The original documents are located in Box 6, folder "Panama Canal Treaty Negotiations: January-April 16, 1976" of the White House Special Files Unit Files at the Gerald R. Ford Presidential Library.

10:12 A.M. CST
APRIL 7, 1976
FRIDAY

In the Crystal Ballroom
At the Marc Plaza Hotel
Milwaukee, Wisconsin

THE PRESIDENT: Thank you very much, Mr. Thompson. If I could take one minute.

Flying out here this morning I learned that the Department of Labor issued some more good economic news. That indicated that the unemployment figure went down again for the month of March to 7.5 percent. I ask you to compare that with 8.9, as I recall, in May of 1975.

The most encouraging news was the fact that this report indicates that 86,700,000 people are painfully employed -- the highest number of people employed in the history of the United States -- and since March of last year we have added 2,600,000 more jobs in the United States. So we are making real progress in reducing unemployment and, at the same time, increasing employment.

With that, I will be glad to answer any questions.

QUESTION: Mr. President, I really have two questions, if you will.

Milwaukee has been ordered to integrate its public schools. Do you have any thoughts on how to achieve racial integration?

THE PRESIDENT: Well, I have always believed that the Constitutional right of equality must be protected by the courts of the land and by all other public officials. On the other hand, I do not believe that court ordered forced busing to achieve racial balance is the right way to get quality education.

We have ample evidence that in those instances where it has been applied--court ordered forced busing--there has not been an increase in quality education. It is my belief that there is a better way to improve educational opportunities and, at the same time, to improve the integration of our society as guaranteed by the Constitution.

The Esch Amendment, which was passed by the Congress in 1974 and signed by me, provides a series of steps whereby we can desegregate and, at the same time, improve educational opportunity with an emphasis on the neighborhood schools.

MORE

because that is a responsibility of the judicial system, and I will, of course, under the oath of office that I took, have to enforce the law as decided by the courts, but if you want quality education, which I think we all want, court ordered forced busing is not the best remedy.

QUESTION: Every indication we have says that you will win in Wisconsin. How do you predict that you will do on April 6?

THE PRESIDENT: I always assume -- I think it is true here in Wisconsin -- that we will win, but I am not going to get in any numbers game. It is a hard battle. I think we have the affirmative progress and affirmative policies both at home and abroad, and I believe that a majority of the people voting in the Republican primary in Wisconsin will support my candidacy.

QUESTION: Mr. President, in regard to the good job news, now there is a Teamsters strike that might cloud up the job picture. How long will you wait before invoking the Taft-Hartley Act as the talks progress?

THE PRESIDENT: We are counting on the labor-management negotiations to settle the differences. I have been in constant communicationwith the Secretary of Labor, Mr. Bill Usery, who is working with both labor and management trying to get an agreement. As a matter of fact, I talked to him last night late and he called me this morning as we arrived here in Milwaukee, and no settlement has been agreed to, but progress is being made and I don't think it is advisable for me to comment as long as the two parties are negotiating.

I am optimistic and hopeful and, therefore, it is my belief that the proper procedure is to let the negotiations take their course and I think a settlement will be accomplished.

QUESTION: Mr. President, Governor Reagan has raised questions about the sovereignty of the Panama Canal. Will you tell us who owns the Panama Canal and who will own it in 10 years?

THE PRESIDENT: Well, the United States made an agreement a good many years ago for the utilization of a strip of land and for the construction of a canal. The United States over the years has maintained the national security of that strip of land and the operation of that canal, and we have operated the canal.

The White House, with President Johnson first, President Nixon second, and myself third, has been negotiating with the Panamanian Government to find a way to avoid the kind of incident that took place in 1964 where 30 people were killed, including, as I recall, some 10 Americans. If we can negotiate an agreement which will protect our right to defend that canal and to maintain and operate that canal, there is a possibility that an agreement will be reached but none has yet, and it is something that is in the negotiating process and no further.

MORE

PANAMA CANAL

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ISSUE DEFINITION

After a decade of fruitless negotiations, Secretary of State Kissinger and Panamanian Foreign Minister Juan Antonio Tack signed a statement of agreed principles, on February 7, 1974, to guide continuing negotiations for a new treaty between the United States and Panama governing the Panama Canal. The principles provide for the abrogation of the 1903 Treaty and the elimination of the "in perpetuity" concept, phased termination of U.S. jurisdiction in the Canal Zone, increasing Panama's share of the economic benefits, and growing participation by Panama in the operation and defense of the Canal for the duration of the new treaty.

Sentiment in Congress is divided between members who believe that a new treaty accommodating Panamanian grievances is essential for continued safe and efficient operation of the Canal, and those who oppose any change on grounds that undiluted U.S. sovereignty, legally obtained and guaranteed in the 1903 Treaty, is required for the successful defense and maintenance of the Canal.

BACKGROUND AND POLICY ANALYSIS

The strategic geographical location of the Isthmus of Panama, affording the potential of a short-cut route between the Atlantic and Pacific Oceans, generated United States interest in a canal early in the 19th century. During the period, the United States concluded treaties with various nations to secure a U.S. interest in any canal constructed in the area. While the territory of the Isthmus was still a part of Colombia, the United States concluded a treaty with that nation (the Hay-Herran Treaty, signed in January 1903) providing for U.S. construction and operation of a canal across the Isthmus. After Colombia rejected the treaty, the Panamanians, many of whom had long sought an independent Panamanian nation, proclaimed their independence (November 3, 1903) with U.S. military forces standing by offshore.

On December 2, 1903, the new Provisional Government of Panama ratified a canal pact titled the Convention for the Construction of a Ship Canal (Hay-Bunau-Varilla Treaty), based substantially on the rejected Hay-Herran Treaty. Its basic provisions (1) granted to the United States "in perpetuity the use, occupation and control" of a specified zone of land through Panamanian territory for the construction, operation, and defense of a ship canal (Article I); (2) afforded the United States "all the rights, power and authority within the zone... which the United States would possess and exercise if it were the sovereign of the territory...to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority" (Article III); and (3) provided for payment of U.S. compensation to Panama of an initial $10 million and a yearly annuity (Article XIV).

Since the 1903 Treaty's inception, Panamanians have charged that its basic terms involve concessions extracted from an immature new republic under the advice and influence of unscrupulous individuals and foreign interests. The principal Panamanian objections are the terms of Articles I and III, which afford the United States rights, control, and governmental jurisdiction over a portion of Panamanian territory for a limitless duration. Other primary

objections of Panama include: (1) the size of the U.S. military presence and the existence of U.S. military training facilities located in the Canal Zone; (2) the amount of U.S. annuity to Panama and allegedly inequitable sharing of the economic benefits derived from canal operations, and (3) the amount of land area within the zone unused by the United States but not available for Panamanian use.

The United States, in efforts to improve its treaty relations with Panama, has periodically altered provisions of the 1903 treaty, primarily through two additional treaties of 1936 and 1955; however, the sovereignty principle has remained unchanged. Mounting Panamanian nationalist sentiment over the canal issue erupted in serious demonstrations in 1959 and culminated in the anti-United States flag riots of January 1964. The incident precipitated a major diplomatic crisis between the two nations during which Panama broke relations with the United States and put its case before the United Nations and the Organization of American States.

On December 18, 1964, President Johnson announced the U.S. intention to negotiate new treaties with Panama which would abrogate the 1903 treaty, recognize Panamanian sovereignty over the Canal Zone, and end the "in perpetuity" provision, while still retaining "the rights which are necessary for the effective operation and the protection of the canal and the administration of the areas that are necessary for these purposes." Bilateral negotiations began in January 1965, culminating in the joint announcement by the United States and Panama in June 1967 that three new draft treaties had been agreed upon. Action was never taken by either nation, however, attributable in part to the premature publication of the treaty terms in the press (which touched off considerable opposition in both countries), and to the fact that both nations were then involved in major election campaigns. In August 1970, the government of General Omar Torrijos, in power as a result of a military coup in October 1968, formally rejected the draft treaties while indicating willingness to pursue the negotiations.

Talks resumed in June 1971, and on February 7, 1974, Secretary of State Henry Kissinger and Panamanian Foreign Minister Juan Antonio Tack signed a statement of general principles which would serve as guidelines for the new Panama Canal treaties. Principal terms include: (1) elimination of the "in perpetuity" provision of the former treaty, with provision for a fixed termination date; (2) termination of U.S. sovereignty and jurisdiction in the Canal Zone, with the United States granted the rights, facilities, and land necessary for U.S. operation and defense of the canal for the duration of the new treaty; (3) Panamanian participation in the administration and defense of the canal, with provision for the eventual reversion of canal operation and control to Panama upon termination of the new treaty; and (4) a just and equitable sharing of the economic benefits derived from the canal. At the present time, negotiations on the specific terms of the treaty are said to be proceeding slowly but satisfactorily. Most observers predict that a draft treaty will not be submitted to Congress for consideration until after the 1976 election.

At issue considering new Panama Canal treaties is whether or not the United States should maintain its current status of full governmental jurisdiction within the Canal Zone, and whether the United States should continue to assume full responsibility for operation and defense of the present canal indefinitely. Since canal negotiations began, U.S. officials have been confident that an accommodation could be reached which would meet the reasonable aspirations of Panama while safeguarding U.S. vital interests in the canal and Canal Zone and in no way weakening the United States posture

in the area.

In the view of the United States Government, some members of Congress, and other proponents of new treaties, reaching a reasonable and mutually acceptable accord with Panama on this highly sensitive issue is essential to U.S. foreign policy and security concerns with regard to Panama and to the Latin American region as a whole. They see the issue cast in the context of the changing nature of international political relations wherein the increasing economic and political interdependency of nations is causing the United States and other nations to forge new relationships based on mutual equality, cooperation, and respect. Proponents argue that in today's world the 1903 treaty is an anachronism which will continue to serve as a rallying point for Panamanian and other Latin American nationalist sentiment directed against the United States. In like manner, the treaty provides a ready target for elements hostile to the United States outside the region.

A further factor bearing on the issue of new treaties relates to future U.S. and world commercial interests and to U.S. and allied defense concerns. The demands of rapidly increasing world commerce and the advent of modern shipbuilding technology resulting in vessels of much greater size will require major expansion of the capacity of the present canal and probably eventual construction of a sea-level canal in the area. The United States option to expand and modernize the present canal and to construct a sea-level canal in Panama along the route recommended by the Atlantic and Pacific Interoceanic Canal Study Commission are both issues in the current canal treaty negotiations.

Negotiation of new Panama Canal treaties has met substantial opposition in the U.S. Congress, among a variety of interest groups in this country, and to some extent, in the Department of Defense. The principal argument advanced by opponents holds that if vital U.S. commercial and strategic interests are to be safeguarded, the United States must continue to exercise sole responsibility for the operation, control, and defense of the canal, and must retain sovereignty and U.S. jurisdiction within the Canal Zone area. Also of major concern is United States acceptance of treaty provisions which would limit or reduce the current U.S. military presence in the Canal Zone. Opponents cite the vital strategic function performed by the U.S. military in the Canal Zone in protecting U.S. interests in the canal directly and in serving as a deterrent to the ambitions of powers hostile to the United States, thereby safeguarding national security and hemisphere defense interests as well.

Other arguments advanced by opponents of new treaties include: (1) the mandate for permanent U.S. sovereignty and control of the canal and Canal Zone was legally vested in the United States by the 1903 treaty, duly signed and ratified by Panama, and all rights and titles to lands now under United States control were justly purchased by the U.S. Government; (2) under terms of the treaty the United States undertook to construct, and for the past 60 years has continued to effectively maintain, operate, and defend the canal to the benefit of all the world's nations and at a U.S. taxpayers net investment of almost $6 billion; (3) the continued efficient U.S. operation of the canal has resulted in major economic benefits for Panama, providing a major contribution to the Panamanian economy and affording it the highest per capita income in Central America and the fourth highest in Latin America; and (4) Panama's history of political instability and its lack of technical and managerial expertise and other required resources demonstrates that Panama does not possess the capacity to effectively manage, operate, and defend the canal.

Congressional and other opponents of new treaties believe that the United States can continue to make adjustments to improve its relationship with Panama under the existing treaty. Concern for U.S. retention of sovereignty and complete jurisdiction and control of the canal and Canal Zone has resulted in the introduction of numerous resolutions in this and prior Congresses calling upon the United States Government to retain the full rights and status which it now enjoys. In the summer and fall of 1975 opponents in the House attempted, without success, to ban funds for negotiation of new treaties from the State Department appropriations bill. A compromise measure expressed the sense of Congress that any new agreement must preserve U.S. vital interests in the area.

One legislative approach by opponents of new treaties has been the introduction of legislation to implement an earlier proposal to modernize the existing lock canal in lieu of construction of a sea-level canal through Panamanian territory, one of the chief areas of negotiation in the current treaty talks. They argue that implementation of the Terminal Lakes-Third Locks Plan, a project partially authorized by Congress in 1939, would provide for a major increase of capacity and operational improvement of the existing lock canal under present treaty provisions. Such action, supporters believe, would afford the United States the best operational canal at the least cost. It would also obviate the need for new treaties with Panama, thereby eliminating a confrontation with Panama over demand for major concessions that would almost certainly be made in negotiations for a sea-level canal through its territory. Critics of the existing treaties contend that this approach overlooks the basic issue, which is Panamanian dissatisfaction with the status quo.

LEGISLATION

S.Con.Res. 78 (McGee) Apr. 1, 1974, 93d Congress

Expresses it to be the sense of the Congress that negotiations for a new Panama Canal Treaty are necessary in the interests of both the Republic of Panama and the United States. Affirms that, with reference to the promulgation of such a treaty, the Congress of the United States endorses specified principles agreed to by the United States of America and the Republic of Panama on Feb. 7, 1974, at Panama City. No action was taken on the bill by the Senate Committee on Foreign Relations.

H.Res. 23 (Flood), 94th Congress

Declares it to be the sense of the House that: (1) the Government of the United States should maintain and protect its sovereign rights and jurisdiction over the Canal Zone, and should in no way cede, dilute, forfeit, negotiate, or transfer any of these sovereign rights, power, authority, jurisdiction, territory, or property that are indispensably necessary for the protection and security of the United States and the entire Western Hemisphere; (2) there be no relinquishment or surrender of any presently vested United States sovereign right, power, authority, or property, tangible or intangible, except by treaty authorized by the Congress and duly ratified by the United States; and (3) there be no cession to Panama, or other divestiture of any United States-owned property, tangible or intangible, without prior authorization by the Congress (House and Senate), as provided in Article IV, Section 3, Clause 2 of the United States Constitution. H.Res. 23 was introduced on Jan. 14, 1975, and referred to the House International

Relations Committee. Thirty five similar resolutions have been introduced, with a total of 126 cosponsors.

