Effect of war on.....	2130

	Page
Commerce—Continued.	
Future transportation requirements.....	2174
New Orleans.....	1054
Reduction in foreign trade.....	1083
St. Lawrence canals, foreign.....	435, 1938
St. Lawrence seaway.....	1205, 2128
Commerce, Department of:	
Analysis of part 5 of report of.....	2174
Comments on part 4 of report of.....	1534
Excerpts from part 2 of report of.....	433, 437, 438
Statement prepared by.....	2034
Summary of conclusions in report of.....	2038
Testimony of witnesses.....	282, 2033
Commonwealth & Southern, organization of.....	1088
Congress, power of, in conduct of foreign relations.....	1888
Conn, C. G., Ltd., letter.....	1951
Conn, Donald D., letter and brief.....	2198, 2199
Connecticut, cost of electricity to people of.....	977
Connecticut State Grange, letter.....	1035
Connor, Thomas F., letter and statement.....	2203, 2248
Conover, Julian D., statement of.....	1495
Constitution ignores Congress as an instrumentality of agreement with other nations.....	1876
Cooper, B. W., letter.....	1951
Copeland, Hon. Royal S., excerpt from statement of.....	1728
Corbett, John T., statement of.....	1919
Corpus Christi Harbor (Tex.), growth of.....	474, 476
Correspondence between the Canadian and United States Governments.....	19
Costello, Hon. James P., Jr., statement of.....	1650
Costs:	
Allocations of.....	2124
Carrying cost.....	2150
Estimate of.....	1702
Maintenance and operation.....	525
New York State Power Authority and private distributing com- panies, cost to.....	566
Official estimate.....	2149
Projects heretofore constructed, estimated and actual cost of.....	1212,
1655, 2125	
Seaway project, estimates of.....	35,
167, 176, 177, 214, 220, 227, 566, 968, 1819, 1909	
Seaway project for power development only.....	980
States, cost to the respective.....	2216
Steam power as compared with water power.....	117
Table.....	1701
Cotton.....	1067, 1072, 1376, 1755
Cottonseed.....	1070
Coughlin, Vincent, brief.....	1252
Courtenay (British Columbia) Comox Argus, article in.....	2210
Craig, Robert Hall, brief.....	2198
Cricher, Mr. A. Lane, excerpts from testimony of in 1932.....	1203
Crowley, Hon. Leo T., brief.....	963
Cruise, Gerald V., statement of.....	877
Culkin, Hon. Francis D.:	
Speech on St. Lawrence seaway.....	476
Excerpts from remarks of.....	548
Petitions filed by.....	2247
Customs duties.....	1715

D

Dauahy, James W., statement of.....	1275
Danielian, Dr. N. R., letter and statement.....	1944, 2033
Daniels, Hon. Grant F., letter in re attitude of New York State Legis- lature.....	2249
Davis, Frank S., statement of.....	632
Decentralization of industry.....	1775
Debt, public.....	1080
Defense aspect of the seaway.....	1046

	Page
Defense plants, location of.....	1775
Defense objectives.....	1294
Delano, Hon. Frederic A., statement.....	2022
Detroit and Wayne County Federation of Labor, letter.....	2161
Detroit Great Lakes-St. Lawrence Seaway Committee, letter and list of organizations in Michigan supporting the seaway project.....	770, 2156
Detroit, Mich.:	
Population trend.....	568
Statement of Mayor of.....	769
Wage earners.....	572
Differences in terms of treaty voted on in 1934 and present proposed agreement.....	48
Diplomatic correspondence.....	20, 22, 55, 484, 494, 497, 503
Diversion of water from Lake Michigan:	
Baker, Hon. Newton D., statement of in 1926.....	1742, 1744
Brown, Maj. Gen. Lytle, excerpt from testimony of.....	1727
Burton, Hon. Theodore E., statement of in 1926.....	1743
Kunz, Hon. Stanley H., statement of in 1926.....	1743
Mansfield, Hon. J. J., remarks in re.....	1742
Supreme Court of the United States, excerpts from decision of.....	1722, 1723, 1727
Dixon, Hon. Frank M., statement of.....	1253
Duluth, Missabe & Northern Railway, dividends paid by.....	1838, 1839
Doll, Tracy W., letter.....	2024
Donahue-Stratton Co., excerpt from letter of.....	1707
Dondero, Hon. George A., extension of remarks.....	1944
Douglas, Hon. Lewis W., arguments on State-ownership of power.....	1094
Drought conditions, loss of power due to.....	1471
Drummond, Mr. Huntley, telegram.....	1423
Duluth (Minn.) Chamber of Commerce, statement of representative of.....	931
Du Pont Co.....	259
Durham, Edward B., letter.....	2260
Duxbury, John H., letter.....	2261

E

Eastern Regional Conference, Great Lakes-St. Lawrence Waterway and Power Project Proceedings, resolution adopted by.....	1901
Eastman, Commissioner Joseph B., excerpts from reports by.....	1414, 1417
Eaton, Cyrus S., letter.....	2253
Economic effects of the seaway.....	1295
Edgar, Ralph C., statement of.....	2029
Edison, Hon. Charles, letter.....	203
Edmonton (Alberta) Bulletin, article in.....	2209
Edsall, Richard L., brief.....	2248
Electricity. See Power.	
Electric service to industries.....	1793
Electro Metallurgical Co., excerpts from letters of.....	2246
Elliott, Howard, excerpt from statement by.....	2280
Ellis, Hon. Clyde T., statement of.....	2244
Emergency, protracted.....	283
Employment, condition of in New York State.....	838
Engineering News-Record:	
Excerpts from editorial in.....	2109, 2110
Report in, by V. T. Boughton, on developing the St. Lawrence for power and navigation.....	1655, 2118
Engineering report.....	28
England, Capt. Richard W., statement of.....	403
Erie County (N. Y.):	
Industrial Union, letter.....	2269
Board of Supervisors, resolution.....	708
Erie, Lake, effect of diversion on level of.....	1730
European power development during wartime.....	337
European waterway development.....	1096
Export and coastwise trade.....	954, 1755
Exports, 1940.....	954

F

	Page
Farmers Educational and Cooperative Union of America, letter.....	1034
Farmers. <i>See</i> Agriculture, State Granges, and National Grange.	
Farmers Union Legislative Committee, statement of resident secretary of.....	1029
Farm prices and freight rates, table.....	1708, 1980
Faxlanger, Walter F., letters.....	2220, 2221
Federal and State accord approved by the House in 1933.....	2190
Federal Deposit Insurance Corporation, statement of the Chairman of.....	963
Federal hydro projects, effect of on coal consumption.....	1573
Federal Power Commission:	
Coal, use of for generation of electricity.....	1484
Ickes, Hon. H. L., in re recommendations of.....	1537
Jurisdiction of.....	684
Law creating, excerpts from.....	275, 541, 542
New York State Power Authority Act, reports in re.....	855
Power shortage.....	849
Power required.....	1660
Power plants scheduled for construction.....	1658, 1659
Recapture clause in permits.....	874
Reports of, extracts from.....	117
Testimony of the Chairman of.....	321
Witnesses for.....	321
Felton, S. M., views of.....	2283
Fertilizer materials.....	1716
Flannery, Hon. J. Harold:	
Petitions filed by.....	2247
Statement of.....	1629
Fletcher, R. V., statement of.....	2197
Flood control, excerpt from report on Tennessee Valley Authority.....	1774
Florida, construction of ships in.....	111, 994
Florida Ship Canal.....	106, 146, 189, 1038, 1082
Flour.....	1750
Ford, Gov. Sam C., letter.....	2227
Foreign commerce.....	954, 1754
Foreign Commerce Club, Boston, letter.....	635
Foreign competition in Great Lakes area.....	1641
Foreign goods.....	1823
Fort Erie (Ontario) Times-Review, article in.....	2213
Fortune magazine, excerpt from article in.....	2246
Fox, Maj. Milo P., extract from letter of.....	1205
Franklin (Va.) Chamber of Commerce.....	1448
Freestone, Fred J.:	
Brief of.....	2188
Letters to Presidential nominees, 1936.....	2193
Freight rates (<i>see also</i> Rates).....	1708, 1762, 1763, 1764, 1765
Fresh fruit.....	1721
Frye, P. A., statements of.....	619, 653
Fuels.....	1813
Fuller, Hubert B., statements of.....	709, 736

