passenger transport movements provided for a tax on amounts paid *in the United States* on any form of transportation such as rail, bus, sea, etc. This provided the opportunity for evasive practices by people purchasing their transportation in Canada or Mexico for travel within the United States.

While this was a factor in the 1950's that was advanced in urging repeal of these excise taxes, the basic reason for their repeal was that they had been levied in wartime to discourage unnecessary travel. With the termination of the war emergency, this was no longer an objective. In fact, the reverse was true, namely, the desire to stimulate travel by all possible transportation media.

In successive steps the travel tax was first reduced then removed from certain geographic areas until finally removed from all areas on all carriers except airline travel within the United States. A five percent ticket is retained here and is applied as a form of "user tax."

Mr. Herlong. Any further questions?

Mr. Byrnes. Mr. Chairman.

Mr. Herlong. Mr. Byrnes.

Mr. Byrnes. Refresh my memory. Did the transportation tax, when we did it, apply to ships?

Mr. Keenan. Yes, sir.

Mr. Byrnes. And it was on the basic fare? Was there any allocation of cost between food and——

Mr. Keenan. No. Immediately after the war, 1947, 1946, the tax, which was supposed to be a temporary war measure, I think was then 10 percent and was reduced to 5 percent and then was cut back to apply only in the northern portion of the Western Hemisphere, which created a little more confusion as to how to administer it, and finally it was repealed entirely, I think very likely for the reason that Mr. Curtis indicated, that it was being avoided.

Mr. Byrnes. But as related to ships you had the same tax although, as you point out, the possibility of avoidance was much less than with the airlines. However, a tax on transportation when it applies to ocean travel is more than just a tax on transportation because people travel by ship for reasons other than mere transportation.

They want to be between two points but they also want some of the multitude of other services that are a part of ocean travel. Part of their vacation is living abroad the ship, enjoying the room, the meals, and the other facilities that are offered. As a result when you tax the purchase of a steamship ticket you also tax, it seems to me, the whole vacation, particularly in the case of a cruise ship. As I recall however, there was never any real objection with that as far as steamships were concerned when we did have the transportation tax on, is that correct?

Of course you didn't have very many cruise ships at that time.

Mr. Keenan. No.

Mr. Byrnes. Because they were still all in Government service carrying troops I guess.

Mr. Keenan. It didn't make much difference, anyway. You pay 5 percent tax on your ticket which includes the hotel services, and entertainment, and all the rest of that, but this was not a major problem. People were used to paying 5 percent at that time. They accepted it.

Mr. Byrnes. Thank you very much.

Mr. Herlong. Any further questions? If not, we thank you, Mr. Keenan, and you, Admiral James for your appearance before the committee.