S.Res. 97 (Thurmond), 94th Congress

Declares it to be the sense of the Senate that the Government of the United States should retain sovereign rights in the Canal Zone, all modifications to be submitted to Congress. (Similar to H.Res. 23) S.Res. 97 was introduced on March 4, 1975 and referred to the Senate Foreign Relations Committee. At present there are 37 cosponsors.

Amendment to H.R. 8121 (Snyder), 94th Congress

An amendment to the State Dept. Appropriations Bill, providing in Sec. 104 that "none of funds appropriated ... shall be used for the purposes of negotiating the surrender or relinquishment of any U.S. rights in the Panama Canal Zone," passed 246-164, on June 26, 1975. The Senate struck the Snyder amendment from the Appropriations Bill which passed September 3, 1975. On September 18, 1975, the House-Senate Conference, in lieu of the Snyder amendment, reported a compromise to the effect that: "It is the sense of the Congress that any new Panama Canal treaty or agreement must protect the vital interests of the United States in the operation, maintenance, property and defense of the Panama Canal." The House, on September 24, 1975, failed (197-203) to recede from its disagreement with the Senate and insisted on the Snyder amendment. On September 26, 1975, the Senate refused to accept the Snyder amendment and further conference negotiations were scheduled. The House, on October 7, 1975, approved (212-201) a second conference compromise stating the sense of Congress "that any new Panama Canal treaty or agreement must protect the vital interests of the United States in the Canal Zone and in the operation, maintenance, property and defense of the Panama Canal." The Senate accepted the compromise the following day.

H.R. 10083 (Flood), Panama Canal Modernization Act

Directs the Governor of the Canal Zone, under supervision of the Secretary of the Army, to undertake the work necessary to enlarge and improve the operations of the Panama Canal through adaptation of the Third Locks Project (House Doc. no. 210, 76th Congress) at a total cost not to exceed $1,150,000,000. It also establishes the Panama Canal Advisory and Inspection Board, composed of five members appointed by the President, by and with the advice and consent of the Senate, to study and review plans and designs for the Third Locks Project. Provisions of the Act remain in effect only as long as the United States retains sovereign rights in the Canal Zone. H.R. 10083 was introduced on October 8, 1975 (replacing H.R. 198) and referred to the House Merchant Marine and Fisheries Committee.

HEARINGS

U.S. Congress House. Committee on Appropriations. Subcommittee on the Department of Transportation and Related Agencies Appropriations. Department of Transportation and Related Agencies Appropriations for 1976. Hearings, 94th Congress, 1st session. Washington, U.S. Govt. Print. Off., 1975. Hearings on Panama Canal, Apr. 17, 1975, p. 1-218.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Inter-American Affairs. Panama Canal, 1971.

Hearings, 92d Congress, 1st session, on H. Res. 74, 154, 156, and other resolutions. Sept. 22 [and] 23, 1971. Washington, U.S. Govt. Print. Off., 1971. 173 p.

----- United States relations with Panama. Hearings, 93d Congress, 1st session. Feb. 20, 1973. Washington, U.S. Govt. Print. Off., 1973. 53 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Inter-American Affairs and International Organization and Movements. Committee on Merchant Marine and Fisheries. Subcommittee on Panama Canal. United Nations Security Council meeting in Panama. Hearings, 93d Congress, 1st session. Apr. 3, 1973. Washington, U.S. Govt. Print. Off., 1973. 34 p.

U.S. Congress. House. Committee on Merchant Marine and Fisheries. Subcommittee on Panama Canal. Panama Canal briefings. Hearings, 93d Congress, 1st session Apr. 13, 1973. Washington, U.S. Govt. Print. Off., 1973. 78 p.
Briefings concerning treaty negotiations and current activities of the Panama Canal and Canal Zone.
"Serial no. 93-8"

----- Panama Canal treaty negotiations. Hearings, 92d Congress, 1st and 2d sessions on treaties affecting the operations of the Panama Canal. Washington, U.S. Govt. Print. Off., 1972. 371 p.
Hearings held Nov. 29, 30; Dec. 2, 6, 10, 1971; Jan. 17-18; July 24; Aug. 10, 1972.
"Serial no. 92-30"

----- Panama canal treaty negotiations. Hearings, 92d Congress, 2d session. Washington, U.S. Govt. Print. Off., 1972. 373-511 p.
Addendum to hearings held Nov. 29...Dec. 10. 1971; Jan. 17...Aug. 10, 1972.

REPORTS AND CONGRESSIONAL DOCUMENTS

U.S. Congress. House. Committee on Foreign Affairs. Subcommittee on Inter-American Affairs. Report on United States relations with Panama...pursuant to H. Res. 113, 86th Congress, 2d session. Washington, U.S. Govt. Print. Off., 1960. 98 p.
(86th Congress, 2d sesssion. House. Report no. 2218)

OTHER CONGRESSIONAL ACTION

According to U.S. legislative procedure, new treaties would be submitted solely to the Senate for ratification; however, many opponents of new Panama Canal treaties in the House of Representatives have raised the issue that House approval is necessary before any U.S. territory or property under U.S. jurisdiction within the Canal Zone can be ceded to Panama. House members cite as legal justification for their position the United States Constitution, Article IV, Section 3, Clause 2, which states "The Congress shall have power to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States." House members who support this position contend that "Congress" must be

interpreted as both the Senate and the House of Representatives, and therefore any new canal treaties providing for the disposal of U.S.-controlled territories or properties would be invalid unless the required approval of both Houses were obtained. Language to ensure House jurisdiction had been included in House and Senate resolutions recently introduced. Furthermore, the issue was examined at length during hearings on December 2, 1971, by the House Merchant Marine and Fisheries Committee's Subcommittee on the Panama Canal concerning "Panama Canal Treaty Negotiations" (pp. 95-147).

CHRONOLOGY OF EVENTS

12/02/75 -- Chief Negotiator Ellsworth Bunker, in a speech in Los Angeles, characterized the talks as progressing through three stages during the past two years. The first stage ended with the signing of the Kissinger-Tack principles; the second stage involved identification of major issues under the principles; and during stage three, which began in June 1974, the specific terms are being formalized. According to Ambassador Bunker, agreement in principle has been achieved on three main points, namely that U.S. jurisdiction in the Canal Zone will pass to Panama in a transitional fashion, that Panama will increasingly participate in the operation of the Canal, and that Panama will grant the United States "use rights" for defending the waterway. The parties are agreed, he said, that the United States will retain primary responsibility for the operation and defense of the Canal for the duration of the new treaty, with Panamanian participation increasing gradually. The important issues yet to be resolved include the duration of the new treaty, the amount of economic benefits for Panama, and the territory to be made available for defense of the Canal.

10/07/75 -- Backing off from efforts to ban funds for Panama Canal negotiations, the House approved (212-201) a second conference compromise on State Dept. appropriations stating the sense of Congress "that any new Panama Canal treaty or agreement must protect the vital interests of the United States in the Canal Zone and in the operation, maintenance, property and defense of the Panama Canal." The new compromise added a reference to protecting U.S. vital interests in "the Canal Zone," thus eliminating a principal House objection expressed on Sept. 24. The Senate accepted the compromise the following day. State Dept. officials said they were pleased with the vote removing the cloud over negotiation funding.

09/26/75 -- By voice vote the Senate rejected the House-passed "Snyder amendment" ban on funds for Panama Canal negotiations and asked for new negotiations with the House.

09/24/75 -- Panama's President and the Foreign Ministry formally apologized to the U.S. embassy for the incident of the previous day.

The House voted 203 to 197 to reject the House-Senate conference compromise on State Department appropriations for Panama Canal negotiations which stated the sense of Congress that any new agreement "must protect the vital interests of the United States in the operation, maintenance, property and defense of the Panama Canal." Instead, it restored the "Snyder amendment," passed June 26, barring the use of funds to negotiate the "surrender or relinquishment of any U.S. rights in the Panama Canal Zone."

09/23/75 -- About 800 left-wing Panamanian students, demonstrating against U.S. military bases in the Canal Zone, attacked the U.S. embassy in Panama with rocks and Molotov cocktails in the most serious incident since the "flag riots" of 1964. The U.S. embassy delivered a "strong note" of protest to Panama, alleging that the National Guard hesitated before dispersing the crowd with tear gas.

09/20/75 -- Criticizing U.S. demands for the right to defend the Canal "for an indefinite time, which is tantamount to perpetuity," Panama broke negotiation secrecy and publicly disclosed the divergent positions. The report said the United States accepts Panama's desire for a 25-year limit on a new treaty, however, the U.S. seeks rights to defend the Canal for 50 years initially and then for a time which is tantamount to perpetuity. The United States wishes to retain 85% of the Zone and all 14 of the military installations, while Panama wants a reduction of the Zone to 10% of present size and three military installations. Both parties were reportedly agreed that a joint administration would replace the Panama Canal Company, and Panamanian police, postal, and judicial jurisdiction would take effect in the Zone three years after the new treaty.

09/17/75 -- As Ambassador Bunker ended the latest 10-day round of negotiations in Panama, claiming that Kissinger's remarks had been "distorted and misinterpreted," he gave Foreign Minister Juan Antonio Tack a statement which said "I am sure that the Secretary meant to say that our country could not renounce our right to defend the canal from foreign enemies until we have achieved with Panama effective agreements for the canal's defense. . . . As we both know, we are working toward a situation in which the defense of the Panama Canal will be a joint operation, in which the Panamanian National Guard will play an important role." Panama announced that "very little progress" had been made in the recent talks.

09/16/75 -- In response to a question by Governor George Wallace at the Southern Governors Conference in Orlando, Florida, Secretary Kissinger stated that "the United States must maintain the right, unilaterally, to defend the Panama Canal for an indefinite future, or for a long future. On the other hand, the United States can ease some of the other conditions in the Canal Zone." In Panama, Kissinger's remarks, particularly the terms "unilaterally" and "indefinite," were denounced as completely contrary to

the February 1974 jointly agreed principles. Bus and taxi drivers went on strike to protest the remarks.

09/03/75 -- Senator Harry Byrd announced he was delaying an attempt in the Senate to block funds for treaty negotiations in response to a request from State Department officials to wait until Ambassador Bunker returns from his September 7 trip to Panama for further talks.

The Washington Post reported that an "internal administration compromise" was reached within the executive branch which essentially will meet Panama's insistence on making the year 2000 the termination date of U.S. authority over the Canal. The Department of Defense had been arguing for extending U.S. authority for 50 more years, with continued participation of U.S. forces in the defense of the Canal. In what was interpreted as a symbol of agreement between the Departments of State and Defense, Deputy Secretary of Defense Clements, Chairman of the Joint Chiefs of Staff General Brown, and Assistant Secretary of State for Latin American Affairs William D. Rogers left (September 2) for a one-day visit to the Canal.

09/01/75 -- The New York Times reported that Ambassador Bunker, scheduled to leave for Panama to open another round of talks after a delay of many months, would propose that the United States turn over operation of the canal by the year 2000 while asking Panama to accept participation of American forces in the defense of the canal for a longer period.

08/11/75 -- An article in the Journal of Commerce reported that according to Panama's consul-general in New York Juan Antonio Stagg, who was formerly a negotiator in the treaty talks, four points still remained to be resolved between the United States and Panama: (1) duration of the treaty (the year most frequently mentioned was 2000); (2) lands and waters necessary to operate and defend the canal; (3) construction of a new sea level canal (Panama will give the United States a 5-year option to undertake a new canal but the United States doesn't want to hurry into it); (4) economic compensation. According to Stagg, the United States would maintain a military presence in the Canal Zone under the new treaty.

08/02/75 -- Senator Harry Byrd announced that he was delaying a legislative attempt to block funds for further negotiation on a new Panama Canal Treaty. The Senator had intended to introduce a resolution similar to the Snyder amendment which passed the House on June 26. State Department officials said that 59 of the 93 Senators present had committed themselves to a move to table the Byrd resolution.

07/24/75 -- The head of the Panamanian Government, Gen. Omar Torrijos, warned that further delay in treaty negotiations might cause hostility in Panama that could not be contained, and

might even lead to his own overthrow. Torrijos accused the Ford Administration of stalling the negotiations because of political pressures in the United States.

07/23/75 -- An article in the Miami Herald reported that the Panamanian Government, in displeasure over the status of treaty negotiations, resorted to public disclosure of differences between the United States and Panama in a position paper circulated among Panamanian student leaders last week and discussed by Panamanian negotiators in the National Assembly. The action came after General Torrijos charged that the United States violated the secrecy accord by leaking information to the Congress, the Pentagon and civilian residents of the Canal Zone. Among the disclosures reported in the Herald were: the Pentagon wants to hold on to much more land for defense purposes than Panama is willing to concede; the U.S. wants three times more land for the operation of the Canal than Panama will allow; Panama wants a new treaty to expire after 25 years, with full control of the canal reverting to Panam, while the United States wants a 50-year treaty, with 30 additional years if it builds a sea-level canal; both countries agree on the integration of the Canal Zone into the Republic of Panama within three years; Panama would agree initially to allow the United States to keep three of the 14 military installations in the Canal Zone and then gradually eliminate those three; Panama is dissatisfied with a U.S. offer to increase the present $2.3 million annuity to $44 million.

06/26/75 -- In a significant show of congressional sentiment on the Panama Canal issue, an amendment by Representative Snyder to the State Department appropriations bill denying funds for the treaty negotiations passed 246-164.

02/07/74 -- Secretary of State Henry Kissinger and Panamanian Foreign Minister Juan Tack signed a Statement of Principles establishing eight guidelines for new canal treaties.

09/13/73 -- U.S. Ambassador-at-Large Ellsworth Bunker was officially confirmed as the new chief U.S. Panama Canal negotiator. (Former representative Robert Anderson resigned in July 1973).