G

Gaillard, S. P., Jr., statement of.....	1253
Garsaud, Marcel, statements of.....	1045, 1104
Gas.....	1770, 1774
Gavel Club of Baltimore, resolution by.....	1717
General Electric Co.....	259
Geological Survey, report on recent drought conditions.....	1471
Georges Creek and Upper Potomac Coal Association.....	1717
Georgia, shipbuilding facilities in.....	109
Germany, waterways of.....	2183, 2185
Gibbs, Raymond B., letter.....	2205
Gill, Corrington, letter in re Work Projects Administration projects.....	2277
Gill, Ray W., letter.....	1035
Glenn, Senator, questions of, regarding diversion of water from Lake Michigan.....	1733, 1734

Grain:	
<i>See also</i> Wheat.	Page
Buffalo, receipts of, at, chart.....	524
Export charges on.....	1911
Great Lakes, shipments on.....	1754
Movements of.....	305, 1705
Rates on.....	308, 1677, 1706, 1741, 1742
Grain Planning Employees Local 1286, brief.....	1252
Grand Coulee development.....	186, 1073, 2278
Grand River Dam Authority.....	2278
Granges. <i>See</i> State Granges, and National Grange.	
Greater Detroit and Wayne County Industrial Union Council, letter.....	2024
Great Lakes:	
Connecting channels, cost of completing.....	177
Cost of improving harbors on.....	184, 471
Rates.....	307
Diversion of water from.....	560, 583, 1396, 1719, 1881, 2124
Effect of diversion on levels of.....	1730
Report of Canadian Section of International Waterways Commission in re.....	1734
Foreign vessels operating on.....	662
Harbors, on, appropriations for and dimensions of.....	972, 1923
Navigation conditions of.....	445
Package freight on.....	304
Ports on, list of.....	477
Shipbuilding on.....	583, 1574
Shipping on.....	660, 1910
Shipyards on.....	147, 163, 1868
Vessels, length of.....	2082
Vessels operating on essential to national defense.....	1339
Vessels constructed in by United States Shipping Board.....	405
Witnesses from.....	660, 709, 736, 1638, 1834, 1844, 1857, 1869
Great Lakes-St. Lawrence seaway project:	
Cost to complete for navigation only.....	220
Map of.....	1961
Survey and analysis of by S. Leonard Hoffman.....	2264
Great Northern Railway Co., views of president of.....	2282
Greek, Darold I., statement of.....	2093
Green, Harry, telegram.....	2218
Griffith, M. D., statement of.....	1651
Grimm, George S., statement of.....	1171

H

Haase, Beulah H., telegram.....	1034
Hackworth, Hon. Green H., memorandum.....	43
Hager, A. B., brief.....	2248
Halifax (Nova Scotia) Chronicle, article in.....	2212
Halleck, Hon. Charles A., statements of.....	1949, 1957
Hamlin, Chauncey J., statements of.....	466, 477, 525
Handschin, Robert, statement of.....	1029
Harbors:	
Deepening of.....	184, 1846
Effect of St. Lawrence seaway on existing.....	2045
Improvement of.....	1823
Hardy, George E., brief.....	2248
Harrison, Ben, telegram.....	2219
Hartland (New Brunswick) Observer, article in.....	2208
Hart, Merwin K., statement of.....	1353
Hedden, Walter P., statement of.....	1667
Hedges, M. H., statements of.....	1017, 1041
Heil, Gov. Julius P., letter.....	2227
Henderson, Hon. Leon, statement of.....	2229
Hepburn, Hon. M. F.:	
Remarks at Ogdensburg, June 14, 1941.....	513
Excerpts from letters of.....	515
Highways.....	1825

	Page
Hiltner, J. K.:	
Letter from in re commerce of New York Harbor.....	2263
Statement of.....	1307
History of the St. Lawrence River project.....	41, 48, 808
Hobbie, J. Albert, statement of.....	1251
Hoffman, S. Leonard, survey and analysis of Great Lakes-St. Lawrence navigation and power projects.....	2264
Hogg, D. R. T. H., excerpts from statements by.....	75,
90, 1353, 1656, 1700, 1702,	1703
Holden, Mr. Hale, views of.....	2283
Holden, Otto, letter.....	2077
Holgate & Jamieson, Messrs., Montreal, conclusions of.....	1701
Holling, Hon. Thomas L., statement of.....	558
Hollopeter, Herschel A., brief.....	1949
Holt, Walter B., letter.....	2025
Hood, J. M., statement of.....	2105
Hooper, Hon. Warren G., letter.....	2247
Hoover Commission, excerpts from report of.....	1017, 1204
Hoover, Hon. Herbert:	
Address at New Haven in 1927.....	1230
Excerpt from report of on Effect of the Construction of the Panama Canal.....	944
Hopkins, Harry L., excerpt from statement by.....	1657
Horsepower equals 0.746 kilowatts.....	603
House bill 4927 (the Mansfield bill):	
Complete text.....	
Extracts from.....	123, 268, 358, 384, 398, 526, 530, 554
House Joint Resolution 157, Seventy-third Congress, United States.....	244, 245
House Report 49, Seventy-third Congress, United States.....	246
Houston Ship Canal.....	283
Howe, R. E., statement of.....	1553
Hughes, Hon. Charles E., findings and recommendation in the <i>Chicago</i> <i>Diversion case</i>	1723, 1727
Hughitt, Thomas, statement of.....	1125
Hull, Hon. Cordell:	
Correspondence of.....	19, 42, 865
Excerpt from letter of to Hon. Sir Herbert Marler.....	1738
Letter to National Seaway Council.....	2195
Huntingdon (Quebec) Gleaner, article in.....	209
Huntington, W. Va., letter from mayor of.....	775
Hydroelectric plants, vulnerability to damage by bombs.....	614, 998
Hydroelectric power (<i>see also</i> Power).....	986, 1770, 1777, 1826
Hydro Electric Power Commission of Canada (<i>see also</i> Dr. T. H. Hogg):	
Address of the chairman.....	1702, 1703
Excerpt from report of.....	1703
I	
Ickes, Secretary H. L., excerpt from statement by.....	1537
Idaho State Grange, letter.....	1036
Illinois Central Railroad, view of president of.....	2281
Illinois, State of:	
Brief for.....	2248
Overcharges for electricity in.....	801
Witnesses for.....	750
Illustrations:	
St. Lawrence project.....	1961
Railroad revenues.....	1985, 1986, 1987
Imperial Irrigation District.....	2279
Indiana:	
State Chamber of Commerce.....	1957, 1959
Witnesses for.....	1949, 1957
Industrial electric service.....	1793
Industrial expansion, plant location.....	1781, 1790
Industrialization.....	1772
Industrial Union Council of Greater Detroit and Wayne County, Mich., letter.....	2024

	Page
Industry, decentralization of.....	1775
Insurance rates.....	460
International Brotherhood of Electrical Workers, statement of representative of.....	1017, 1041
International Ladies' Garment Workers Union:	
Statement of executive secretary of.....	1003
Telegrams.....	2218, 2219
International Shipmasters' Association, statement and resolutions.....	660
International Union Aluminum Workers of America, excerpt from statement by on need for greater production of aluminum.....	2243
International Waterways Commission, report of on Chicago diversion.....	1734, 1735
Interstate Commerce Commission:	
Excerpt from report on in re railroads.....	2163
Lighterage rates.....	950
Investments and investors.....	1081
Ireland, R. L., Jr., statement of.....	1542
Iron industry.....	1716, 1838
Iron ore.....	307, 662, 1505, 1513, 1638, 1823, 1829, 1845
Iron-ore industry.....	1639
Iron ore, draft of vessels carrying.....	1520, 1642
Ives, Sherman K., letter.....	1035

