

Turning to the relationship of these facts to the matter before the Committee, it would seem that the provision of navigable channels for world shipping is not an optional matter, from the viewpoint of the Federal interest. The channels *must* be provided to carry an annual flow of \$55 billion worth of merchandise with all its beneficial impact on the national and local economies and level of employment. Examined from this standpoint, the investment guideposts become academic. Norms should be the most nominal that can be established consistent with general policy. Channels may, indeed, be viewed more as a part of a trading nation's *operating expense* than from the standpoint of direct investment.

But the Federal investment in channels for ocean shipping remains, despite the above philosophy, a very profitable one. By any standard an investor who can, for his dollar, attract two additional dollars of partnership venture capital and obtain a rate of return of more than 400% per year on his annual investment is in a good business. This is precisely what has happened to the Federal dollar invested in channels for world shipping over the twenty year cycle referred to above . . . in terms of Federal investment in channels, local port authority investment in piers, wharves and related facilities, and Customs receipts to the Federal government.

Viewed from the investment standpoint, again the norms should remain nominal. Harbor improvements are authorized under cost-benefit ratios and are just as sensitive to the interest rate as are any other waterway projects. But they have, in addition, a competitive factor which should not be overlooked by the Committee.

The United States port system, the finest in the world, has been built by free competition among the port communities of all seacoasts. While this competition is for cargo traffic, it exists as well in the area of Federal appropriations for channels. There are just so many Federal dollars appropriated for this work, and the question of which ports obtain the work goes back to the cost-benefit ratio.

Therefore, any radical change in the rate of interest applied to cost on the one hand and benefit on the other will penalize a series of port communities by altering their competitive position from the standpoint of channel appropriations. Should the result be a diminished flow of cargo, economic impact on these communities could be severe and should not be underestimated.

The cargo though even a small port community can generate, in that community, as much as \$50 million a year in direct income. For a larger port, the figure can range between \$250 million and \$300 million in community income.

We would hope that the Committee, as it weighs the broader problem, would take no action which would curtail Federal sponsorship of necessary and justifiable harbor improvements.