03/21/73 -- The United States vetoed a U.N. Security Council resolution referring to a new Panama Canal treaty which would "guarantee full respect for Panama's effective sovereignty over all of its territory," on grounds that the treaty negotiations were a bilateral matter. (Of the 15 Security Council members, 13 voted in favor of the resolution, and one abstained).

06/29/71 -- The United States and Panama resumed negotiations on new canal treaties.

12/01/70 -- The Atlantic-Pacific Interoceanic Canal Study Commission, in its final report, recommended construction of a

sea-level canal in Panama and urged the U.S. Government to negotiate a treaty with Panama concerning the existing canal and sea-level canal providing for their operation and defense "in an equitable and mutually acceptable relationship between the United States and Panama."

09/01/70 -- The Panamanian government notified the United States that the three draft Panama Canal treaties of 1967 were unacceptable as a basis for resuming treaty negotiations.

08/20/70 -- The United States announced the termination of an agreement with Panama permitting it free and exclusive use of the Rio Hato region for military training. (Rio Hato was the only area in Panama outside the Canal Zone being used by U.S. troops).

10/11/68 -- Colonel Omar Torrijos, head of the Panamanian National Guard, led a military coup which overthrew President Arnulfo Arias, and assumed leadership of the nation.

06/26/67 -- President Johnson and Panamanian President Robles announced that agreement had been reached on the "form and content" of three new canal treaties, governing administration of the existing canal, the defense and neutrality of the existing canal, and the possible construction of a sea-level canal.

09/24/65 -- President Lyndon Johnson and Panamanian President Marco A. Robles issued a joint statement announcing that three new Panama Canal treaties would be negotiated and outlining certain principles to be included in the new treaties. (United States and Panamanian negotiators began talks concerning the terms for a new Panama Canal treaty in January 1965.)

09/22/64 -- The President signed P.L. 88-609 authorizing the establishment of the Atlantic-Pacific Interoceanic Canal Study Commission to investigate the feasibility of a more suitable site for the construction of a sea-level canal. (Commission members were appointed on April 18, 1965).

04/03/64 -- The Organization of American States published a joint declaration of the Governments of Panama and the United States in which they agreed to reestablish diplomatic relations and to designate Special Ambassadors to seek the prompt elimination of the causes of conflict between the two countries. (Diplomatic relations were established and the ambassadors appointed on April 4, 1964.)

02/04/64 -- The OAS Council voted to invoke the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) in the dispute between the United States and Panama (the first time that the regional defense machinery had been utilized in a dispute involving the United States).

01/29/64 -- The Panamanian Government called upon the Council of the Organization of American States to take up its charges of aggression against the United States as a result of the

Canal Zone flag riots.

01/10/64 -- Panama suspended relations with the United States, charged the United States with aggression at the United Nations, and filed a complaint with the Inter-American Peace Committee of the Organization of American States, following rioting over the display of the U.S. flag. (Relations were officially broken on January 17, 1964).

01/10/63 -- United States and Panamanian conferees announced agreement concerning the flag issue in the Canal Zone to the effect that the Panamanian flag would be flown in the Zone at all points where the U.S. flag is flown by civilian authorities.

06/13/62 -- President Kennedy and visiting Panamanian President Roberto Chiari issued a joint communique stating that representatives of the two nations would be named to discuss points of dissatisfaction concerning the Panama Canal and Canal Zone within the perimeters of the existing canal treaties. (Talks began in July 1962 and ended in July 1963).

11/16/61 -- The Panamanian National Assembly unanimously adopted a resolution calling for the abrogation of canal treaties with the United States and the negotiation of a new treaty to include affirmation of Panamanian sovereignty over the Canal Zone and a fixed date for the turnover of the canal to Panama.

09/08/61 -- Panamanian President Roberto Chiari, in a letter to President Kennedy, requested a revision of the Panama Canal treaty. (President Chiari formally announced his government's desire to negotiate a new canal treaty on September 11, 1961).

02/02/60 -- The House of Representatives passed H. Con. Res. 459, expressing the sense of Congress that any variance in the traditional interpretation of the Panama Canal treaties, especially with respect to territorial sovereignty, should be made only by treaty.

11/28/59 -- Rioting broke out as Panamanian demonstrators attempting second time to enter the Canal Zone to implant the Panamanian flag were turned back by Panamanian and U.S. forces.

11/24/59 -- Deputy Undersecretary of State Livingstone Merchant, on an official mission to Panama, declared that the United States "recognizes that titular sovereignty over the Canal Zone remains in the Government of Panama."

11/03/59 -- The Governor of the Canal Zone called for U.S. Armed Forces to quell a riot resulting from Panamanian demonstrators attempting to implant the Panamanian flag within the Zone.

09/25/59 -- The Government of Panama formally requested that the

Panamanian flag be flown in the Canal Zone.

01/25/55 -- The United States and Panama signed the Treaty of Mutual Understanding and Cooperation which revised, redefined or renounced certain rights of the United States and Panama provided in the basic 1903 canal treaty and the 1936 treaty, and increased the annual annuity to Panama to $1,930,000.

03/02/36 -- The United States and Panama signed the General Treaty of Friendship and Cooperation which revised, redefined or renounced certain rights of the United States and Panama provided in the original 1903 canal treaty, and increased the annual annuity to Panama to $430,000.

03/01/22 -- The United States and Colombia exchanged ratifications of the Thomson-Urrutia Treaty (signed on April 6, 1914) whereby Colombia recognized the exclusive U.S. title to the Panama Canal.

08/15/14 -- The Panama Canal was opened to navigation.

04/18/06 -- Secretary of War William H. Taft, in testimony before the Senate Committee on Interoceanic Canals, stated: "(Article III of the Panama Canal treaty) is peculiar in not conferring sovereignty directly upon the United States, but in giving to the United States the powers which it would have if it were sovereign. This gives rise to the obvious implication that a mere titular sovereignty is reserved in the Panamanian Government."

02/23/04 -- The U.S. Senate approved the Hay-Bunau-Varilla Treaty. (The treaty was officially proclaimed by President Roosevelt on February 26, 1903.)

01/20/04 -- Secretary of State John Hay, in a letter to Senator Spooner concerning the Panama Canal treaty, wrote: "we shall have a treaty..vastly advantageous to the United States, and, we must confess...not so advantageous to Panama....You and I know too well how many points there are in this treaty to which a Panamanian patriot could object."

12/02/03 -- The provisional government of Panama ratified the Hay-Bunau-Varilla Treaty.

11/18/03 -- The United States and Panama signed the Convention for the Construction of a Ship Canal (Hay-Bunau-Varilla Treaty) granting the United States full rights and authority "in perpetuity" over a specified zone of land in Panamanian territory for the construction, operation and protection of a ship canal.

11/06/03 -- The United States recognized the new Republic of Panama, which had declared its independence from Colombia three days earlier.

08/12/03 -- The Colombian Senate unanimously rejected the Hay-Herran

Treaty.

01/22/03 -- The United States and Colombia signed the Hay-Herran Treaty granting the United States a 100-year lease (with option for renewal) on a specified zone of land across the Isthmus of Panama, with the exclusive right to construct, operate, and protect a ship canal.

06/02/02 -- The U.S. Congress enacted the Spooner Act authorizing the President to acquire the assets of the former French canal company and to acquire a specified strip of land and additional rights and territory from Colombia for the construction and operation of a ship canal.

11/18/01 -- The United States and Great Britain signed the Hay-Pauncefote Treaty granting the United States the exclusive right to construct, regulate, and manage a ship canal across Central America.

00/00/99 -- In 1899 the U.S. Congress passed a law directing the President to name a commission to examine all practical routes for the construction of a ship canal across Central America.

00/00/98 -- In 1898 President McKinley, in a message to Congress, stated that a maritime highway across the Central American isthmus and its control by the United States was indispensable to U.S. commerical interests and territorial expansion.

05/18/78 -- In 1878 a French interoceanic canal company procured a concession from the Government of Colombia to build a maritime canal through its territory. (The French canal enterprise collapsed in 1889).

12/12/46 -- In 1846 the United States and New Granada (Colombia) signed the Treaty of Peace, Amity, Navigation, and Commerce guaranteeing the rights of sovereignty and property possessed by Colombia over the Isthmus of Panama and the neutrality of the Isthmus, and guaranteeing to the United States free right of way or transit across the Isthmus.

03/02/39 -- In 1839 the House passed a resolution requesting the President to negotiate with other interested nations concerning the construction of a ship canal across the Isthmus of Panama. This followed by four years a similar Senate action.

05/18/26 -- In 1826 Secretary of State Henry Clay proposed that delegates from the United States and the newly independent South American republics meeting at the Congress of Panama consider a joint undertaking to construct a canal across the Central American isthmus.

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PRESIDENTIAL STATEMENT IN DALLAS

I think it is premature to come to any conclusion as to what might be the final resolution of the longstanding differences between the United States and Panama. Three previous Presidents have had representatives negotiating on this very controversial issue. I can simply say and say it very emphatically, that the United States will never give up its defense rights to the Panama Canal and will never give up its operational rights as far as Panama is concerned. Since there is no resolution today, I don't think I should prejudge any detailed final settlement in the conflict or controversy. I can assure everybody in the United States that we will protect defense and operational responsibilities as far as the Panama Canal is concerned.

PRESS CONFERENCE NO. 28

of the

PRESIDENT OF THE UNITED STATES

At 12:02 P.M. EST
March 13, 1976
Saturday

At Guilford College
Greensboro, North Carolina

QUESTION: Mr. President, my question is this. [illegible]ou see the United States relinquishing control of the [illegible]ma Canal in the next four years, and, if so, under what [illegible]umstances?

THE PRESIDENT: Three Presidents have been negotiating since 1965 with the Government of Panama to resolve the dispute that arose following the very sad and tragic incident that happened at that time where some 30 people were killed, including, as I recall, approximately 10 Americans.

These negotiations have gone on for about 10-plus years.

I can assure you of this. The United States, as long as I am President, will do nothing to give up the control of the operations of the Canal, and will do nothing to give up the military protection of the Canal, and that is what the experts in our Government are most concerned about. And whatever is agreed to, if anything, will be submitted openly to the United States Congress for consideration.

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AND
QUESTION AND ANSWER SESSION
AT THE
EVERETT McKINLEY DIRKSEN FORUM

BRADLEY UNIVERSITY

QUESTION: Mr. President, I am pastor of a church here in Peoria. From time to time we get reports, printed sometimes, to the effect that Mr. Kissinger and the State Department have already made promises and commitments regarding the Panama Canal to a Government which is something less than friendly to us, and, furthermore, it has been suggested that the constitutional clause which forbids any United States property to be sold without approval of the Congress, that that will be circumvented by retaining title to it but nevertheless technically not selling it, but in reality giving all the controls and direction and jurisdiction to the Panama Government which only the owner of the property should have.

I would like you, Mr. President, to comment on that if you would.

THE PRESIDENT: First, let me say that whatever is done, if it reaches that point, will be fully submitted to the United States Congress, both the House as well as the Senate. If property is sold -- and I am not saying it is -- or is transferred, it would have to be approved by both the House and the Senate and, of course, if it is a treaty, it would have to be approved by the Senate alone, so you can rest assured that whatever is done, if anything is done, will be submitted in its entirety and completely open and above board.

Now the situation is that since 1964 when they had a series of riots in the Panama area, the Canal Zone and the Government of Panama, some 30 people were killed in these riots, including a significant number of Americans. Those circumstances precipitated negotiations that have been carried on by three Presidents. Those negotiations are going on today between the Government of Panama and the United States.

I can only assure you -- because the negotiations have not been completed -- that the United States, as far as I am concerned, will never give up its national defense interests, nor give up its interests in the operation of the Panama Canal. And whatever is negotiated -- and nothing has been concluded -- will be submitted in its entirety to the Congress of the United States.

GOP Reception - San Antonio Civic Center April 9, 1976

QUESTION: Mr. President, please do not give away the Panama Canal. (Laughter)

THE PRESIDENT: Sir, I don't think you have to worry about that. (Laughter) The United States, as far as I am concerned, will never give up its defense responsibilities and capability. It will never give up the rights of navigation and so forth. You just don't have to worry.

QUESTION: Thank you very much.

CONGRESSMAN GENE SNYDER
2330 Rayburn House Office Building
Washington D.C. 20515
Contact: Nicholas Nonnenmacher
(202) 225-2099

April 13, 1976
FOR IMMEDIATE RELEASE

President Ford personally has issued written instructions to the State Department to negotiate away the Canal Zone and the Panama Canal itself, Congressman Gene Snyder today asserted.

Snyder said that during secret testimony before the Panama Canal Subcommittee on April 8th, it was unanimously agreed that he could make public his line of questioning of Ambassador Ellsworth Bunker, Chief U.S. Negotiator with Panama, and his aides. (pages 30, 34 and 112 of April 8 transcript.)

Following is a brief excerpt from the record:

Ambassador Bunker. Mr. Congressman, we are proceeding to negotiate under guidelines established by the President, both by President Nixon and President Ford.

Mr. Snyder. I do not think that is responsive to my question. I want to know what directive or directives the State Department has received from President Ford to do this?

Ambassador Bunker. We have been directed to proceed with the negotiations on the basis of the guidelines --

Mr. Snyder. To give it up? To give up the Canal Zone over a period of time?

Ambassador Bunker. To give up the Canal Zone after a period of time, that is correct.

Mr. Snyder. And the Canal over a longer period of time?

Ambasssador Bunker. Longer period of time.

Mr. Snyder. Longer period of time. And what are the directives? Are they written memorandums?

Ambassador Bunker. The directives are in written memorandum.

Mr. Snyder. Signed by the President?

Ambassador Bunker. Signed by the President.

Mr. Snyder. Under what date?

Ambassador Bunker. Varying -- various dates.

Snyder declared:

"I am shocked that Mr. Ford as President, now is not only going along with, but is actually directing an even more shocking settlement than the one he opposed as House Minority Leader (President Johnson's draft treaty with Panama). The situation in the Caribbean is far worse today than when Mr. Ford voiced his strenuous opposition in 1967.

The soft underbelly of the United States from Texas to Florida, the East Coast, and, in fact, the whole country east of the Mississippi, is threatened by nuclear armed Soviet U-boats that berth in Cuban submarine pens less than 100 miles from our border. Some 12,000 to 15,000 Cuban troops have received actual combat training under fire in Angola."