J

Jackman, Prof. William T.:	
Estimate of cost of seaway.....	1655
Statement of.....	1688
Jackson, Hon. Robert H., memorandum of.....	44
Jacksonville, Fla., power plant at.....	1087
Jeffries, Hon. Edward J., statement of.....	769
Jenkins, Albert H., article by.....	1936, 1940
Johnson, Gilbert R.:	
Brief.....	1882
Statement of.....	1869
Johnson, W. D., statement of.....	2019
Joint report submitted by committees of Canada and the United States.....	28
Jones, Gov. Sam H., brief.....	624
Jones, Hon. Jesse H., statement of.....	282
Jones, W. A., statement of.....	1551

K

Kansas City and vicinity.....	296
Kasten, Hugo, statement of.....	2028
Katovsky, A. W., telegram.....	2218
Keiser, F. S., statements of.....	931, 1834
Kelly, A. J., Dominions representative, Brotherhood of Railroad Trainmen, letter.....	1824
Kelly, Col. William, excerpts from statement of.....	2244
Kennedy, Thomas, statement of.....	1465
Ketner, H. E., statement of.....	1412
Kilburn, Hon. Clarence E., statement of.....	1953
King, Hon. W. L. Mackenzie:	
Excerpts from letter to President Roosevelt.....	1698, 1699
Excerpts from letters of.....	515, 544, 556
Excerpt from speech in the House of Commons.....	1699, 1700
Excerpts from statements by.....	1698, 1699, 1892
Letters.....	20, 494, 503
Knox, Hon. Frank:	
Availability of shipbuilding facilities of the Great Lakes, letter.....	2055
Statement by.....	95
Knudsen, William S., statement of.....	813

L

Labor:	
Availability of for particular jobs.....	1027, 1097
Cost of the seaway to, in taxes.....	1818
Detroit and Wayne County Federation of, letter.....	2161

Labor—Continued.	Page
Diversion of from other defense projects.....	102
Employment, increase in.....	522
Exploitation of.....	1979
Organizations, letters from.....	2218, 2219
Railroad.....	1826, 1827, 1833
Railway, article by Albert H. Jenkins in re workers displaced in 18 years.....	1936, 1940
Requirements of on the seaway.....	206, 831, 969, 1000, 2075
Supply of.....	992, 1656
Unemployed in New York State.....	265, 838
Unemployed in the country.....	1613
Witnesses for.....	1003, 1017, 1041, 1412, 1465, 1817, 1919, 2019, 2024, 2026, 2027, 2028
Labor, Department of, quotation from release of.....	522
Labor record of New Orleans, editorial.....	1395
LaGuardia, Hon. Fiorello H.:	
Excerpts from statement by.....	658, 659
Letter to Senator La Follette in 1934.....	1074
Testimony of.....	1071
Lake Carriers Association:	
Johnson, Gilbert R., statements of.....	1869, 1882
Witnesses for.....	403, 432, 452, 660
Lake Erie, report of various official computations showing effect of diver- sion.....	1730
Lakes-to-the-Gulf navigation channel.....	1396
Land, Admiral E. S., views and recommendations of.....	2253
Landon, Gov. Alf. M., letter to National Seaway Council in 1936.....	2195
Larke, Alfred G., letter.....	2269
Law creating the Federal Power Commission, excerpts from.....	541, 542
Lawrence (Mass.), Chamber of Commerce, telegram.....	633
Lawrence, Richard W., address.....	1344
Laws relating to the New York State Power Authority.....	400
Legality of proceeding by agreement.....	42
Lehman, Hon. Herbert:	
Statement of.....	114
Messages of, extracts from.....	116, 118
Lewis, John L., statement of.....	1566
Liberty Magazine, excerpt from article of June 21, 1941.....	1739
Lincoln, Abraham, future of seaway envisioned by.....	2191
Lippmann, Mr. Walter:	
Article by.....	191
Telegram.....	2220
Listowel (Ontario) Banner, article in.....	2213
Little Rock Chamber of Commerce, traffic bureau, letter from.....	1685
Livingstone Channel.....	1878
Locklin, D. P., excerpt from article by.....	1414
Locomotive Firemen and Enginemen, Brotherhood of.....	2247, 2266
Lodge, Senator Henry Cabot, February 18, 1919, excerpt from speech of.....	1728
Longshoremen's Union.....	1191
Los Angeles, Calif., rates for electricity in.....	1477
Louisiana:	
Charges for electricity in.....	653, 1400
Witnesses for.....	619, 653, 1045, 1104, 1392, 1401, 1747
Loup River Public Power District.....	2278
Lower Colorado River Authority.....	2278
Luhrsen, J. G., statement of.....	2000
Lumber.....	1070, 1749, 1750, 1778
Lumber, rates on from Pacific coast.....	1213, 1217
Lumber, Stone, Sand, and Coal Handlers, Local 933, letter.....	2025
Lush, S. C., statement of.....	1817

M

Machinery.....	1624, 1716, 1750
Macleod (Alberta) Gazette, article in.....	2211
Madeira, Louis C., statement of.....	1686
Magistro, Joe, telegram.....	2219

New Orleans, La.:	Page
Coffee, importations of, through.....	1054
Foreign commerce, 1938, 1939, 1940.....	1759
Interior Bureau of Economics, letter.....	2262
Labor and political bodies, letter of Walter Parker.....	2262
Loss of tonnage to, due to St. Lawrence seaway.....	1054
Sugar movement.....	1055
Sisal movement.....	1055
Yearly revenues and expenses.....	1055
Newport News (Va.) City Council.....	1453
New River case, discussion of, by John W. Scott, Supreme Court decision in.....	684, 691
Newspaper articles in Canadian papers.....	2208
Newton, Hon. Cleveland A., statement of.....	1718
Newton, Mayor R. A., address of welcome at Massena.....	1947
New York Barge Canal:	
All-American Canal.....	99, 144, 1166
Estimated and actual cost of.....	1212
Improvement of.....	144, 2119
Operations on.....	1673
Rates on.....	1674
New York Board of Trade, brief.....	1651, 1652
New York City:	
Benefits to be derived from the seaway.....	1098
Increase in assessed value of private power plants.....	1076
Cost of private power in.....	1086, 1090
Cost of St. Lawrence power at.....	1085, 1221
Population trend.....	568
Self-liquidating projects in.....	1077
Statement of Mayor LaGuardia.....	1071
Taxes in.....	1085
West Side Association of Commerce.....	1282
Witnesses.....	1071, 1118, 1275, 1290, 1324, 1333, 1651, 1667
New York Harbor:	
Diversion of traffic from.....	120, 1335
Maritime Association of the Port.....	1340
New traffic for.....	1916
Port of New York Authority.....	126, 1667
Tonnage of.....	2263
Railroad rate case.....	1084
New York, Port of:	
Maritime Association.....	1340
Port Authority.....	256, 1667
New York Post, editorial.....	796
New York (State):	
Affiliated Young Democrats, Inc., brief.....	2279
All-American waterway across.....	1166
Chamber of Commerce of the.....	1233
Division of Placement and Unemployment Insurance, release by.....	838
Legislature of, letter from Hon. Grant F. Daniels.....	2249
Resolution of.....	237
New York Times, editorial in.....	1655
Overcharges for electricity in.....	16, 92, 263,
610, 840, 882, 977, 1007-1086, 1603	
Ownership of power in St. Lawrence by.....	128, 181, 252
Port Authority of New York Harbor.....	126
Savings in electricity bills.....	276
Power conditions in.....	837
Witnesses from.....	114, 233, 841, 877, 878, 895, 914, 1115, 1173, 1353, 1953
(See also Buffalo, Niagara Falls, Niagara Frontier, New York City, Rochester, and Syracuse.)	
New York State Power Authority:	
Amortization of cost of power development.....	236
Cost to, if developed for power only.....	981
Cost to, compared with total cost of river project.....	335
Cost to, of coordinated plan.....	566
Credit of New York State not back of the.....	121
Excerpts from act creating the.....	499, 531, 554, 854, 871, 1445

