INVESTMENT BANKERS ASSOCIATION OF AMERICA,
Washington, D.C., April 30, 1968.

Hon. JOHN A. BLATNIK,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN BLATNIK: The Investment Bankers Association of America would appreciate your including our enclosed statement regarding your Water Pollution proposal as part of the hearings on H.R. 15906. The enclosed statement represents testimony delivered by three of our representatives recently before the Senate Subcommittee on Air and Water Pollution.

If we can be of any further assistance to you or the members of the Committee please do not hesitate to write or call.

Sincerely,

ALVIN V. SHOEMAKER.

STATEMENT BY THE INVESTMENT BANKERS ASSOCIATION

STATEMENT OF ROBERT KRUMM, EXECUTIVE VICE PRESIDENT, EQUITABLE SECURITIES, MORTON & CO., NEW YORK CITY; WILLIAM SIMON, PARTNER, SALOMON BROS. & HUTZLER, NEW YORK CITY; JAMES LOPP, EASTMAN DILLON, UNION SECURITIES & CO., NEW YORK CITY

My name is Robert Krumm, Executive Vice President of Equitable Securities, Morton and Company, Chairman of the Municipal Securities Committee of the Investment Bankers Association. I ask that the following statements on behalf of our industry be made a part of the record of the hearings on H.R. 15906.

I would like to submit a statement on behalf of the 675 member firms of the Investment Bankers Association who are located in every State in the Union with over 2,000 branch offices. Collectively, they underwrite and distribute, and act as brokers for all types of Federal Government, corporate, and State, county, and municipal government securities. Our statement will be concerned only with that portion of H.R. 15906 which deals with the proposed new plans of financing the construction of waste treatment facilities.

Before going into the specifics of this proposal, we would like to lend our support to the efforts of the distinguished Congressman from Minnesota and others who have successfully pressed for solutions to the growing problems of water pollution in our streams and rivers. We believe that the new debt service contracts in lieu of direct grants, suggested in H.R. 15906, represent an imaginative and farsighted effort to provide maximum Federal assistance to communities of 125,000 or more in population that are willing to take on the task of cleaning up our Nation's rivers.

On the other hand, we strongly oppose the imposition of a Federal Government guarantee on the securities of States and local governments as a consideration of the waiver of their sovereign right of tax exemption. As a matter of fundamental principle, we believe it would be a serious mistake on the part of local government to waive voluntarily the tax exemption of interest on their bonds, regardless of purpose.

The proposed new Federal contracts to pay a portion of a community's debt service will provide maximum Federal assistance with minimum effect upon the Federal Government's already overstrained budget. Under this new proposed program, it is our understanding that the Federal Government will enter into contracts with communities with populations in excess of 125,000 to pay a portion of the debt service on their bonds issued to correct water pollution problems.

We agree that it is in the best interest of all concerned to leave the marketing of these securities to each participating community and metropolitan area. By allowing each bond issue to represent the efforts in a particular area or project, it will give the security distinct character. This will maximize, not only the marketing efforts of major underwriters in the national markets, but it allows participation by the regional firms who are expert in the distribution of securities in their particular area. This should make it easier to encourage local investment. Often, community and area pride in a particular project provides additional incentive for local investors to accept a lesser rate of interest.

It is our opinion, however, that the present proposal is unnecessarily complicated and it should be simplified. We agree that these communities should issue