STATEMENT OF THE HONORABLE GENE SNYDER, MEMBER OF CONGRESS
FOURTH DISTRICT OF KENTUCKY, APRIL 13, 1976 on
THE FUTURE OF THE CANAL ZONE AND THE PANAMA CANAL

It is incumbent upon President Ford to immediately try to explain to the American people the validity of whatever reasons he has for directing the Department of State to surrender the Canal Zone and the Panama Canal to a foreign power in the relatively near future.

I make this statement on the basis of State Department testimony before the Panama Canal Subcommittee of the House Merchant Marine and Fisheries Committee last Thursday, April 8th. The bulk of that testimony was in closed session, with Mrs. Leonor K. Sullivan, the full Committee Chairman, presiding. The Subcommittee, however, agreed unanimously that my line of questions and the answers to them would be on the record unless the Department witnesses specifically wanted them off. No such request was forthcoming from those witnesses regarding what I state here or any other question of mine.

Those of us in Congress opposed to this giveaway which has absolutely no Congressional mandate, long have been critical of the State Department for its intention. We have, however, not been at all clear as to the President's ultimate thinking or decision when a treaty would be drawn.

As of last Thursday, there is no more question. Ambassador Ellsworth Bunker, Chief U.S. Negotiator with the Republic of Panama, in answer to my direct questions, flatly declared that President Ford has directed the Secretary of State and the negotiators to come up with a treaty with the Republic of Panama by which we will give up the Canal Zone entirely after a period of time, and the Canal over a longer period of time. My further questions disclosed that the directions are in writing, over President Ford's signature. Later, the Subcommittee requested that it be supplied the documents.

The following brief exchange is quoted directly from the record:

> Mr. Snyder. On whose specific authorization is the State Department pursuing its stated goal of yielding the Canal and the Zone to the Republic of Panama?
>
> Ambassador Bunker. Negotiations are being carried out on the authorization of the President.
>
> Mr. Snyder. Madam Chairman, at this point I would like to ask unanimous consent to include all of the newspaper article from the Chicago Tribune of July 8, 1967. I will not read it all, but its story is headlined "New treaty perils canal: Ford."
> The item is sub-titled "Terms found shocking by GOP leader." And the headline on the carry-over story on another page: "Canal treaty terms to shock U.S. public Representative Ford warns."
> Now, the article is consistent with the headlines if not more so.
> In my opinion a comparison of the proposed 1967 treaty as printed in the Chicago Tribune on July 15, 1967, and the eight points Secretary Kissinger agreed to February 7, 1974, convinces me that the current proposal envisions a more complete

surrender of the Zone than did the 1967 draft.

In view of then Congressman Ford's very vehement opposition to President Johnson's treaty, what directive or directives has the Department of State received from President Ford saying he desires you to negotiate turning over to Panama the Canal, or supporting the Department seeking this end purpose, within some period of time?

Ambassador Bunker. Mr. Congressman, we are proceeding to negotiate under guidelines established by the President, both by President Nixon and President Ford.

Mr. Snyder. I do not think that is responsive to my question. I want to know what directive or directives the State Department has received from President Ford to do this?

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Ambassador Bunker. Longer period of time.

Mr. Snyder. Longer period of time.

And what are the directives? Are they written memorandums?

Ambassador Bunker. The directives are in written memorandum.

Mr. Snyder. Signed by the President?

Ambassador Bunker. Signed by the President.

Mr. Snyder. Under what date?

Ambassador Bunker. Varying -- various dates.

The time periods involved in this giveaway are not way off in the future. The press in this country and in Panama has already reported that we would abolish the Canal Zone government probably some six months after treaty ratification, and give up all jurisdiciton over the Zone within three years. The surrender of the Canal and its operation would take place probably during a twenty five to fifty year period, a term still not agreed upon by the negotiators.

I am shocked that Mr. Ford as President, now is not only going along with, but is actually directing an even more shocking settlement than the one he opposed as House Minority Leader. In that same 1967 news story, Mr. Ford was further quoted in these words:

> With Cuba under control of the Soviet Union via Castro and increased communist subversion in Latin America, a communist threat to the canal is a real danger. . . Any action on our part to meet a threat involving the national security of the United States should not be ham-strung by the need for time-consuming consultation with a government that might be reluctant to cooperate in the defense, or possibly be in opposition to our best interests.

The situation in the Caribbean is far worse today than when Mr. Ford made those remarks in 1967. The soft underbelly of the United States from Texas to Florida, the East Coast, and, in fact, the whole country east of the Mississippi, is threatened by nuclear armed Soviet U-boats that berth in Cuban submarine pens less than 100 miles from our border.

Some 12,000 to 15,000 Cuban troops have received actual combat training under fire in Angola.

Cuban schools of subversion have trained thousands of students from every Latin American country and our own, in guerrilla and sabotage techniques, as well as in all aspects of Marxist-Leninist philosophy, agitation and propaganda.

Panamanian dictator, General Omar Torrijos, who recently exiled nearly a dozen top Panamanian business leaders whose opposition he feared, has been playing footsie with Castro for several years. Castro promised Torrijos when he visited Havana in January, to give him every help to gain control of the Canal Zone. Torrijos himself has boasted repeatedly he would lead an assault on the Zone, if necessary, to gain that control, if we did not surrender it.

In my opinion, the President has the immediate responsibility to make a clean breast of his intentions regarding the Canal Zone. The Nation has the right to know the full truth.

Our citizen-taxpayers to date have invested some $7 billion in the outright purchase of this unincorporated territory of the United States; in the excavation of the canal linking the Caribbean and the Pacific; and in the civil and military installations vital for its continued operation, maintenance and defense. And all of this has benefited, not only ourselves, but Panama and the entire world for some 62 years.

There is nothing to prevent Torrijos, should he gain control of the Canal Zone, from inviting the Soviet Union in to protect it.

There is no way in the world he could defend it -- or his own country, for that matter -- against a Cuban conquest, even without Moscow supporting Castro in such an attack.

In either event, Soviet submarines, missiles and bombers would soon be in place, capable of striking at our heartland from another outpost, which, unless the American people force Mr. Ford to reverse his position, will soon

be within our enemy's grasp instead of remaining our own.

Neither Ambassador Bunker nor his aides were able to substantiate in the slightest degree the claim they have been making around the country in public speeches that a phrase in Article III of the 1936 treaty of friendship with Panama refers to the Canal Zone as "territory of the Republic of Panama under the jurisdiction of the United States." They have cited this to support their argument that we do not have sovereignty over the Zone. Deputy Negotiator Morey Bell did so in a letter to me last December.

Under my insistent questioning seeking substantiation, the claim -- which the American Law Division of the Library of Congress had already reported to me was refuted by Article XI of the same treaty -- was merely repeated.

I feel obligated by my office to further demand that President Ford publicly substantiate this State Department claim -- which I consider to be absolutely without legal grounds, and totally false -- or order the Department publicly to immediately retract the claim and to desist from using it.

To my knowledge, President Ford has not made the claim of which I speak. He may not even realize the State Department is making it in order to promote the Canal Zone giveaway among the American people.

He is now on notice, however, and has the duty to thoroughly explore the matter. The Supreme Court has declared the Canal Zone belongs to the United States, specifically stating it had been ceded to us by Panama in a duly ratified treaty.

The President and the State Department have a right to argue their case on its merits.

To lie to the American people is nothing less than malfeasance in office.

The President cannot allow this serious business of the Canal Zone's future to be decided without the support of the American people whose very security is involved.

Neither can he allow falsehoods to play a role in trying to secure that support in spite of their better judgment.

I hope Mr. Ford will publicly come to grips with this entire question in the very near future.

April 14, 1976

PANAMA CANAL

Q: Did the President instruct the State Department to negotiate a new treaty with Panama which would give up the Canal and our authority in the Zone?

A: Let me make clear that Presidential instructions to the State Department relate to negotiations which have been carried on since 1964 with Panama. These negotiations are aimed at achieving a new treaty relationship with Panama relating to the Canal. That treaty, which would continue in force for a substantial period of time, would maintain US control of the Canal's operation and defense. Negotiations which the President has authorized relate only to the effort currently underway to negotiate a modernized treaty relationship that will protect US basic long-term interests in the efficient operation and security of the Panama Canal. Those negotiations are still in progress and important issues remain to be discussed and agreed upon. It is therefore not possible or useful at this stage to predict the final form of such an agreement or when and if such an arrangement may be possible. However, the President has repeatedly stressed that he will not approve or support any agreement that does not protect vital US interests in the operation and defense of the Canal.

BRIEF SUMMARY OF REAGAN
NEWS CONFERENCE

Austin, Texas
April 14, 1976

He strongly criticized the Ford Administration's handling of the Panama Canal negotiations. Reagan quoted the President as telling an audience in Dallas last weekend that the United States would never surrender all of its control of the Canal Zone.

"Now testimony at closed hearings shows the Administration is negotiating to give up some rights to the canal and in the long run to surrender it," Reagan said.

He said that historically leaders such as Hitler, who tried to dominate the world, have considered the PanamaCanal a strategic passage.

Reagan said continued American control of the Canal is vital to the defense of the Western Hemisphere. He described the President of Panama as a "Communist-leaning dictator" and said the Ford Administration is planning to turn over the Canal to such a dictator.

THE PANAMA CANAL

A "Give Away" or a "Throw Away"?

Presidential Candidate Ronald Reagan has stated that the United States should break off the negotiations with Panama and tell General Torrijos: "We bought it, we paid for it, we built it, and we intend to keep it." Reagan says the Canal Zone is sovereign U. S. territory every bit the same as Alaska.

Unfortunately, Governor Reagan's words so distort the facts and ignore the reality of the situation regarding the Panama Canal that his statements may do more to endanger America's ability to use the Canal than any imagined "give away" through the current negotiations.

What are the facts?

Negotiations between the United States and Panama to replace the 1903 Canal Treaty have been pursued by three successive American presidents. The purpose of these negotiations is to protect our use of the Canal over the long term and our national security interests, not to diminish them.

The issue before us is not between continuing the present treaty and negotiating a new one, but rather between successful negotiations and the consequences of no new treaty. Absence of a new treaty would mean confrontations with the people of Panama supported by Latin America and the rest of the world--including major users of the Canal like Japan.

A new treaty is needed because:

-- A cooperative arrangement with Panama is the only way the United States can safeguard its long term interests in an open, efficient and secure Canal.

-- Panama wants a new treaty. Without a new treaty, we will have a confrontation with a Panamanian government backed by a united people and the unequivocal support of all Latin American nations.

-- If the current opportunity is lost to achieve a treaty that satisfies the legitimate interests of both Panama and the United States, we can expect both a deterioration of our relations throughout the hemisphere and real dangers to the continuous operation of the Canal.

-- The current Panamanian government, which has been in power for eight years, is committed to a new treaty. It is prepared to offer terms which recognize our interest in the Canal's operation and defense. If this effort does not succeed, we can be sure the terms available next time will be less favorable.

-- A delay in negotiations risks increasing Panamanian frustration and a recurrence of the riots and confrontations that occurred in 1957 and those in 1964, in which over 20 Panamanians and 4 American soldiers died.

Furthermore, Governor Reagan's view that the Canal Zone is sovereign U. S. territory is totally wrong. Legal interpretations do vary, but there are clear limitations on U. S. jurisdiction. For example, not just any American can live in the Canal Zone and children born in there are not automatically U. S. citizens. But more importantly, Governor Reagan misses the point. The real issue is not our legal position in Panama, but how to find the best way to assure protection of our fundamental interest in the Canal. It is the rights granted and the relationship created by a 72-year-old treaty which now seriously offend the Panamanian people. If the relationship is not redefined and modernized, our jurisdiction over the Canal Zone may not prove to be the best means of protecting our greater interest in an open and secure Canal.

Despite these realities, Governor Reagan would handle the Canal issue by refusing to negotiate with Panama, by insulting its leaders, and offending our friends throughout Latin America. A breakoff of negotiations could lead to a closure of the Canal and serious damage to our relations with Latin America, the opposite of what he says he wants. He doesn't mention it, but his stance carries with it the commitment of large U. S. military forces to protect the Canal and the possibility of their being used in a prolonged anti-guerrilla, anti-terrorist campaign. It thus appears to be based on a willingness to protect our interests through military occupation.

A refusal to negotiate in good faith simply risks throwing away our ability to safeguard our real interests in the Panama Canal.

In contrast, President Ford is seeking a treaty which will create a mature relationship making the U. S. and Panama partners in the operation of the Canal and which protects the essential interests of the United States for the long term. The President has no intention of proposing to the Congress any agreement that would not protect our vital interests. Any treaty reached will be submitted to the full constitutional process, including Senate approval.

April 15, 1976

MEMORANDUM FOR: FRED SLIGHT

FROM: JOY MANSON

SUBJECT: Panama Canal

Mr. James E. Smith, a professor in the Department of History, Carney State College, Carney, Nebraska 68847, called in this morning with an analogy that may be useful in Texas with regard to the Panama Canal.

In reading the actual treaty with Panama, Mr. Smith notes that the U.S. specifically is entitled only to use the agreed-upon land for the construction, operation and maintenance of the Canal, and he draws a distinction between these specific "rights" and the purchasing "rights" the U.S. has in Alaska (where the land is ours to do with as we wish).

Mr. Smith said one thing Texans are very familiar with are Mineral Rights -- whereby an owner of valuable land may lease it to an oil company for drilling, digging purposes but the owner technically still maintains ownership of said land. Describing the Panama Canal Treaty as a "Mineral Rights lease" is Mr. Smith's recommendation to clarify the specificity of the rights inherent in the Panama Treaty. Smith further suggested that a follow-up analogy might include that "as the control of the Canal is by the United States, so is the control of the leased oil land by the oil company -- and I may employ your son in the operation of the Canal as an oil company may employ your son to operate the pumps."

THE WHITE HOUSE

WASHINGTON

April 15, 1976

MR PRESIDENT:

Reply to Leonor Sullivan's Letter
Concerning the Panama Canal
Company

In addition to the staffing mentioned in Brent Scowcroft's memorandum on the above subject, this memorandum was staffed to Messrs. Buchen, Cannon and Seidman. All approved and Phil Buchen added the following comments:

> "Although we note that it may appear unusual to have an Assistant Secretary answer on behalf of the Secretary of the Army while the President answers directly, Counsel's Office interposes no objection."