	Page
New York State Power Authority—Continued.	
Law creating, complete text.....	533
Ownership of power in the St. Lawrence.....	122
Power of to levy taxes.....	121
Principals advocated by.....	871
Witnesses for.....	841, 846, 877, 878, 895
New York State Grange, letter.....	2249
New York State Waterways Association, statement of representative of.....	914
Niagara Alkali Co., excerpt from letter of.....	2245
Niagara County Board of Supervisors.....	1158, 1159, 1171
Niagara Electric Corporation, added production.....	1134
Niagara Falls development, estimated cost.....	566
Niagara Falls, N. Y.:	
Beauty of, effect on, of additional diversion of water from.....	49
Diversions of water at.....	582
Power plants at.....	597
Power situation at in 1918.....	322
Unused wheel capacity.....	599
Witnesses for.....	1158, 1171
Niagara Falls (Ontario) Review, article in.....	2209
Niagara Falls Power Co., and affiliates:	
Legal authority of to develop power.....	873
Industrial plants served by.....	366
Pending litigation.....	875
Statement of Lieutenant Governor Poletti in re.....	262
Taxes paid by.....	1159
Niagara Frontier Industrial Traffic League, brief.....	1157
Niagara Frontier Planning Association, brief.....	1251
Niagara Frontier Planning Board:	
Excerpts from brief of.....	1655
Witnesses for.....	466, 477, 525, 565, 599, 668
Niagara-Hudson Power Co., capacity of plants in service sales, etc.....	1128, 1129, 1131
Niagara River:	
Diversions from.....	77, 1907, 2125, 2133
Ownership of power in.....	133, 881
Nicholls, Hon. Haskell L., letter.....	2247
Nile River, Valley of, excerpt from writings of Hon. Winston Churchill.....	1167
Noble, Edward J., letter.....	1993
Noggle, Miss Doris M., brief.....	2248
Norfolk (Va.) Association of Commerce.....	1449
Norfolk (Va.) City Council.....	1456
Norris, Hon. George W., article by.....	1941
North Carolina, rates charged for electricity in.....	1511
North Carolina State Grange, letter.....	1036
North Dakota, statement of Governor of.....	891
Northern Pacific Railway Co., excerpt from statement of President of.....	2280
Northrup, John H., statements of.....	1158, 2145, 2147
North Tonawanda, N. Y., Common Council of, resolution.....	558
Northwest Territory, England's attempt to make a bumper State of.....	1168
Notes exchanged between the United States and Canadian Governments.....	19

O

O'Brien, Hon. George D., statement of.....	198
O'Brien, Joseph, brief.....	2248
O'Brien, Thomas C., statement of.....	523
Office of Price and Administration and Civilian Supply, witness.....	2229
Office of Production Management:	
Release of re aluminum plants.....	1229
Statement of the Director General.....	813
Ohio:	
Coal production in.....	1543
Manufacturing wage earners in.....	572
Overcharges for electricity in.....	92, 978, 1021, 1025, 1085
Manufacturing wage earners in.....	572
Witnesses for.....	709, 736, 751, 1542, 1553, 2085
Ohio Farm Bureau Federation, brief.....	242

	Page
Maine:	
Cost of electricity to the citizens of.....	978
Witness for.....	1663
Maintenance cost.....	525
Maize, Richard, statement of.....	1811
Manchester (Mass.) Chamber of Commerce.....	634
Manchester Ship Canal, estimated and actual cost of.....	1212, 1655, 1701
Man-days, loss of.....	1813
Mansfield, Hon. J. J., statements of.....	5, 49, 335, 1505, 1548, 1739, 1742
Manufacturing territory served by New Orleans, La.....	1748
Manufacturing wage earners, table.....	572
Maps, St. Lawrence seaway project.....	1961
Marine News, article in on German waterways.....	2183
Maritime Association of the Port of New York.....	1340
Maritime Commission, views and recommendations of.....	2253
Markham, C. H., views of.....	2281
Markham, Maj. Gen. E. M., excerpts from testimony of.....	1048, 1203, 1440
Maryland, witnesses for.....	1711
Massachusetts:	
Cost of electricity to the citizens of.....	639, 978
Witnesses for.....	632
Massena, N. Y., freight rates on coal to.....	2141
Mayors, Conference of.....	1565
McBride, J. A., announcement.....	2247
McCaffrey, George H., statement of.....	1290
McClure in International Executive Agreements, excerpt from.....	1876
Merchant marine, table showing ships under construction.....	755
McGrath, Tom J.:	
National St. Lawrence Project Conference, additional list of members of.....	2205
Portland Oregonian, comments on article in.....	2147
Testimony of.....	369, 400
McNutt, Hon. Paul V., letter.....	938
Mead, Senator James M., petitions filed by.....	2247
Merrill, Henry F., brief.....	1664
Message of the President (H. Doc. 245, 77th Cong.).....	2
Metals.....	1784
Miami, Fla., charges in for electricity.....	1088
Michigan, Lake, diversion of water from.....	1396, 1409, 1719, 1881, 2124
Michigan (State):	
Cost of electricity to the citizens of.....	777, 978
Governor of, letter.....	937
Great Lakes Tidewater Commission, testimony of representative.....	939
Organizations in, supporting the seaway.....	2156
Manufacturing wage earners in.....	572
State grange, letter.....	1035
State legislature, letter from members of.....	2247
Witnesses for.....	769, 939
Middle West, effect of seaway on.....	127
Midland (Ontario) Free Press, article in.....	2210
Midwest Shippers Advisory Board.....	2271
Milwaukee, Wis.:	
Statements of mayor of.....	795, 807
Vessels of foreign register entering the port of.....	803
Mining and minerals.....	1495, 1522, 1624, 1813, 1815
Minneapolis, St. Paul & Sault Ste. Marie Railway, views of the president of.....	2282
Minnesota:	
Overcharge for electricity in.....	1025
Statement of Governor of.....	915
Water power in.....	918
Witnesses for.....	302, 915, 931, 1834, 1844
Minott, George H., statement of.....	1663
Mississippi, charges for electricity in.....	1608
Mississippi Valley, effect of the Panama Canal on the transportation economy of.....	1397
Mississippi Valley Association.....	1718, 1719
Mississippi Valley Committee of the National Resources Board, excerpt from report of in re railroads.....	2163

	Page
Mitchell, Brig. Gen. Charles Hamilton, excerpt from statement by in 1934.....	1204
Moffat, Hon. Pierrepont, letters.....	19, 503
Molloy, Mrs. Joseph J., statement of.....	766
Moncton (New Brunswick) Transcript, article in.....	2210
Montana, letter from the Governor of.....	2227
Montana State Grange, telegram.....	1034
Montreal Gazette, excerpt from article in.....	2097
Montreal Shipping Register, excerpt from report of.....	951
Moses, Hon. John, statement of.....	891
Muscle Shoals.....	1073, 1088
Muskegon, Mich., rates from.....	946, 947

N

Narelle, Reginald G., telegram.....	2248
National and international organizations. <i>See</i> Associations.	
National Association of Manufacturers.....	1654
National Coal Association, letter.....	2142
National debt.....	293
National defense:	
Bonds.....	301
Importance of power to.....	849
Plant location for industries.....	1781, 1790
National Farmers Union, statement of representative of.....	1029
National Grange:	
Excerpt from address of L. J. Taber in 1924.....	1387
Recommendation of committee on forestry and conservation of the.....	1387
Excerpts from statement of policy of.....	1388, 1389
Statement of 1934 in re St. Lawrence seaway.....	1389
National resources vital to our national defense.....	2189
National Resources Planning Board, letter from.....	2022
National St. Lawrence Project Conference:	
Lists of members of.....	370, 2205
Statement of representative of.....	369
National Seaway Council:	
Executive committee.....	2194
Letter to Secretary Hull.....	2192
Resolutions.....	2196
Statement presented to 1936 Presidential nominees.....	2193
Testimony of witness.....	939
National Transcontinental Railway of Canada, estimated and actual cost of.....	1701
National Transportation Committee, extract from report of.....	138
Navigation:	
Benefits to.....	212, 1704, 2127
Conditions on seaway route.....	440
Navigation seasons, Welland Canal and St. Lawrence River.....	212
Navy Department, statement of representatives of.....	95, 147
Navy vessels by fiscal years, table.....	2065
Neal, William J., letter.....	1035
Neller, Hon. F. Jack, letter.....	2248
Nesbitt, J. A., statement of.....	1915
Newark (N. J.) Chamber of Commerce:	
Brief.....	2149
Letter.....	2217
New Bedford (Mass.), Board of Commerce, telegram.....	634
New England, charges for electricity in.....	885, 1091, 1607
New Hampshire, charges for electricity in.....	653, 978
New England Council, letter.....	633
New England Paper and Pulp Traffic Association, brief.....	2248
New England Shippers Advisory Board, telegram.....	634
New England Traffic League, The, telegram.....	633
Newfoundland, political status of.....	89
New Glasgow (Nova Scotia) News, article in.....	2213
New Hampshire State Grange, letter.....	1035
New Jersey, Governor of, letter.....	203

