

DEPARTMENT OF TRANSPORTATION,
OFFICE OF THE SECRETARY,
Washington, D.C., July 9, 1968.

HON. HARLEY O. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Your Committee has requested the comments of this Department on S. 913, an act to amend part III of the Interstate Commerce Act to provide for the recording of trust agreements and other evidences of equipment indebtedness of water carriers, and for other purposes.

This bill would redesignate section 323 of the Act as section 324 and add a new section 323 which would provide a method for recording at the Interstate Commerce Commission various financial papers of indebtedness of water carriers. Such matters as mortgages (except mortgages under the Ship Mortgage Act, 1920, as amended), leases, equipment trust agreements, conditional sale agreements, and other related forms of indebtedness may, when properly executed, be filed with the Commission, under such rules as it might prescribe, and serve as valid notice against subsequent creditors. Once so recorded, such a document need not be recorded elsewhere under other provisions of law. The Commission would also be required to establish and maintain an appropriate system of recordation of such matters.

In addition, the bill would amend section 116, chapter 10, of the Bankruptcy Act (11 U.S.C. 516) by adding a new paragraph at the end thereof which would provide that, notwithstanding the provisions of chapter 10, the title of any owner, trustee or otherwise, to a vessel (as defined in the Ship Mortgage Act, 1920) leased, subleased, or conditionally sold to a water carrier, and any right of such owner or any other lessor to such water carrier to take possession of such property in compliance with the provisions of any such lease or conditional sales contract shall not be affected by chapter 10 provisions if the terms of such lease or conditional sale so provide.

With regard to the proposed amendments to part III, they present a needed method of putting all parties on notice of such obligations. Such action would permit a greater degree of financing flexibility on the part of this industry, and eliminate the need for multistate filing. To this end, the Department would support the bill.

The proposed amendment to section 116, chapter 10, of the Bankruptcy Act would accord a status to water carriers similar in concept to that available to railroads and airlines. It represents an effort to permit water carriers to attract better financing at lower interest rates by affording creditors a preferred status as to particular equipment. We would also support this aspect of the bill.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report for the consideration of the Committee.

Sincerely yours,

JOHN L. SWEENEY,
Assistant Secretary for Public Affairs.

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., May 9, 1968.

HON. HARLEY O. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR CHAIRMAN STAGGERS: This responds to your letter of May 2, 1968, requesting a report on S. 913, a bill to amend part III of the Interstate Commerce Act to provide for the recording of trust agreements and other evidences of equipment indebtedness of water carriers, and for other purposes, passed by the Senate on April 25, 1968. On behalf of the Commission, I am authorized to submit the following comments.

S. 913 amends part III of the Interstate Commerce Act to provide for the recording with the Commission of trust agreements and other evidence of indebtedness of water carriers subject to part III of the Act, except for mortgages subject to the Ship Mortgage Act of 1920. Section 1 of this bill is substantially identical to section 20c of the Act which provides for the filing and recording of equipment trust agreements and other evidences of indebtedness