Jim Connor

Trudy -

Thanks

Kate

Mr. DuBois may come in to review this file.

Send copy of letters from Congress to Mr. DuBois (3/31) ---- (Joseph Jacobs was messenger) He still might come to review the inhouse mem. GBF

THE WHITE HOUSE

WASHINGTON

March 23, 1976

Dear Madam Chairman:

This is in further reply to your December letter to me regarding the measurement rule amendments proposed by the Panama Canal Company and the Secretary of the Army.

I have carefully reviewed the issues and decided to approve the proposed amendments with the exception of the so-called "on-deck cargo" amendment.

Sincerely,

Gerald R. Ford

The Honorable Leonor K. Sullivan
Chairman
Committee on Merchant Marine
and Fisheries
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

March 23, 1976

Dear Mr. Chairman:

This is in further reply to your December letter to me regarding the measurement rule amendments proposed by the Panama Canal Company and the Secretary of the Army.

I have carefully reviewed the issues and decided to approve the proposed amendments with the exception of the so-called "on-deck cargo" amendment.

Sincerely,

Gerald R. Ford

The Honorable Warren G. Magnuson
Chairman
Committee on Commerce
United States Senate
Washington, D.C. 20510

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 24 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. Lynn

SUBJECT: Panama Canal Tolls Rules Changes

Issue

Should approval be given to the Panama Canal Company to modify cargo measurement rules which determine toll assessments for ships transiting the Panama Canal?

Background

You have been requested to approve seven substantive changes in tonnage measurement rules governing tolls for vessels transiting the Panama Canal. The proposed changes were adopted by the Board of Directors of the Panama Canal Company and have been forwarded by the Secretary of the Army in his capacity as "stockholder" of the Company (Tab A). Below is a brief discussion of the issues, along with recommendations. A more detailed discussion of the issue is attached (Tab B).

The purpose of the changes, according to the Company, is to redistribute costs more equitably among Canal users. Cost redistribution would be accomplished by altering the definitions of space availability on board vessels for carrying freight and passengers. The last systematic review of tonnage measurement rules was conducted in 1937. In addition to redistributing costs, the changes would increase total revenue from tolls, as shown below:

(dollars in millions)

	Container Ship	General Cargo Ship	All other	Total
All-Flags Tolls	+4.6	+3.1	+4.6	+12.3
% Increase	+28%	+10%	+6%	+9%
U.S.-Flag Tolls	+1.7	+0.4	+0.2	+ 2.3
% Increase	+37%	+12%	+4%	+17%

The disproportionately large tolls increase for containerships (modern vessels which carry pre-boxed cargo) is primarily a result of one rules change--the "on-deck cargo" amendment. This amendment would require the measurement, and toll assessment, of all on-deck cargo. Currently this cargo is exempt from measurement. Of the total annual $12.3 million tolls revenue increase, $6.0 million is attributable to the on-deck cargo amendment, mostly relating to containership operations.

The financial health of the Panama Canal Company has been weak in recent years largely as a consequence of rising costs and declining traffic. If approved, the revenues gained by the measurement rule amendments would help alleviate, but would not eliminate, a projected 1976-1977 operating deficit. In fact, either with or without the proposed amendments, a general toll increase will be needed in the coming year. A large toll increase is certain to be strongly opposed by the maritime industry--as are the proposed amendments. Without additional revenues, however, the Company will be forced to request U.S. Government assistance.

Options

#1. Approve all seven amendments in their entirety.

#2. Approve all but the on-deck cargo amendment.

#3. Disapprove all seven amendments.

Discussion of the Proposed Amendments

The existing Panama Canal toll assessments are based on commonly-accepted, international principles of ship "earning capacity." Earning capacity is measured by the volume of below-deck space (gross tonnage), with deductions for space, such as the engine room, which is not available for revenue-producing carriage (net tonnage). The actual utilization of ship space is not considered in determining tolls charged for a particular transit. A primary reason for this approach is to avoid the costly delays that would be involved in measuring the volume, weight or value of cargo actually carried on each transit. Under the existing measurement system, a particular ship only needs to be measured once instead of each transit.

Six of the seven proposed amendments seek to remove minor anomalies in the existing measurement system. Four of the changes would increase and two would decrease toll assessments.

Generally, the amendments would abolish "double counting" of space and/or refine measurement standards in accord with modern ship design. They would change capacity measurement rules for the following spaces: fuel tanks, hatchways, water tanks, public rooms on passenger ships, and selected shop and store rooms. These six changes are all consistent with the established principle of basing tolls on the measurement of earning capacity. Few specific objections have been filed to these proposed amendments.

The seventh amendment constitutes a major change in the approach to assessing tolls. In addition to the traditional method of establishing tolls for below-deck carrying capacity, it would charge tolls for cargo actually carried on the ship deck during each transit. This means that if a ship were only partially loaded below deck, and carried on-deck cargo, it would be charged for its full below-deck capacity as well as for its actual on-deck cargo. By comparison, a ship carrying the same tonnage, all below deck, would have to pay only for its below-deck capacity, even though it may have a capability of carrying on-deck cargo.

This proposed change would be a departure from the traditional principle of basing tolls only on carrying capacity. It also would establish different standards for below-deck and on-deck cargo carriage.

The effect of this change would be to penalize ships which carry on-deck cargo but which do not or can not fully utilize below-deck space. Containerships, in particular, would be impacted by the change. Containerships are designed to carry significant on-deck loads, but they are not able to fully utilize below-deck space because the rectangular containers cannot use curved hull space on the sides, front and back, and because space between and around containers is needed for purposes of loading and unloading. Consequently, with the current method of establishing tolls, containerships on the average pay more per cargo ton actually carried than do other ships. Recent data show that containerships pay tolls averaging $2.12 per cargo ton, compared with about $1.15 per ton for general cargo ships.

Few would disagree with the Canal Company's position that, in theory, on-deck cargo carriage should be subject to toll assessment. The Company's proposal, however, does not seem to be an equitable means of assessing such tolls, particularly when applied to containerships. It may be necessary to establish an entirely new method of assessing tolls for containerships, rather than simply modifying a measurement system which did not anticipate containership technology.

Recommendation

Option #2 is recommended. We believe that the six relatively minor amendments are sensible and would not be inequitable. The on-deck cargo amendment, however, represents a major departure from traditional measurement practices, and it appears that it would create greater inequities than it would remove. It is recommended that the issue of how to assess tolls for on-deck cargo be studied further.

Positions of Interested Parties

Maritime interests have expressed across-the-board objections to the proposed amendments. Their concern, however, is primarily focused on the on-deck cargo amendment. Two major U.S. shipping company associations--the American Institute of Merchant Shipping and the American Maritime Association--have privately indicated that if the on-deck cargo amendment were dropped (option #2), their opposition to the remaining amendments would be minimal.

Although the Congress has no statutory role relative to the establishment of Panama Canal tolls, the maritime interests have generated strong support in both the House and Senate. In the House, Mrs. Sullivan (Chairman of the Merchant Marine and Fisheries Committee) and Mr. Metcalfe (Chairman of the Panama Canal Subcommittee), as well as 29 other members, have cosigned a letter to you asking that Presidential action be delayed until the House has had the opportunity to review the measurement rules. Senators Magnuson (Chairman of the Commerce Committee) and Long (Chairman of the Merchant Marine Subcommittee) have likewise requested that you delay action (letters at Tab C). Insofar as congressional opposition to the amendments is generated by the maritime interests, we expect that rejection of the on-deck cargo amendment would also minimize congressional concerns.

The following agencies have expressed no objection to the proposed amendments: Justice, Treasury, Federal Maritime Commission, National Security Council, and Council of International Economic Policy. Although both Commerce and Transportation have recommended that the amendments be delayed or disapproved pending further analysis, both report that option #2 largely mitigates their concerns. State advises that the amendments have no effect on the sensitive treaty negotiations over the status of the Panama Canal. Although State indicates that Greece, Norway, Spain, Japan, Italy and Sweden have made oral representations to the Department critical of the changes, State does not oppose their approval.

The Panama Canal Company and the Secretary of Army stand by their recommendation, option #1. However, they report that option #2 is preferable to option #3.

Decision

-- Option #1: Approve all seven amendments _____

-- Option #2 (Recommended): Approve all but the on-deck cargo amendment _____

-- Option #3: Disapprove all amendments _____

-- See me _____

Action

To carry out option #2, it is necessary for you to sign the attached resolution approving all but the on-deck cargo amendment. Additionally, we recommend that you sign the attached letters to the chairmen of the House and Senate authorizing committees explaining your decision, and to the Secretary of the Army requesting additional review of the tonnage measurement system and indicating the necessity for the Panama Canal Company to take action to restrain costs. These signature documents are at Tab D.

Attachments

SECRETARY OF THE ARMY
WASHINGTON

December 12, 1975

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

In my capacity as "stockholder" of the Panama Canal Company under authority delegated to me by Executive Order 11305 of September 12, 1966, I am forwarding for your approval a Resolution adopted by the Board of Directors of the Panama Canal Company on November 17, 1975, amending the rules of measurement of vessels for the Panama Canal.

The action by the Board of Directors is based on Sections 411 and 412 of Title 2 of the Canal Zone Code under which the Panama Canal Company is authorized to prescribe rules of measurement for determining the earning capacity of vessels using the Canal. Section 412 provides that changes in the measurement rules shall be subject to and take effect upon the approval of the President of the United States. Section 411 requires six months' notice of the changes in the measurement rules. This notice was published in the FEDERAL REGISTER on July 31, 1975, so that the earliest date on which the new rules could become effective is January 30, 1976.

Following publication of the notice in the FEDERAL REGISTER, the Panama Canal Company invited written comments from the public and held a public hearing in accordance with applicable regulations. After consideration of all relevant matter presented in the written comments received and presented at the hearing, the Board of Directors adopted the proposed amendments of the measurement rules, subject to your approval.

The inclosures to this letter set out in detail the background of the proposed changes in the rules and the proceedings by the Board of Directors leading up to the adoption of the amendments.

Your approval of the proposed changes in the measurement rules is recommended, effective January 30, 1976.

Respectfully yours,

Martin R. Hoffmann

Inclosures
as

ATTACHMENT

DISCUSSION OF PANAMA CANAL TOLLS RULES CHANGES

Background

The attached letter from the Secretary of the Army requests Presidential approval of proposed changes in rules governing tolls for ships transiting the Panama Canal. The proposal was adopted by the Board of Directors of the Panama Canal Company on November 17 and was forwarded to the President by the Secretary of the Army, in his capacity as "stockholder" of the Company, on December 12. The rules changes require Presidential approval and can be put into effect on or after January 30, 1976, a minimum statutory 6 months after notice of the proposal was published in the Federal Register.

Since the beginning of Panama Canal operations in 1914, tolls have been based on ship "earning capacity." The measure of ship earning capacity has been the space available (net tonnage) for carrying freight and passengers. The Panama Canal Company argues that the measurement rules which determine ship earning capacity should now be altered because: (a) the last systematic review was conducted in 1937; (b) ship configuration and technology have dramatically changed in the past 38 years; and (c) the operating costs of the Canal are no longer equitably distributed to reflect the earning capacity of vessels using the Canal. Consequently, the Company has proposed seven substantive changes to the measurement rules, requiring thirty amendments to the Code of Federal Regulations. The Company has found that the proposed rules "better reflect the earning capacity of vessels than the present rules, are nondiscriminatory, just and equitable."

OMB is the coordinating agency for Panama Canal Company toll proposals. We have solicited the views of the following agencies on the proposal: State, Commerce, Transportation, Justice, Treasury, Agriculture, Federal Maritime Commission, National Security Council, and Council of International Economic Policy. We also have received unsolicited comments from members of Congress and the maritime industry (shipping companies, unions and port authorities). These views will be discussed below, as well as other issues pertaining to the proposal.

Panama Canal Company Financial Condition and Canal Toll Issues

The Panama Canal Company is a wholly-owned Government corporation whose primary purpose is maintaining and operating the inter-oceanic Canal. From the Canal's tolls and other charges, the

Company is expected to be self-sustaining. Additionally, the Company is expected to reimburse the U.S. Treasury for: (a) uncovered costs accrued by the Canal Zone Government; (b) interest payments relating to original Canal construction costs borne by the U.S. Government; and (c) annuity payments made by the U.S. to the Republic of Panama pursuant to the Treaty of 1903, as amended in 1936.

For the past five years, the Panama Canal Company has experienced rapidly rising costs and declining traffic. For example, between 1970-1975, the number of transits declined from 15,500 to 14,700, while operating costs climbed from $172 million to $261 million. As a result, the first toll increase since the Canal's 1914 opening was instituted in July 1974 (+20% in toll rates). Despite the toll increase, the Company's financial condition has continued to deteriorate as a result of: (a) continuing cost-of-doing-business increases; and (b) traffic downturns in the wake of worldwide economic recession, the diversionary impact of the opening of the Suez Canal, and the dampening effect of the 1974 toll increase. Whereas the Company had planned to handle 40 ships daily in FY 1976, an average of only 36 daily have been transiting the Canal to date. The net effect of the financial downturn is that the Company has sustained losses in the past two years and is expected to continue to run losses in 1976 and 1977, as shown below (millions of dollars):

1974 deficit	1975 deficit	est. 1976 deficit	est. 1977 deficit
$-11.8	$-6.4	$-18.0*	$-38.0*

*assumes no toll changes, measurement rules amendments, or other remedial actions.

If approved, the measurement rules amendments would help alleviate, but would not eliminate, projected Company deficits in 1976 and 1977. The amendments would increase the measurements of vessel net tonnage, leading to higher annual toll assessments on the order of $12-13 million (further discussed below). The Company argues, however, that it is incorrect to equate the proposed amendments with a toll increase -- rather, the purpose of the amendments is to redistribute the operating costs of the Panama Canal more equitably. In the Company's framework of thinking, the processes of establishing tolls and changing measurement rules, although related, are separate. Any positive revenue effects resulting from the proposed amendments would be accounted for in computing the need for future toll rate changes (i.e., future toll increases would be reduced by the amount of additional revenues gained by the proposed amendments).

In fact, either with or without the proposed rules changes, the Panama Canal Company is now indicating that a substantial general toll increase will be required in the next 12 months to meet the anticipated deficits. This would be the second general toll increase in three years. Required toll rate increases are shown below. The figures presume the imposition of moderate cost-cutting measures and the continued operation of the Company on a self-sustaining basis.