New Orleans, La.:	Page
Coffee, importations of, through.....	1054
Foreign commerce, 1938, 1939, 1940.....	1759
Interior Bureau of Economics, letter.....	2262
Labor and political bodies, letter of Walter Parker.....	2262
Loss of tonnage to, due to St. Lawrence seaway.....	1054
Sugar movement.....	1055
Sisal movement.....	1055
Yearly revenues and expenses.....	1055
Newport News (Va.) City Council.....	1453
New River case, discussion of, by John W. Scott, Supreme Court decision in.....	684, 691
Newspaper articles in Canadian papers.....	2208
Newton, Hon. Cleveland A., statement of.....	1718
Newton, Mayor R. A., address of welcome at Massena.....	1947
New York Barge Canal:	
All-American Canal.....	99, 144, 1166
Estimated and actual cost of.....	1212
Improvement of.....	144, 2119
Operations on.....	1673
Rates on.....	1674
New York Board of Trade, brief.....	1651, 1652
New York City:	
Benefits to be derived from the seaway.....	1098
Increase in assessed value of private power plants.....	1076
Cost of private power in.....	1086, 1090
Cost of St. Lawrence power at.....	1085, 1221
Population trend.....	568
Self-liquidating projects in.....	1077
Statement of Mayor LaGuardia.....	1071
Taxes in.....	1085
West Side Association of Commerce.....	1282
Witnesses.....	1071, 1118, 1275, 1290, 1324, 1333, 1651, 1667
New York Harbor:	
Diversion of traffic from.....	120, 1335
Maritime Association of the Port.....	1340
New traffic for.....	1916
Port of New York Authority.....	126, 1667
Tonnage of.....	2263
Railroad rate case.....	1084
New York, Port of:	
Maritime Association.....	1340
Port Authority.....	256, 1667
New York Post, editorial.....	796
New York (State):	
Affiliated Young Democrats, Inc., brief.....	2279
All-American waterway across.....	1166
Chamber of Commerce of the.....	1233
Division of Placement and Unemployment Insurance, release by.....	838
Legislature of, letter from Hon. Grant F. Daniels.....	2249
Resolution of.....	237
New York Times, editorial in.....	1655
Overcharges for electricity in.....	16, 92, 263, 610, 840, 882, 977, 1007-1086, 1603
Ownership of power in St. Lawrence by.....	128, 181, 252
Port Authority of New York Harbor.....	126
Savings in electricity bills.....	276
Power conditions in.....	837
Witnesses from.....	114, 233, 841, 877, 878, 895, 914, 1115, 1173, 1353, 1953
(See also Buffalo, Niagara Falls, Niagara Frontier, New York City, Rochester, and Syracuse.)	
New York State Power Authority:	
Amortization of cost of power development.....	236
Cost to, if developed for power only.....	981
Cost to, compared with total cost of river project.....	335
Cost to, of coordinated plan.....	566
Credit of New York State not back of the.....	121
Excerpts from act creating the.....	499, 531, 554, 854, 871, 1445

	Page
New York State Power Authority—Continued.	
Law creating, complete text.....	533
Ownership of power in the St. Lawrence.....	122
Power of to levy taxes.....	121
Principals advocated by.....	871
Witnesses for.....	841, 846, 877, 878, 895
New York State Grange, letter.....	2249
New York State Waterways Association, statement of representative of.....	914
Niagara Alkali Co., excerpt from letter of.....	2245
Niagara County Board of Supervisors.....	1158, 1159, 1171
Niagara Electric Corporation, added production.....	1134
Niagara Falls development, estimated cost.....	566
Niagara Falls, N. Y.:	
Beauty of, effect on, of additional diversion of water from.....	49
Diversions of water at.....	582
Power plants at.....	597
Power situation at in 1918.....	322
Unused wheel capacity.....	599
Witnesses for.....	1158, 1171
Niagara Falls (Ontario) Review, article in.....	2209
Niagara Falls Power Co., and affiliates:	
Legal authority of to develop power.....	873
Industrial plants served by.....	366
Pending litigation.....	875
Statement of Lieutenant Governor Poletti in re.....	262
Taxes paid by.....	1159
Niagara Frontier Industrial Traffic League, brief.....	1157
Niagara Frontier Planning Association, brief.....	1251
Niagara Frontier Planning Board:	
Excerpts from brief of.....	1655
Witnesses for.....	466, 477, 525, 565, 599, 668
Niagara-Hudson Power Co., capacity of plants in service sales, etc.....	1128, 1129, 1131
Niagara River:	
Diversions from.....	77, 1907, 2125, 2133
Ownership of power in.....	133, 881
Nicholls, Hon. Haskell L., letter.....	2247
Nile River, Valley of, excerpt from writings of Hon. Winston Churchill.....	1167
Noble, Edward J., letter.....	1993
Noggle, Miss Doris M., brief.....	2248
Norfolk (Va.) Association of Commerce.....	1449
Norfolk (Va.) City Council.....	1456
Norris, Hon. George W., article by.....	1941
North Carolina, rates charged for electricity in.....	1511
North Carolina State Grange, letter.....	1036
North Dakota, statement of Governor of.....	891
Northern Pacific Railway Co., excerpt from statement of President of.....	2280
Northrup, John H., statements of.....	1158, 2145, 2147
North Tonawanda, N. Y., Common Council of, resolution.....	558
Northwest Territory, England's attempt to make a bumper State of.....	1168
Notes exchanged between the United States and Canadian Governments.....	19
O	
O'Brien, Hon. George D., statement of.....	198
O'Brien, Joseph, brief.....	2248
O'Brien, Thomas C., statement of.....	523
Office of Price and Administration and Civilian Supply, witness.....	2229
Office of Production Management:	
Release of re aluminum plants.....	1229
Statement of the Director General.....	813
Ohio:	
Coal production in.....	1543
Manufacturing wage earners in.....	572
Overcharges for electricity in.....	92, 978, 1021, 1025, 1085
Manufacturing wage earners in.....	572
Witnesses for.....	709, 736, 751, 1542, 1553, 2085
Ohio Farm Bureau Federation, brief.....	242

	Page
Ohio Valley Transportation Advisory Board, resolution.....	1958
Ohio Waterways Commission, brief.....	2248
Oil.....	1770, 1771
Oklahoma:	
Overcharges for electricity in.....	1373
Witness for.....	1357
Olds, Hon. Leland:	
Letter and statement of.....	1484
Testimony of.....	321
Ontario, power plants in.....	602
Operations cost.....	525
Oregon, right to receive payments for use of water at Bonneville and other dams.....	980, 982
Oregon State Grange, letter.....	1035
Ores (<i>see also</i> Iron ore).....	1716, 1784, 1819, 1825, 1839, 1840
Organizations, national and international. <i>See</i> Associations.	
Oshawa (Ontario) Times, article in.....	2212
Oswego, N. Y., power plant.....	1133
Ottawa (Ontario) Le Droit, article in.....	2212
Owens, John R., statement of.....	2024
P	
Packinghouse products.....	1716
Panama Canal:	
Accidents in.....	439
Effect of the construction of on:	
Atlantic coast and inland areas.....	944
Mississippi Valley.....	1396
Estimated and actual cost of.....	198, 1655, 1701
Panasci, Anthony, statement of.....	707
Paper.....	1772
Parker, F. W., statement of.....	1263
Parker, Walter:	
Article on Lakes-to-the-Gulf navigation channel.....	1396
Letter on export trade of the future.....	2262
Testimony of.....	1392
Parmelee, J. H., statement of.....	2162
Patton, James G., letter.....	1034
Peck, Neal, telegram.....	1034
Pennington, Edward, views of.....	2882
Pennsylvania:	
Chamber of Commerce, brief.....	2198
Witness for.....	1551, 1561, 1629, 1891, 2029
Overcharges for electricity in.....	977, 1091, 1603, 1634
Perkins, Coleman T., statement of.....	1194
Petersburg (Va.) Chamber of Commerce.....	1449
Pfeifle, Mayor Robert, letter.....	775
Phenol.....	1776
Philadelphia, port of, foreign commerce.....	1898
Phillips, Hon. Leon C., statement of.....	1357
Pillsbury, Brigadier General, testimony of before Senate Foreign Affairs Committee, diversion of water from Lake Michigan....	1203, 1730, 1733, 1734
Pilots, use of.....	461
Pinopolis Reservoir.....	2278
Pittsburgh Metallurgical Co., excerpt from letter of.....	2245
Pittsburgh, Pa., power situation in 1918.....	322
Plain Dealer of Cleveland, Ohio.....	320, 549, 2248
Platte Valley public power and irrigation district.....	2279
Plumley, Hon. Charles A., statements.....	2248
Population trends, table.....	568
Poletti, Hon. Charles, statement of.....	233
Portland (Maine) Port Authority.....	1664
Portland Oregonian, comments on article in.....	2147
Port of Portland (Maine) Authority.....	1664
Ports:	
Atlantic and Gulf ports.....	1761
Deepening of channels in lake ports.....	1820, 1821, 1823

	Page
Ports of the world.....	959
Possum Kingdom Dam project.....	2278
Post, Hon. James I., letter.....	2247
Post-war situation.....	1079
Pouder, G. H., statement of.....	1711
Power:	
Changing power scene.....	2130
Cost of generation and transmission.....	336, 606, 984, 1221, 2132
Development of, in St. Lawrence; area plans for.....	973, 1200, 2126
Distribution of.....	1601
Export of.....	2126
Heating of homes with electricity.....	840, 1610
Loss in transmission of.....	91
Loss of, on account of drought conditions.....	1471
Necessity for additional supply of.....	321, 824, 1072, 1703
Overcharges for, in St. Lawrence area.....	978
Ownership of.....	130, 898, 1600
Private versus public development of.....	1072, 1532, 1816
Shortage of.....	849, 1229, 1291
Situation in 1918.....	322
Supply of, in St. Lawrence area.....	15, 837, 2078
Value of in relation to annual production.....	578, 842
Water power, cost of as compared with steam power.....	822, 824
Power Authority of the State of New York, re transfer of power facilities to.....	264, 268, 2131
Power companies, opposition of.....	1072, 1076
Power plants:	
Areas where new plants are required.....	1660
At New York City.....	1076
At Niagara Falls.....	597, 599
At Quebec and Ontario.....	602
Effect of public plants in the Tennessee Valley.....	1027
In the St. Lawrence River.....	2078
New construction scheduled for 1941-42.....	1658-1659
Vulnerability of, to damage by bombs.....	614, 658
Waterworks and public ownership of.....	1073
Power policy of the United States.....	866
Power projects:	
Projects constructed with loans and grants of Federal funds.....	2248
Work Projects Administration projects which have assisted in con- structing locally owned power development.....	2277
President, The:	
Excerpts from addresses by.....	2005, 2164
Excerpts from letters of.....	494, 1657, 1699, 2195, 2196
Excerpts from message of 1934.....	302
Excerpts from message of 1941.....	1892, 1300
Text of message of 1941.....	2
Process industries.....	1781-1795
Projects in New York City (self-liquidating).....	1077
Propeller Club of the United States.....	1448, 1455, 1457
Providence Chamber of Commerce letter and resolution.....	635
Public debts.....	1080, 1365, 1621
Public ownership of water works and power developments.....	1073, 1078, 1616
Public power plants, effect of in the Tennessee Valley.....	1027
Public utility companies.....	259
Pulp.....	1772
Putnam, Mayor Roger L., letter.....	775
Pyle, Ernie, article by, on Corpus Christi Harbor.....	476
Q	
Quebec:	
Act of 1774, in re.....	1168
Chronicle-Telegraph, article in.....	2210
Legislative Assembly, letter from member of.....	1492
Power plants in.....	602

	R	Page
Radios.....		1750
Rail rates on iron ore from Lake Erie ports to Pittsburgh.....		459
Railroads:		
Capacity of, in the future.....		2177
Coal exported by.....		1824
Dividends of certain.....	1838, 1839,	1842
Effect of improved waterways on.....		745, 758
Grain shipped from Buffalo via.....		1825
Labor released to defense industries.....		1826
Lobby of the.....		1821
Employees, number of.....		1828
Income, employees, traffic, taxes, etc.....	1443,	1444
Interstate Commerce Commission, excerpts from reports of.....		2163
Labor displaced in 18 years.....	1936,	1940
Mississippi Valley Committee, excerpts from reports of.....		2163
Northwest Shippers Advisory Board.....		1835
Opposition of.....	94, 124, 758, 1075,	1610
Presidents of, statements by.....		2280
Systems of.....		1823
Ton-mile transportation in 1937.....		1825
Tonnage and revenue, 1928-39.....		1984
Trainload capacity.....		1827
Witnesses for.....	1915, 1919, 2000, 2105, 2162,	2197
Rankin, Hon. John E., power, and overcharges for electricity in certain areas.....	15, 87, 220, 236, 640, 748, 777, 800, 978, 1183, 1369, 1400, 1411,	1431
Raper, Charles L., statement of.....		1235
Raphael, A. A., brief.....		2248
Rates:		
Atlantic shipping.....		1911
Automobiles, Detroit to Portland, Oreg.....		2147
Coal.....		1816
Commodity rates.....		1213
Electric rates.....		1771
Farm prices and freight rates.....		1980
Great Lakes.....		307, 932
Iron and steel products to the Pacific coast.....		2148
Iron ore, Lake Erie ports to Pittsburgh.....		459
Muskegon, Mich.....	946,	947
New York City electric, reduction of.....		1077
New York Barge Canal.....		1674
Northern and southern rates scales.....		1767
Oklahoma rail rates.....		1371
Savings on wheat and flour shipments.....		892
Sulphite pulp, Portland, Oreg., to Great Lakes.....		2148
Yardstick method.....		1615
Read, J. E., excerpts from memorandum of, in re procedure by agreement.....		1875
Rearick, Arden, letter.....		1952
Regan, Michael E., statement of.....		1176
Reilly, John J., statement of.....		2027
Renshaw, Fred M., statement of.....		1136
Report of the Hoover Commission, excerpts from.....		1017
Report submitted by the committees of Canada and the United States.....		28
Rhode Island, charges for electricity in.....		978
Rice, shipping of.....		1750
Richards, S. Willson, articles on German waterways.....	2183,	2185
Rich, W. J., master, New York State Grange, letter.....		2249
Richmond (Va.) Chamber of Commerce.....		1460
Roanoke (Va.) Chamber of Commerce.....		1458
Robins, Brig. Gen. Thomas M., statements of.....	165, 203, 967,	998
Robinson, Hon. Jonathan, letter.....		1492
Rochester, N. Y.:		
Cost of St. Lawrence power at.....		1221
Chamber of Commerce.....	1195,	1209
Testimony of representatives.....		1195, 1203
Rock, Rear Admiral Geo. H.:		
Shipbuilding facilities on the Great Lakes, letter.....		2057
Testimony of.....		147

	Page
Rogers, James Grafton, Assistant Secretary of State, statement by in 1932.....	856
Root, Hon. Elihu, excerpt from testimony in re diversion at Chicago.....	1736
Ross, John H., statement of.....	914
Rossi, Mayor Angelo J., letter.....	774
Rural Electrification Administration, letter of the Administrator.....	2257