	($ in millions) Measurement Rules Approved	Measurement Rules Not Approved
Additional revenue required to meet FY 1977 deficit.....	$26	$38
Future required toll increase..	+17%	+28%
Additional revenue required to meet FY 1977 deficit as well as recoup FY 1976 deficit over five years.....	$28	$42
Future required toll increase..	+19%	30%

The Company has pointed out that its statutory authorities provide several alternative means for handling long term deficits. It can: (a) defer payment to the U.S. Treasury of interest and/or the net cost of the Canal Zone Government to the extent the required amounts are not earned; (b) request Congressional authority to waive entirely payment of the net cost of the Canal Zone Government; (c) request a separate appropriation for the Company to meet losses; or (d) use available borrowing authority up to a maximum of $40 million. Company officials are increasingly talking about the necessity of employing these fallback authorities. For example, in a January meeting, the Company's Board of Directors authorized Company staff to explore the desirability of using one or more of the authorities in the context of the future 1978 budget request. Utilization of the above authorities would be highly undesirable from a budgetary point of view in that they would entail U.S. Government subsidization of potentially sizable Company deficits.

Of course, the future required toll increase can be reduced by the extent to which the Company undertakes reductions in services, employee benefits, and planned capital construction projects. The President of the Company cum Governor of the Canal Zone Government has already taken measures to cut spending, but has shied away from major reductions which would lead to strong opposition from Panama Canal employee groups, (e.g., elimination of a 15% tropical pay differential).

Impact of the Proposed Measurement Rules Amendments

Of the seven substantive amendments, five will increase total measurement tons, leading to higher toll assessments, and two will lower total assessments. The net effects of the amendments on tolls are shown below:

Company Estimates of Annual Tolls Impact of Rules Amendments[1]/
($ in thousands)

Measurement Rule Amendments	Ship Type: General Cargo	Container Ship	Passenger	All Other[2]/	Total
Amendments which Increase Measurement tons:					
Deck Cargo	+578	+4,332	+9	+1,038	+5,957
Fuel	+2,290	+356	+117	+2,965	+5,728
Hatch Exemption	+209	+101	+5	+477	+792
Public Rooms	--	--	+423	--	+423
Water tanks	+198	+1	+3	+290	+492
Amendments which Decrease Measurement tons:					
Boatswain's Stores	-118	-213	-7	-641	-979
Engr. Shops	-11	-8	-1	-45	-65
All Flags Tolls Increase	+3,146	+4,569	+550	+4,083	+12,348
% Increase	+10%	+28%	+28%	+4%	+9%
U.S. Flag Tolls Increase	+410	+1,708	+59	+156	+2,333
% Increase	+12%	+37%	+16%	+3%	+17%

1/ Shipping companies generally believe that the Company's estimates of tolls impact are understated

2/ Includes dry bulk carriers, tankers, specialized product carriers.

Maritime Industry Views

Shipping companies, unions, port authorities and selected industries (e.g., lumber companies) have filed objections with the Panama Canal Company regarding the proposed amendments. The most commonly-cited objections to the amendments have been the following:

--the amendments constitute a "de facto" toll increase, the impact of which has not been satisfactorily evaluated.

--the amendments particularly impact containerships and hence are "discriminatory." Furthermore, because the U.S.-flag fleet has more containerships than do foreign-flag fleets, U.S. shipping companies sustain a proportionally greater financial injury.

--the amendments do not improve the accuracy of the measurement of ship cargo capacity, and hence are not more equitable.

--the amendments' impact on tolls will have negative side effects; it will:

...further reduce Canal traffic and therefore dampen positive revenue effects of the amendments.

...increase ocean freight rates and contribute to inflation.

...lead to the abandonment of some shipping services and divert cargo passing through North Atlantic U.S. ports to cross-continental rail or truck transportation (leading to possible environmental degradation).

--the amendments, and the perceived toll increases they cause, beg the issue of the Company's ability to cut costs and thereby obviate the need for additional revenue.

The Company published the amendments in the Federal Register in July 1975, received written replies, opened the issue to hearings, and in November the Company's Board of Directors approved the original recommendations. The maritime industry is highly irritated over the fact that the Board approved the amendments without change, seemingly having ignored the industry's many objections.

Despite the wide range of objections filed with the Company, the maritime industry is principally concerned with only one amendment -- the "on-deck cargo" amendment. This amendment would have the effect of measuring all on-deck cargo transiting the Canal, and assessing tolls accordingly. Currently on-deck cargo is excluded from measurement and toll assessment. Measurement by the Company of deck loads of 102 containerships transiting the Canal showed that the net tonnage (and therefore tolls) for these ships as a result of the application of the deck cargo rule would increase by 28% in the aggregate, although the net tonnage of U.S.-flag vessels in the group would increase by 37%. As shown in the table in the previous section, the on-deck cargo rule accounts for about half of the annual estimated rules toll increase of $12 million.

Two major U.S. shipping company associations-- the American Institute of Merchant Shipping (AIMS) and the American Maritime Association (AMA)--have privately indicated to us that if the on-deck cargo rule were dropped from the package of amendments, the opposition of their member companies to the remainder of the amendments would be minimal.

Congressional Views

Although the Congress has no statutory role relative to the establishment of Panama Canal Company tolls, the maritime industry has generated strong support for its position in both the House and Senate. In the House, Mrs. Sullivan (Chairman of the Merchant Marine and Fisheries Committee) and Mr. Metcalfe (Chairman of the Panama Canal Subcommittee), as well as 29 other members of the House, have cosigned a letter to the President asking that no action be taken on the pending measurement rules amendments until the House has had the opportunity to review the measurement formulas in detail at future hearings (letter attached). Likewise in the Senate, Senators Magnuson (Chairman of the Commerce Committee) and Long (Chairman of the Merchant Marine Subcommittee) have "join[ed] with Members of the House of Representatives who have expressed their interests in this to you and request that no action be taken on these proposed changes until adequate Congressional review of this important subject has been undertaken."

Mrs. Sullivan and Mr. Metcalfe have also requested a "full investigation" of the financial situation of the Panama Canal Company by the GAO, and have sent an extensive list of questions on the anticipated impact of the proposed measurement rules to the Company. However, hearings have not yet been scheduled in either House or Senate. Company staff report that little congressional action could be expected if the President were to delay action on the amendments--that the primary purpose of congressional intervention is to obstruct Company action which would be injurious to the U.S. merchant marine.

Agency Views

The following agencies have expressed no objection to the proposed amendments: Justice, Treasury, Federal Maritime Commission, Agriculture, National Security Council, and Council of International Economic Policy. Agencies which have expressed concerns are as follows:

-- Commerce. The Commerce Department opposes the proposed amendments and recommends that Presidential approval "be delayed until a thorough assessment of the problems which are raised by these proposals can be completed." Commerce reiterates most of the objections raised by the maritime industry, along with the following additional points:

...The amendments deviate from the concepts established in 1937 by a Presidentially-appointed committee. The amendments should be evaluated by a body of the same level before approval.

...The amendments adversely impact U.S.-flag containerships, the most competitive element of the U.S.-flag fleet. In the long term, the amendments could result in an increased need for Federal assistance to the U.S. merchant fleet.

...The on-deck cargo amendment is not precisely defined and administration may be difficult.

--Transportation. DOT recommends that "additional analysis would be desirable before... issuance of the regulations" based on the following:

...If diversion of cargo from ocean carriage to cross-continential land carriage were to result from the amendment, there could be benefits to the U.S. railroad industry but disbenefits to the U.S. shipping industry. This should be assessed.

...The Senate may ratify the 1969 International Convention on Tonnage Measurement of Ships, which would establish new parameters for measuring shipping tonnages. Although the law would not enter into force until at least two years later, and although the Company would not be legally required to alter its measurement system, "it might seem reasonable for the...Company to consider developing a system employing the same... parameters as those used in the Tonnage Convention."

-- State. The State Department advises that the amendments have no effect on the sensitive U.S. treaty negotiations with the Republic of Panama over the status of the Panama Canal. State further reports that foreign shipping interests have objected to the amendments and the governments of Greece, Norway, Spain, Japan, Italy and Sweden have made representations to the Department of State critical of the changes. State concludes that the "complaints should be carefully considered and treated appropriately in any final decision."

Discussion of the Merits and Demerits of the Proposed Amendments

The rules of measurement currently employed by the Panama Canal Company are based on the principle that canal tolls are to be assessed on the "earning capacity" of vessels. Earning capacity of vessels is defined as space available for carriage of cargo and passengers. In the most general terms, this determination is made by measuring the volume of the space enclosed by the entire vessel (gross tonnage) and deducting from this total, that space, such as the engine room, which is not available for the carriage of cargo or passengers (net tonnage). The assumption is that every net cubic foot of below-deck space can be potentially used. A ship's net capacity, therefore, is currently the sole basis for toll assessments. Net capacity does not consider such factors as volume, weight, or value of cargoes carried (utilization of capacity). Because the system entails measuring the ship instead of the cargo, ships only need to be measured once, instead of transit-by-transit, and administration of the system is thereby facilitated.

The Panama Canal vessel measurement system, like almost all other vessel measurement systems, is derived from principles originally laid down in nineteenth century England by George Moorsom. Moorsom established the principle of measuring vessels net capacities as determined by all enclosed (below-deck) spaces as measured in cubic feet, divided by 100, so that one ton represents 100 cubic feet of space. Almost all vessel measurement systems start with the Moorsom method for determining gross tonnage. However, differences often result from the application of differing exemptions and deductions in arriving at net tonnage figures. Panama Canal and Suez Canal systems are similar and produce similar net tonnages.

Six Minor Amendments

Of the seven substantive measurement rule amendments proposed by the Panama Canal Company, six are relatively non-controversial. These six would alter, in a minor way, existing exemptions and deductions for the following spaces: fuel tanks, hatchways, water tanks, public rooms on passenger vessels, boatswain's stores, and engineer's shops. The first four would have the effect of increasing tonnage measurements. The last two would have the effect of decreasing tonnage measurements. These are further described below:

-- Amendments which increase measurement tons:

...Fuel. The amendment would substitute actual measurement of fuel spaces for the existing rule by which the deduction for fuel is normally computed at 75% of the measured space of the engine room.

...Hatch Exemption. The amendment would eliminate the current exclusion of the cubical contents of hatchways. In modern ship design, hatch covers fit over the top of hatchways and the space under the hatch cover is available for cargo.

...Water Tanks. The amendment would eliminate the current exclusion of the measurement of water tanks used for fresh water for ship use. This would achieve consistency with the treatment of other like spaces that are not allowed as measurement deductions.

...Public Rooms. The amendment would eliminate the current exclusion of the measurements of public rooms (e.g., dining rooms, lounges, barber shops, swimming pools). This is based on the premise that public rooms are spaces available for the use of the passengers and hence a consistent application of the earning capacity concept precludes deduction of these spaces.

-- Amendments which decrease measurement tons;

...Boatswain's Stores. The amendment would permit exclusion of measurements for boatswain's stores on the premise that space used for this purpose is unavailable for stowage of cargo, passenger use, or other directly related purposes.

...Engineers' Shops. This amendment would allow deductions of measurements for engineers' shop space over the current arbitrary deduction ceiling of 50 tons. Actual measurements of engineers' shops would determine the applicable deduction.

The intent of these six amendments is to avoid "double counting" of selected ship spaces and/or refine measurement standards in accord with changed ship design. None of the above six proposed amendments have been strongly opposed by the maritime industry as a whole. However, passenger vessel operators are upset over the "public rooms" amendment which would increase their toll assessments by about $550 thousand annually (+28%). U.S.-flag vessel operators account for only $59 thousand of the total.

The On-Deck Cargo Amendment

Currently, on-deck cargo (e.g., containerized cargo, stores, livestock) is excluded from measurement and toll assessment. The seventh amendment proposed by the Panama Canal Company

would require the measurement of all on-deck cargo for every vessel transit. The proposed amendment describes this as follows:

> "The deck space occupied by the goods thus carried shall be determined at the time of the application of the vessel for passage through the canal and shall be deemed to be the space limited by the area occupied by the goods and by straight lines enclosing a rectangular space sufficient to include the goods."

The on-deck cargo amendment has generated a great deal of heat on the part of the maritime industry (e.g., the amendment is alleged to be "arbitrary and capricious" and "discriminatory" against both containership operators and the U.S.-flag fleet).

Containerships are the primary carriers of on-deck cargo. By this amendment, if a containership operator transited the Canal with no on-deck containers on one occasion, 50 on another, and 100 on another, he would be charged differently on each occasion. The Panama Canal Company believes the amendment is desirable because there is "no doubt that the use of the deck for deckloads adds to the space of the vessel available for carrying cargo, and hence is a valuable component of earning capacity of the vessel required to be measured."

Few would disagree with the proposition that, in theory, on-deck cargo carriage should be subject to toll assessment. However, the Company's proposal for assessing on-deck cargo poses serious problems, principally because it is inconsistent with other Company cargo measurement rules. The inconsistency results from the fact that the on-deck cargo amendment requires measurement and toll assessment for all cargo actually carried on deck. Utilization of on-deck space, therefore, would be the basis for toll assessment. However, as previously explained, the existing Panama Canal ship measurement system for below-deck space is based on the principle of net ship capacity, assuming no wasted space resulting from the type of cargo carried or manner of carriage and irrespective of the amount of cargo actually carried on a given transit.

The result of the inconsistency is a toll assessment system which appears to be prejudicial to containership operators. Much of the below-deck space is lost in containerships because rectangular container cells cannot fully utilize the curved spaces against the hull of the vessel and because spaces must be left between containers. As partial compensation for this lost space, containerships carry containers on deck. In effect, the containership operator has chosen

to offset the somewhat reduced carrying capacity of the vessel with greater efficiency in cargo handling. In this light, the proposed amendment does not account for "lost space" on containerships and thereby constitutes a serious deviation from the concept of measurement which requires tolls to be assessed against vessels' actual cargo carrying capacities.

Approval of the on-deck cargo amendment would penalize this form of cargo carriage. It would require continued toll assessment for all below-deck space, whether or not utilized, and would superimpose a tolls burden for on-deck cargo carriage. In fact, it appears that containership operators are already relatively "over assessed." FY 1975 data indicate that, when recomputed on a dollar-per-ton-carried basis, containership operators were assessed $2.12 per ton compared with $1.15 for general cargo ship operators.