S

Sabin, L. C.:	
Abstract from testimony of in 1933.....	413
Letters in re draft of vessels in ore trade.....	1520, 1521
Testimony of.....	432, 452
St. Lawrence River and seaway project:	
Accidents in canals.....	439
Average flow of water in.....	187, 335
Benefits of general.....	2188
Barnhart Island powerhouse, estimated cost.....	214, 980
Canada, opinions in (newspaper articles).....	2208
Commerce:	
Foreign in 1939.....	435
Growth of.....	2119
Potential traffic on.....	2043
Relative importance of.....	2178
Cost of, estimates.....	179, 211, 218, 227, 443, 470, 968, 973, 980, 1702, 1909, 2120, 2124, 2179
Controlled single-stage project.....	2123
Description of.....	2118
Economics of.....	2051, 2130, 2133
Genesis of.....	1905
Geographic disadvantages of.....	1672
Harbors, effect on existing.....	2045
History of.....	41, 48, 808, 2038, 2118
Hoover Commission, excerpts from report of.....	1017
International section, cost of.....	227, 1702
Labor, requirements of.....	2075
Lincoln, Abraham, future of the seaway envisioned by.....	2191
Locks, list of with dimensions.....	2123
Map.....	1961
Navigation of.....	440, 461, 1910, 1914
Navigation seasons, length of.....	212
New York State statute with respect to improvement of.....	533
Power:	
Conditions, in area of.....	837
Distribution of power generated at.....	258, 896, 975, 984, 1601
Ownership of.....	681, 898
Overcharges for electricity in area adjacent to.....	1091
Plants in area of.....	2078
Quantity to be developed.....	973, 1200
Sections of waterway, list of.....	2123
Shipping services on.....	2040
States, cost of project to the respective.....	2216
Studies of.....	2119
Survey reports:	
Analysis of part 5.....	2174
Excerpts from part 2.....	433, 437, 438
Summary of conclusions.....	2038
Time element in construction.....	180, 210, 2164
Tolls on.....	2180
Treaty of 1932.....	2122
Vulnerability of to damage by bombs.....	208
St. Lawrence Seaway Committee of Detroit, membership.....	770
St. Louis Regional Conference of the United States Conference of Mayors, resolution.....	1565
St. Marys River, Mich.:	
Commerce of.....	189
Henry Clay's statement re locks in.....	475
Vulnerability of locks in.....	107

	Page
St. Petersburg, Fla., letter from mayor of.....	775
St. Thomas (Ontario) Times-Journal, article in.....	2208
Salmon, Herbert S., statement of.....	2096
San Francisco, Calif., letter from mayor of.....	774
Santee-Cooper project.....	2278
Sargent, Fred W., views of.....	2231
Sarosy, Mary, telegram.....	2220
Saunders, Capt. Thomas Howard, statement of.....	660
Savings in transportation costs by use of seaway.....	892, 1205, 1707
Schulten, Walter F., statement of.....	1561
Scott, John W.:	
Discussion by on Supreme Court decision in <i>New River case</i>	682, 684
Excerpt from statement by.....	541
Seaports.....	1822
Seaway for Defense Committee, memorandum.....	1994
Securities and Exchange Commission.....	1302
Seide, Herman, letter.....	2033
Self-liquidating projects.....	1077
Sewing machines.....	1750
Sherbrooke (Quebec) Record, articles in.....	2209, 2215
Shipbuilding and ship-repair yards on the Great Lakes.....	5,
163, 282, 449, 1720, 1819, 1826, 1868	
Shipbuilding facilities of the United States, surveys of.....	820
Shippers Advisory Board.....	1835
Shipping costs, rail and water.....	1715
Shipping Federation of Canada, excerpt from report of.....	1340
Ships. <i>See</i> Vessels.	
Silcox, L. K., address.....	1903
Slattery, Hon Harry, letter.....	2237
Slippy, Mayor Ralph B., letter.....	774
Smith, Governor Alfred E.:	
Statement in 1933.....	1219
Extract from report by.....	138
Soo Locks, Mich., statement of Henry Clay in re.....	475
South Carolina Public Service Authority.....	2279
Southern States Industrial Council, statement.....	2135
Southwestern Virginia, Inc.....	1449
Sparrows Point (Md.) Channel.....	1505
Splawn, Dr. W. M. W., excerpts from statement by.....	1415
Springfield, Mass., letter from mayor of.....	775
Stadell, Charles W., statement of.....	2271
Stanford University, report of wheat studies.....	1710
Stansbury, H. A., statement of.....	2100
Start, Roy C.:	
Brief.....	2248
Letters.....	1653, 2144
Stassen, Hon. Harold E., statement of.....	915
State, Department of:	
Assistant Secretary of, statement by in 1932.....	856
Coal, release in re importations of.....	1527
Correspondence of.....	43, 865
Memorandum of.....	42
Release of March 21, 1941.....	22
Testimony of witnesses.....	19, 48
State granges.....	1034, 1035, 1387, 1388, 1389, 2249
States:	
Cost to, of the seaway project.....	2216
Ownership of power in rivers by the.....	1093
Staunton and Augusta Chamber of Commerce, Va.....	1450
Steam plant, cost of.....	1798
Steam plant versus hydro, costs.....	351
Steam power:	
Economics of.....	1908
Time required to develop.....	996
Stein, Morris, telegram.....	2218
Stillwell, Charles.....	734
Stilson, W. K., letter.....	1951

	Page
Stimson, Hon. Henry L.:	
Testimony of.....	3
Vulnerability of the seaway, letter.....	2038
Stinchcomb, W. A., letter.....	2277
Steam-electric power.....	1774
Steam-generating plants.....	1777
Steamships.....	1752
Steel.....	1716, 1812, 1826, 1842
Steel industry.....	1838
Strathroy (Ontario) Age-Dispatch, article in.....	2214
Submarines and submarine chasers.....	1698
Subsidies:	
Inland waterways.....	1819
The seaway.....	1226
Suez Canal, estimated and actual cost of.....	1655, 1701
Suffolk, Va., Chamber of Commerce of.....	1451
Sugar.....	1057, 1716
Sulfur.....	1716, 1750
Sullivan, Edmund D., statement of.....	1191
Sullivan, Elma, telegram.....	2219
Sullivan, Jesse V., statement of.....	1557
Supply industries, loss in business to.....	1813
Supreme Court decisions:	
Abstracts from.....	228, 229, 272, 273
<i>Ashwander v. Tennessee Valley Authority</i>	272
<i>New River case</i> , text of.....	691
<i>New River case</i> , abstracts from.....	909
<i>U. S. v. Appalachian Electric Power Company</i>	272
Surveys.....	215, 1074
Swann, Mayor Claude V., letter.....	775
Sweden, distribution of electricity at Kiruna.....	1613
Swiss, S. Wobert, brief.....	2248
Switchmens Union of North America, resolution.....	767
Sydney (Nova Scotia) Post-Record, article in.....	2211
Syracuse, N. Y.:	
Chamber of Commerce.....	1233
Cost of St. Lawrence power at.....	1221
Witnesses.....	1235
T	
Taber, L. J., statement of.....	1387
Tallamy, Bertram D.:	
Excerpt from statement by.....	977, 1656
Letter in re securing of power from Beauharnois.....	2206
Statements of.....	565, 599, 668
Tariff.....	927, 1508, 1533, 1768, 1829
Taxes:	
Necessity of.....	1079
Pending revenue bill.....	1838, 1841
Unfair discrimination to taxpayers.....	1814
United States and Canada.....	1691
Taylor, E. T., letter.....	1036
Taylor, Tyre, statement of.....	2134
Tennessee:	
Payment to from gross receipts of Tennessee Valley Authority....	980, 982
Witnesses for.....	1760
Tennessee Public Utilities Commission, opinion and order in re petition of the Tennessee Electric Power Co.....	1796
Tennessee Valley:	
Coal consumption in, effect of hydro projects on.....	1573, 1610, 1635
Coal production in area of.....	1635
Drought conditions in.....	1471
Effect created in by public power projects.....	1027
Flood conditions in.....	1774
Power development in the past and future.....	339, 1534