Based on the above, it may be appropriate for the Panama Canal Company to reevaluate the tonnage measurement system to determine if it is prejudicial to certain classes of carriers, and, if so, to recommend remedial actions.

Options

#1. Approve all seven amendments in their entirety.

#2. Approve all but the on-deck cargo amendment. Request the Company to reevaluate on-deck cargo measurement rules in the context of the overall equities/inequities of the existing measurement system.

#3. Disapprove all seven amendments. Request the Company to further study alleged prejudicial aspects of the existing measurement system.

Discussion of Options

Option #1

Pro

-- The amendments, in the aggregate, improve the tonnage measurement standards which have been in force for the past 38 years in terms of accuracy and equity.

-- The amendments add revenues to the Company (until a toll increase is put into effect) in a period in which the Company's financial situation is seriously deteriorated.

-- Insofar as the Company is able to collect additional revenues now, the magnitude of the future general toll increase could be reduced. The smaller the general toll increase, the less strenuous will be the opposition to it.

Con

-- The appropriateness of the on-deck cargo amendment is not clear. It is inconsistent with the existing measurement system and appears prejudicial to containership operators who would suffer a heavy toll burden (+37%).

-- Approval of the amendments may give the false impression of curing the Company's financial woes, whereas only a general toll increase can generate sufficient revenues to make the Company self-sustaining.

-- Approval of the amendments runs counter to expressed maritime industry and congressional requests to the President. This could lead to congressional action to restrict Administration authority relative to the Canal (e.g., make all toll proposals subject to congressional review). This, in turn, could endanger the more important future general toll increase.

Option #2

Pro

-- It retains most of the amendments, thereby improving the overall cargo measurement system.

-- Insofar as there are justifiable grievances against the on-deck cargo amendment and/or the cargo measurement system as a whole, the issues could be further studied by the Company.

-- Disapproval of the on-deck cargo amendment would almost entirely diffuse U.S. maritime industry dissatisfaction with the amendments package.

-- It allows Congress to hold hearings on the on-deck cargo issue, per congressional requests to the President. Congressional action to circumscribe Administration authorities would be unlikely.

Con

-- Insofar as approximately $6 million in revenues will be forfeited if the amendment is not approved, the deficit situation of the Company will worsen by a like amount and the amount of the general toll increase will have to be raised accordingly to accommodate the loss. The higher the toll increase, the more likely will be strenuous industry opposition to it.

Option #3

Pro

-- It would completely negate maritime industry and congressional criticisms.

-- Insofar as the industry and the Congress will have been mollified on this issue, it may lessen tensions relative to the announcement of a future toll increase (although the magnitude of the increase will certainly be an issue of contention).

Con

-- The measurement rule anomalies of the current system will be maintained indefinitely.

-- It may make it more difficult to approve future Canal toll proposals by leading the industry and Congress to think that vigorous opposition to such proposals will lead to their rejection by the President.

-- Insofar as approximately $12 million in revenues will be forfeited if the amendment is not approved, the deficit situation of the Company will worsen by a like amount and the amount of the general toll increase will have to be raised accordingly to accommodate the loss.

United States Senate
COMMITTEE ON COMMERCE
WASHINGTON, D.C. 20510

December 19, 1975

The Honorable Gerald A. Ford
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

Great concern has been expressed to us over the anticipated consequences on U. S.-flag ocean carriers, particularly container-ship operators and forest product shippers, resulting from the proposed changes in the rules for measuring vessels transiting the Panama Canal.

The Panama Canal Company's proposal will actually result in the third increase in Canal toll charges in less than 18 months. Despite a large number of written and oral statements presented to the company concerning the proposed changes which were published in the Federal Register on July 31, 1975, the measurement rules changes have been submitted for your action without modification.

There appears to be a substantial number of very serious questions regarding statutory requirements and treaty provisions as well as significant economic and transportation issues involved in these proposals.

We join with Members of the House of Representatives who have expressed their interests in this to you and request that no action be taken on these proposed changes until adequate Congressional review of this important subject has been undertaken.

Sincerely yours,

Warren G. Magnuson

WARREN G. MAGNUSON, U.S.S.

RUSSELL B. LONG, U.S.S.

U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, D.C. 20515

December 8, 1975

The President
The White House
Washington, D. C.

Dear Mr. President:

We have been advised that the Board of Directors and Stockholder of the Panama Canal Company have transmitted for your approval certain changes to their Rules for Measurement of Vessels. Since historically it has been the responsibility of the President of the United States to gauge the effect of changes in Panama Canal rules on the national transportation policy of the United States, we wish to communicate to you some of our concerns which we feel you should be cognizant of in making your decision on this matter. The purpose of this letter is to request that you sign the proposed rules only after a thorough review of the national economic consequences of these changes and upon the advice of those agencies in the Executive Branch who can best speak to the effect of the proposed rules on this Nation's commerce.

We are increasingly concerned with the financial well-being of the Canal. In July of 1974, a 19.7 percent toll rate increase was approved, the first since the opening of the Canal. We should note that no toll increase was required during these many years since the constantly escalating number of vessel transits and increasing vessel size generated sufficient revenue to keep ahead of constantly rising Canal Company costs.

The need for the 1974 general increase in the toll rate was premised upon certain accounting changes made by the Company, decreasing vessel transits, and increasing operating and overhead costs. We were assured it was necessary if the Company were to continue in a "break-even" status, as is required by statute. The additional financial burden placed on America's commerce was estimated to be many millions of dollars annually. It is noted that the current proposed rules change would result in an additional 37 percent assessment for deck cargo on containerships. Our carriers simply cannot afford these added operating costs, and the current proposed rules could be much more detrimental to U. S. commerce than the 1974 increase.

The proposed rules in question represent another de facto toll rate increase, although the burden would be largely borne by certain types of vessels, notably U.S.-flag containerships. While only eight percent of the annual transits of the Canal are made by vessels of U.S.-flag registry, approximately 37 percent of the containerships which transit the Canal are U.S.-flag vessels. The average containership which transits the Canal today pays about $19,000 in tolls. Under the proposed measurement rules, it would pay approximately $26,000. Since the Company has not yet prepared and released its fiscal year 1975 report, except for traffic statistics, it is not now possible to assess either the increased revenue resulting from the 1974 toll increase or the necessity for these proposed rules. We do know that vessel transits and cargo tonnage are continuing to decline, and that Company costs are continuing to rise. We believe that steps can and must be taken to reverse these trends.

At the time of the tolls increase last year, the Committee did not take any action since we felt the increase was reasonable inasmuch as it was the first and only increase since the Canal has been in existence. The present proposal to change the Canal Company's Rules for Measurement of Vessels presents a different picture, however. Among other things, it will affect the competitive balance between the continental railroads and the water carrier Canal users, and the burden will fall most heavily on several U.S.-flag container and passenger ship operators. In addition, if this change is approved, we

note the Canal Company's continuing emphasis on the alleged need for increased revenues, which suggests that the Company may propose another tolls increase in the near future.

We anticipate that the Committee and its Panama Canal Subcommittee will be reviewing the toll and tonnage measurement formulas in some detail at future hearings. We will be particularly interested in evaluating the adverse impact of the proposed rules on the well-being of the U. S. merchant marine and American commercial interests. We will keep you advised of our progress and plans, and again ask that no action be taken at this time on the pending measurement rules change.

Sincerely,

Leonor K. (Mrs. John B.) Sullivan
Chairman

Ralph H. Metcalfe
Chairman
Subcommittee on Panama Canal

DEMOCRATS
Signed

Leonor K. Sullivan, MO
John D. Dingell, MI
Thomas N, Downing, VA
Paul G. Rogers, FL
John M. Murphy, NY
Walter B. Jones, NC
Mario Biaggi, NY
Glenn M. Anderson, CA
E (Kika) de la Garza, TX
Ralph H. Metcalfe, IL
John B. Breaux, LA
Fred B. Rooney, PA
Paul S. Sarbanes, MD
Bo Ginn, GA
David R. Bowen, MS
Joshua Eilberg, PA
Ron de Lugo,
Carroll Hubbard, Jr., KY
Don Bonker, WA
Les AuCoin, OR
Norman E. D'Amours, NH
Leo C. Zeferetti, NY
James L. Oberstar, MN

DEMOCRATS
Did not Sign

Thomas L. Ashley, OH
Robert L. Leggett, CA
Gerry E. Studds, MA
Jerry M. Patterson, CA

REPUBLICANS
Signed

Paul N. McCloskey, Jr., CA
Edwin B. Forsythe, NJ
David C. Treen, LA
Joel Pritchard, WA
Don Young, AL
Norman F. Lent, NY
Matthew J. Rinaldo, NJ
David F. Emery, ME

REPUBLICANS
Did not Sign

Philip E. Ruppe, MI
Charles A. Mosher, OH
M.G. Snyder, KY
Pierre S. du Pont IV, DE
Robert E. Bauman, MD

RESOLUTION

WHEREAS, pursuant to the authority of sections 411 and 412 of Title 2 of the Canal Zone Code, (76A Stat. 27), at a special meeting on July 28, 1975, the Board of Directors of the Panama Canal Company proposed certain amendments to the rules for measurement of vessels for the Panama Canal for the purpose of more accurately reflecting the earning capacity of vessels using the Canal; and

WHEREAS, at the special meeting of the Board of Directors on July 28, 1975, pursuant to the provisions of the applicable regulations of the Panama Canal Company, five members of the Board of Directors were designated as a panel to conduct a public hearing on the proposed changes in the measurement rules; and

WHEREAS, notice of the proposed amendments was published in the Federal Register on July 31, 1975, (40 FR 32140) and a correction was published in the Federal Register on August 11, 1975, (40 FR 34619); and

WHEREAS, the notice of the proposed amendments of the measurement rules invited interested parties to participate in the rulemaking process through submission of written data, views or arguments, and submission of supplementary data, views or arguments at a public hearing to be held in Washington, D. C., on October 6, 1975; and

WHEREAS, in accordance with the notice and the provisions of the Company's regulations governing procedures for rulemaking, interested

parties did submit written data, views and arguments and, at the public hearing on October 6, 1975, submitted supplementary data, views and arguments in reference to the proposed amendments of the measurement rules; and

WHEREAS, the panel designated by the Board of Directors to conduct the hearing has submitted its report, including the written data submitted by interested parties and a full transcript of the hearing, with copies of documents submitted at the hearing and thereafter within the time fixed by the panel, and the recommendations of the panel with respect to the proposed amendments of the measurement rules; and

WHEREAS, all relevant matters presented have been considered by the Board of Directors; and

WHEREAS, the Board of Directors, having given careful consideration to the assessment of the environmental impact of the proposed amendments of the measurement rules, has determined that such amendments would not significantly affect the quality of the human environment;

NOW, THEREFORE BE IT RESOLVED, That, in accordance with sections 411 and 412 of Title 2 of the Canal Zone Code, (76A Stat. 27) the rules of measurement of vessels for the Panama Canal prescribed by the President by Proclamation 2248 of August 25, 1937, be amended upon approval by the President, but not earlier than six months from July 31, 1975, the date of

publication of notice of the proposed change in the Federal Register, by amendment of Part 135 of Title 35 of the Code of Federal Regulations as follows:

PART 135 -- RULES FOR MEASUREMENT OF VESSELS

§ 135.82 [Amended]

1. In § 135.82 the references to § 135.86 are amended to read § 135.85.

§ 135.83 [Amended]

2. In the last line of § 135.83 the reference to § 135.86 is amended to read § 135.85.

3. Section 135.85 is revised to read as follows:

§ 135.85 Certain spaces between inner and outer plating of double bottom.

Space or spaces between the inner and outer plating of the double bottom of a vessel shall be exempted from measurement, except when used, designated or intended for carrying cargo or fuel; but the tonnage of such spaces within the double bottom as are or may be used for carrying cargo or fuel shall be determined and included in the gross tonnage. The tonnage of double bottom tanks available for cargo or fuel may be obtained by multiplying the liquid-capacity weight by the proper conversion factor to get tons of 100 cubic feet.

§ 135.86 [Revoked]

4. Section 135.86 is revoked.

5. Following § 135.112 a new § 135.113, preceded by the undesignated center heading "DECK CARGO," is added, reading as follows:

DECK CARGO

§ 135.113 Deck cargo.

If any ship carries stores, timber, livestock, containers, or other cargo in any space upon an open deck not permanently covered or in spaces exempted under paragraphs (a) and (b) of § 135.82, all tolls and other charges payable on the vessel's net tonnage shall be payable upon the vessel's net tonnage (as defined below in §§ 135.271–287 and §§ 135.321–327) increased by the tonnage of the space occupied at the time at which the tolls or other charges become payable by the goods carried upon deck and not permanently covered or closed-in. The deck space occupied by the goods thus carried shall be determined at the time of the application of the vessel for passage through the canal and shall be deemed to be the space limited by the area occupied by the goods and by straight lines enclosing a rectangular space sufficient to include the goods. The tonnage of the space occupied by the goods shall be ascertained by multiplying together the length, breadth and depth of said rectangular space or spaces and dividing the product by 100 or 2.83, according as the measurements are taken in feet or meters. Nothing in this section shall in any manner affect the provisions of §§ 135.41–42; 135.61–63; or 135.81–88.

§ 135.142 [Amended]

6. In § 135.142 the reference to §§ 135.171–135.182 is amended to read §§ 135.171–135.183.

§ 135.175 [Amended]

7. In § 135.175 the last sentence is amended by adding the words "or fuel" between the words "cargo" and "the tonnage."

8. Following § 135.182 a new § 135.183 is added, reading as follows:

§ 135.183 Hatchways.

The cubical contents of hatchways shall be obtained by multiplying the length and breadth together and the product by the mean depth taken from the top of beam to the underside of the hatch cover.

§ 135.211 [Amended]

9. In § 135.211 the reference in the fourth line to § 135.132 is amended to read § 135.183.

§ 135.271 [Amended]

10. In § 135.271 the reference in the second line to § 135.286 is amended to read § 135.285.

§ 135.273 [Amended]

11. In § 135.273 the reference in the last line to § 135.286 is amended to read § 135.285.

12. In § 135.274, paragraph (c) is amended to read as follows:

§ 135.274 Spaces for stowage of stores or cargo, not deducted.

* * * * *

(c) On supply ships, stores, supplies of all kinds, distilling machinery and distilled water, machines, tools and material for repair work, mines and mining materials, torpedoes, arms, and ammunition.

13. Section 135.281 is revised to read as follows:

§ 135.281 Spaces used for boatswain's stores, deducted.

Spaces used exclusively for boatswain's stores, including paint and lamp rooms, shall be deducted. The deduction of spaces under this section shall be reasonable in extent.

14. Section 135.282 is revised to read as follows:

§ 135.282 Spaces used for engineer's shops, deducted.

Spaces used exclusively for engineer's shops shall be deducted. The deduction of spaces under this section shall be reasonable in extent.

15. In § 135.285 the heading of the section and paragraph (a) are revised to read as follows:

§ 135.285 Water ballast spaces, deducted.

(a) Water ballast spaces, other than spaces in the vessel's double bottom, shall be deducted if they are adapted and used only for water ballast, have for entrance only ordinary circular or oval manholes whose greatest diameter does not exceed 30 inches, and are not available for the carriage of cargo, stores, or fuel. Spaces that would otherwise qualify as water ballast except that they are also used for fuel for the vessel's own use shall be regarded as part of the vessel's fuel space as defined in § 135.390.

* * * * *

§ 135.286 [Revoked]

16. Section 135.286 is revoked.

17. Section 135.287 is revised to read as follows:

§ 135.287 Marking and use of deducted spaces.

Each of the spaces enumerated in §§ 135.275–135.285, unless otherwise specifically stated, shall be subject to such conditions and requirements as to marking or designation and use or purpose as are contained in the navigation or registry laws of the several countries, but no space shall be deducted unless the use to which it is to be exclusively devoted has been appropriately designated by official marking. In no case, however, shall an arbitrary maximum limit be fixed to the aggregate deduction made under §§ 135.271–135.285.

§ 135.322 [Amended]

18. In § 135.322 the reference to § 135.286 in the heading and in the second line of the section is amended to read § 135.285.

§ 135.324 [Amended]

19. In § 135.324 the reference to §§ 135.331–135.333 is amended to read §§ 135.252–135.354, 135.382.

20. Section 135.327 is revised to read as follows:

§ 135.327 Propelling power deductions, how made.

The deductions made for propelling power provided for in §§ 135.323–135.325 shall be made by adding to the space occupied by the engine room as defined in §§ 135.352–135.354 and 135.332, the spaces available for fuel as defined in §§ 135.390 and 135.391.

21. The undesignated center heading preceding § 135.351 is amended to read as follows:

SPACE OCCUPIED BY ENGINE ROOM

§ 135.351 [Revoked]

22. Section 135.351 is revoked.

23. In § 135.352 the last four sentences are revised to read as follows:

§ 135.352 What understood by space occupied by engine rooms.

* * * When a portion of the space within the boundary of the engine or boiler room is occupied by a tank or tanks for the storage of fresh water, lubricating oil, or fuel, including settling tanks, the space considered to be within the engine room shall be reduced by the space taken up by such tanks. Installations not strictly required for the working of the engines or boilers are not to be included in the engine room measurement no matter where situated but given separate deductions when they qualify under §§ 135.271–135.285 and are listed under the appropriate item on page 2 of the Panama Canal Certificate.

24. In § 135.353 the last sentence is revised to read as follows:

§ 135.353 Manner of ascertaining cubical content of spaces occupied by engine room.

* * * Add such contents, as well as those of the space occupied by the shaft trunk and by any donkey engine and boiler located within the boundary of the engine room or of the light and air casing above the engine room and used in connection with the main machinery for propelling the ship, to the cubical contents of the space below the crown of the engine room; divide the sum by 100 or by 2.83, according as the measurements are taken in feet or meters, and the result shall be deemed to be the space occupied by the engine room for purposes of calculating the deduction for propelling power.

25. Section 135.354 is revised to read as follows:

§ 135.354 Manner of ascertaining cubical content of spaces occupied by engine room; where engines and boilers are in separate compartments.

If in any ship in which the space for propelling power is to be measured the engines and boilers are in separate compartments, the contents of each compartment shall be measured separately

in like manner, according to the above method; and the sum of the tonnage of the spaces included in the several compartments shall be deemed to be the space occupied by the engine room for purposes of calculating the deduction for propelling power.

§ 135.381 [Revoked]

26. Section 135.381 and the undesignated center heading preceding that section reading "PROPELLING POWER DEDUCTION FOR VESSELS WITH FIXED BUNKERS, OR HAVING FUEL-OIL COMPARTMENTS THAT CANNOT BE USED TO STOW CARGO OR STORES" are revoked.

§ 135.383 [Revoked]

27. Section 135.383 is revoked.

28. Two new sections numbered §§ 135.390 and 135.391, preceded by an undesignated center heading "SPACES AVAILABLE FOR CARRIAGE OF FUEL" are added, reading as follows:

SPACES AVAILABLE FOR CARRIAGE OF FUEL

§ 135.390 Spaces available for the carriage of fuel.

The spaces available for the carriage of fuel will include the actual volume of tanks or fixed compartments for the storage of lubricating oil or fuel, including settling tanks, which cannot be used to stow cargo or stores and which have been certified by official marking to be spaces for the vessel's own fuel. Dual purpose fuel tanks whose only other use is for the carriage of water ballast will be included in the fuel deduction provided they have been included in the gross tonnage and qualify in all other respects for a deduction.

§ 135.391 Manner of ascertaining cubical contents of spaces available for the carriage of fuel.

The cubical contents of the above-named spaces available for the carriage of fuel shall be ascertained in accordance with the following provisions: For each fuel tank or compartment, measure the mean length. Ascertain the area of three transverse sections of the ship (as set forth in §§ 135.141 or 135.142–135.241 for the calculation of the gross tonnage) to the deck which covers the tank or compartment. One of these three sections must pass through the middle of the aforesaid length, and the two others through the two extremeties. Add to the sum of the two extreme sections four times the middle one, and multiply the sum thus obtained by the third of the distance between the two section. This product, divided by 100 if the measurements are taken in English feet, or by 2.83 if they are taken in meters, gives the tonnage of the spaced measured. When they cannot be readily measured, the tonnage of tanks may also be obtained by using liquid capacity times the conversion factor with one-sixth off for frames in case of peak tanks and one-twelfth off in case of wings or deep tanks.

§ 135.412 [Amended]

29. In § 135.412 the words and figures in the second, third, and fourth lines "other than fuel spaces deducted under §§ 135.351–135.354" are revoked.

30. Section 135.511 is revised to read as follows:

§ 135.511 Administration of rules.

The rules of measurement provided in this part shall be administered by the President of the Panama Canal Company.

[FR Doc.75-31475 Filed 11-20-75;8:45 am]

BE IT FURTHER RESOLVED, That the Secretary of the Panama Canal Company cause notice of the adoption of the amendments of the measurement rules to be published in the Federal Register in the form prescribed by applicable laws and regulations.

BE IT FURTHER RESOLVED, That upon publication of the said notice of amendment of the measurement rules in the Federal Register, the Stockholder of the Panama Canal Company transmit the amendments of said rules to the President for his approval.

Approved except for Section 135.113 which would provide for the inclusion in net tonnage of the space occupied by deck cargo:

_____

Date: _____

THE WHITE HOUSE

WASHINGTON

Dear Mr. Secretary:

Pursuant to Section 411 of Title 2 of the Canal Zone Code, I have reviewed the request of yourself and the Panama Canal Company regarding rules of measurement of vessels transiting the Panama Canal.

I have approved the proposed amendments with the exception of 35 CFR 135.113, the provision for the inclusion in net tonnage of space occupied by on-deck cargo. In principle, I concur that on-deck cargo should be subject to toll assessment, like below-deck cargo. I am concerned, however, that this proposed amendment may tend to discriminate against containership operators. I note, for example, that 1975 data show that toll assessments per ton carried were $2.12 for containerships compared with $1.15 for general cargo ships. The on-deck cargo amendment would dramatically increase containership toll assessments and therefore increase this disparity. I encourage you and the Company to further review the tonnage measurement system to determine if it is prejudicial to certain classes of carriers and, if so, to recommend remedial measures.

I am also greatly concerned over the Panama Canal Company's financial condition, generated by rapidly rising costs and declining vessel transits. Recognizing that the Panama Canal Company and Canal Zone Government are actively seeking to restrain cost increases, I nevertheless request that your office and the Company determine where further reductions can be taken. These reductions are necessary to retain the Company's strict self-sustaining financial status and to minimize any general toll increase which may be needed. Your review should encompass both capital construction and operating expenses of the Panama Canal Company and the Canal Zone Government.

Respectfully,

Honorable Martin R. Hoffman
Secretary of the Army
Washington, D. C. 20310

THE WHITE HOUSE

WASHINGTON

Dear Mrs. Sullivan:

This is in further reply to your December letter to me regarding the measurement rule amendments proposed by the Panama Canal Company and the Secretary of the Army.

I have carefully reviewed the issues. For the reasons cited in my letter to the Secretary of the Army (copy attached), I have approved the proposed amendments with the exception of the so-called "on-deck cargo" amendment. As you know, this is the most important of the amendments proposed for my approval.

As you will note, I have encouraged the Secretary of the Army and the Panama Canal Company to review further the tonnage measurement system to determine if it is prejudicial to certain classes of carriers, and if so, to recommend remedial action. This action also will provide your committee the opportunity to review issues pertaining to the Company's toll structure and financial status, as the committee finds appropriate.

Respectfully,

Honorable Leonor K. Sullivan
Chairman
Merchant Marine and Fisheries
House of Representatives
Washington, D. C. 20515

Attachment

cc: Honorable Ralph H. Metcalfe

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

This is in further reply to your December letter to me regarding the measurement rule amendments proposed by the Panama Canal Company and the Secretary of the Army.

I have carefully reviewed the issues. For the reasons cited in my letter to the Secretary of the Army (copy attached), I have approved the proposed amendments with the exception of the so-called "on-deck cargo" amendment. As you know, this is the most important of the amendments proposed for my approval.

As you will note, I have encouraged the Secretary of the Army and the Panama Canal Company to review further the tonnage measurement system to determine if it is prejudicial to certain classes of carriers, and if so, to recommend remedial action. This action also will provide your committee the opportunity to review issues pertaining to the Company's toll structure and financial status, as the committee finds appropriate.

Respectfully,

Honorable Warren G. Magnuson
Chairman
Committee on Commerce
United States Senate
Washington, D. C. 20510

Attachment

cc: Russell B. Long

THE WHITE HOUSE
WASHINGTON

Date April 16,1976

TO: THE PRESIDENT

FROM: John G. Carlson

Per your request

April 16, 1976

INTERVIEW OF AQUILINO BOYD
FOREIGN MINISTER OF PANAMA
ON THE
CBS MORNING NEWS

7:41 A.M. EST

QUESTION: Dr. Boyd, you heard what Ronald Reagan has to say. What do you have to say?

MR. BOYD: I think that without trying to mingle into the political campaign of the United States, since this is a very important issue for my country, I must say that Mr. Reagan is willfully deceiving the people of the United States.

One clear proof of this is that if you are born in the Canal zone, you don't become automatically a citizen of the United States. The United States only bought rights for specific purposes in Panama, for the construction, maintenance and protection of the Panama Canal. Panama has never given up sovereignty. What we are now doing is negotiating within a reasonable time of duration for the reversal to Panama of the jurisdictional rights that we granted to the United States in the treaty that was approved in 1903.

QUESTION: What effect is the appearance of this issue as a major campaign issue going to have on the conclusion of the treaty?

MR. BOYD: Well, I think that that all depends on the outcome of the political campaign in the United States. I think that Dr. Kissinger and Ambassador Bunker are conducting the negotiations according to a framework established in the so-called eight-point tactics in your agreement that was going to serve as a guideline for this negotiations.

The basic points are the obligation of the 1903 treaty and the perpetuity clause, which must be changed for a fixed period of time of duration for a new treaty.

QUESTION: In other words, the Canal and the zone must, at the end of the expiration of the treaty, revert to Panama.

MR. BOYD: Definitely. We consider the Canal zone of Panama is an anachronism that can now take top place in the modern world. You have witnessed the decolonization of the whole continent of Africa, and this is an enclave that has all the characteristics of a colony, a Government within a Government that divides my country in two, and according to a charter of the United States, with which you are well familiarized, this is an obstruction to the unity and to the territorial integrity of my country. I am very hopeful of the outcome of this negotiation.

QUESTION: But I think one of the problems in the United States is that a great many people feel if the U.S. lost control of the zone the U.S. Navy, for instance, might not be able to transit the Canal whenever it chose to. How could you guarantee that?

MR. BOYD: Well, there are many ways to guarantee that the United States Government will always have free passage at reasonable ports like all other nations of the world without any type of discrimination. I think that through the United Nations, through the Organization of American States, we can secure the American people on the use of the Canal that Panama intends to have the neutral status on the Canal that should be respected by all countries in the world.

QUESTION: The White House says that if the new treaty is not signed, or if it is delayed, that there may very well be riots again in Panama.

MR. BOYD: I am afraid this is a very explosive situation that we are having in Panama, and people like Ronald Reagan, in a very irresponsible manner, are inflaming patience in my country. I think that we have to diffuse this explosive situation but by negotiation, by negotiating within the next 12 months, the new Canal treaty that would be fair for both countries.

I think the backbone of the negotiations is to find a reasonable period of time of duration for the treaty. We think that the actual Government is in a position and the leader of the Government, General Torrijos, already has stated that a period that will go until the end of the year will be acceptable by Panama.

That means that the United States will hold control for the operation and the defense of the Canal until the turn of the century. When you witnessed yesterday the signing between Greece and the United States of a treaty for a four-year military base, that is going to cost $700 billion for United States taxpayers.

When you witness the signing of the treaty last month with Turkey for $1 billion, when you witnessed in February of this year the signing with Spain of a treaty that will cost one thousand two hundred million dollars to the taxpayer, is money, In Panama, the Canal has been a Federal agency that has subsidized the Merchant Marine of this country.

QUESTION: I am afraid we have run out of time. Forgive me, we must end this.

END (AT 7:49 A.M. EST)