	Page
Tennessee Valley Authority:	
Cost of projects constructed by.....	186
Debt of.....	1928
Distribution of costs between navigation, flood control, and power.....	1619
Production and sales.....	1184
Tennessee Electric Power Co. and, proposed contract between.....	1806
Sales of power by.....	577
Statement of Mr. Widell in re.....	1778
Taxes, payments made in lieu of.....	1931
Value of, in defense effort.....	507
Wholesale power rate of.....	1807
Territory, annexation of is no precedent.....	1889
Texas:	
Admission as a State by resolution.....	8
Witnesses for.....	1263
Texas ports, resolution.....	1264
Text of the agreement between Canada and the United States.....	22
Thornton, E. H.:	
Brief.....	1756
Statement of.....	1747
Thourot, Mayor Harry J., letter.....	776
Time element in construction.....	2164
Tittmore, J. N., memorandum by.....	2270
Tobacco.....	1848
Toledo, Ohio:	
Board of Realtors, brief.....	2248
City Council, resolution.....	1654-2144
Toledo-St. Lawrence Seaway Committee:	
Brief.....	2248
Letters.....	1653, 2144
Tolls.....	284, 479, 1929, 2180
Tolls on waterways, statute relating to.....	318, 483
Toronto Mail and Empire, extract from editorial, July 19, 1932, discussing 1932 treaty.....	1738, 1739
Toronto (Ontario) East York News, article in.....	2211
Tractors.....	1721, 1750
Traffic (<i>see also</i> Commerce).....	1715, 1819
Trail (British Columbia) Times, article in.....	2214
Transportation:	
Act of 1940 in re.....	1336
Arteries of.....	1903
Effect on, of the seaway.....	1823
Facilities for.....	1072, 1825
Low-cost, and Agriculture, article on, by E. Hjalmar Bjornson.....	1978
Mass.....	1903
Necessity for lower costs of.....	1623
Requirements in the future.....	2048
Systems of.....	1762
Transportation Association of America:	
Brief of.....	2199
Letters.....	2198, 2248
Transportation Club of Buffalo, resolution of.....	1252
Treaties:	
Analysis and effect of treaty of 1909.....	1886
Characteristics of.....	1890
Differences between treaty of 1934 and present agreement.....	48
Draft of.....	1905
Essential elements of.....	1884
Excerpts from treaty of 1909.....	79, 482, 726, 1735, 1880
Historical background of treaty-making power.....	1883
Lake Michigan, diversion from, should not be limited by.....	1720, 1721
New treaty needed.....	2134
Reasons for submitting treaty in 1933.....	1739
Seaway project should be a treaty matter.....	1761
Vattel, on importance of.....	1872
Tug Firemen and Linemen of the Great Lakes, brief.....	1251
Tupelo, Miss., cost of electricity in.....	1007
Turk, Sam, telegram.....	2219

U		Page
Ulinski, J. A., statement of.....		1128
Umhey, Frederick F., statement of.....		1003
Unemployment:		
Decrease of.....		522
In New York State.....		838
In the Nation.....		1078
Union City, N. J., letter from mayor of.....		776
United American Waterways Leaguic, brief.....		2248
United Marine Division, Local 333, International Longshoremen's Association, brief.....		2027
United States, population trend.....		568
United States and Canadian Committee, excerpt from report of.....		1046
United States Engineer Office, Boston, Mass., letter from.....		1520
United States Engineer Office, New York, N. Y., letter from.....		1521
United States Engineer Office, Philadelphia, Pa., letter from.....		1521
United States Maritime Commission, views and recommendations of.....		2253
United States-St. Lawrence Advisory Committee, report.....		28
United States-St. Lawrence Commission, 1927, conclusions of.....		1204
<i>U. S. v. Appalachian Electric Power Company</i> , Supreme Court decision.....		691
V		
Valleyfield (Quebec) <i>Le Progres</i> , article in.....		2211
Vanadium Corporation of America, reference to letter from.....		2246
Vandenbergh, Senator Arthur, questions asked by, relative to diversion of water from Lake Michigan.....	1730,	1733
Van Wagoner, Gov. Murray D., letter.....		937
Vattel on treaties.....		1872
Vermont, cost of electricity to citizens of.....		978
Vessels:		
Characteristics of.....	1910, 1912, 1913	
Combatant Navy vessels by fiscal years, table.....		2064
Cost increase if only partly constructed on the Great Lakes.....		2063
Construction of in the future.....		1657
Design of for certain trades.....		1053
Draft of, carrying iron ore into Atlantic ports.....	1520, 1521,	1642
Draft of sea-going ships.....	446, 1912, 1913,	1925
Draft of ships operating in a 27-foot waterway.....		441
Fleets of principal maritime nations, 1925.....		2255
Great Lakes:		
Length of steamers plying the.....		2082
Efficiency of shipping in.....		1910
Shipyards on the.....		147
Lists of ocean-going ships classified as to draft... 446, 1912, 1913, 1925,		2255
Number of, that can use the seaway.....	1205,	2255
Ships under construction.....	755,	2128
United States Maritime Commission, letter.....		2253
Wood, use of in construction of.....	98, 160,	819
World's ocean-going fleet of, 1939.....		2255
Veterans of Foreign Wars, Department of Maryland.....		1718
Virginia Building Material Association, telegram.....		2248
Virginia Coal Merchants Association.....	1458,	2248
Virginia interests, authorizations and resolutions in opposition to, statement showing.....		1446
Virginia Manufacturers Association.....		1459
Virginia, overcharges for electricity in.....		1431
Virginia Peninsula Chamber of Commerce.....	1448,	1454
Virginia State Port Authority.....		1450
Virginia, witnesses for.....		1412
Vogtle, Alvin W., statement of.....		1987
W		
Wage earners, table.....		572
Wages.....	1507, 1714,	1813
Wagner, Senator Robert F.:		
Excerpt from report by.....		1655
Petitions filed by.....		2247
Walker, Francis, S., statement of.....		1269
War Department, testimony of representatives of.....	3, 165, 203,	967

	Page
Ward, Ralph P., statement of.....	2085
Warfare, change in technique of.....	1100
War, recurrence of.....	284
Washington Post, article in.....	191
Washington (State), right to receive payments for use of water at Bonneville and other dams.....	980, 982
Water carriers subsidized.....	1823
Water power:	
In rivers, ownership of.....	228, 1094
Time required to develop.....	996
Waterloo, Iowa, letter from mayor of.....	774
Waters, Mrs. Agnes, statement of.....	2140
Waterways, economics of.....	1904
Waterworks and power developments, public ownership of.....	1073
Welch, William W., letter.....	1951
Welland Canal:	
Estimated and actual cost of.....	1212, 1655, 1701
Dimensions of.....	1191
Navigation seasons of.....	212
West Side Association of Commerce, list of officers and directors, resolutions and letters.....	1282
West Virginia Chamber of Commerce:	
Brief.....	2101
Witness for.....	1557, 2100
Wheat:	
(see also Grain.)	
Baltimore, diversion from of traffic in.....	1716
Benefit to growers of.....	1710
Canada, production in.....	1706
Canadian shipments of.....	931
Oklahoma shipping rates.....	1370
Savings in shipping, table.....	892
Shipments of during World War crisis.....	1846
Shipments of from New Orleans and Texas ports.....	1066, 1749, 1837
Studies of in 1932 by Food Research Institute of Stanford University, excerpt from.....	1710
Wheaton, O. D., resolution.....	1252
Wickard, Hon. Claude R., statement of.....	1962
Widell, C. E., statement of.....	1760
Williams, Samuel H., statement of.....	1891
Willis, Herbert C., letter.....	1952
Winchester (Ontario) Press, article in.....	2215
Windsor (Ontario) Star, articles in.....	2210, 2211, 2215
Wing, Frederick K., statement of.....	1105
Wisconsin:	
Deep Waterway Commission of, letter.....	2226
Governor of, letter.....	2227
Overcharges for electricity in.....	800
State Federation of Labor.....	2033
State grange, telegram.....	1034
Witnesses for.....	795
Wolf, August A., statement of.....	1251
Woll, Matthew, excerpt from address of.....	1354
Wood, A. T., statement of.....	1857
Wood, Baldwin, statement of.....	1401
Wood pulp.....	1716
Work Projects Administration projects.....	2277
Wynyard (Saskatchewan) Advance, article in.....	2210
Wyoming State Constitution, excerpt from.....	1354
Z	
Zeidler, Hon. Carl F.:	
Letter.....	998
Statement of.....	795
Supplementary statement.....	807
Ziegler, Louis, statement of.....	2026
Zonarich, N. A., letter.....	2259