

SENATE—Monday, June 1, 1970

The Senate met at 11:30 o'clock a.m. and was called to order by Hon. JAMES B. ALLEN, a Senator from the State of Alabama.

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Almighty God, Creator and Governor of the Universe, who hast ordained governments for the ordering of life and the welfare of all men, guide Thy servants here that they may correct what is wrong, improve what is imperfect, and enact such legislation as will promote justice and righteousness, and further the peace of the world. To this end make them good men, ruling over their judgments, reinforcing their labors, and giving them hearts at peace with Thee.

In Thy holy name we pray. Amen.

DESIGNATION OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore of the Senate (Mr. RUSSELL).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., June 1, 1970.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. JAMES B. ALLEN, a Senator from the State of Alabama, to perform the duties of the Chair during my absence.

RICHARD B. RUSSELL,
President pro tempore.

Mr. ALLEN thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. KENNEDY. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Thursday, May 28, 1970, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. KENNEDY. Mr. President, I understand that under a previous order the distinguished Senator from Maine (Mrs. SMITH) is to be recognized.

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. KENNEDY. Mr. President, I wonder if the Senator from Maine would be kind enough to yield to me, without losing her right to the floor and without the time being charged to her, to propound certain unanimous-consent requests.

The ACTING PRESIDENT pro tempore. The Chair recognizes the Senator from Maine.

Mrs. SMITH of Maine. Mr. President, I am very pleased to yield to the distinguished acting majority leader.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. KENNEDY. I thank the Senator from Maine.

WAIVER OF CALL OF CALENDAR UNDER RULE VIII

Mr. KENNEDY. Mr. President, I ask unanimous consent that the call of unobjected to measures on the calendar, under rule VIII, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR TRANSACTION OF ROUTINE MORNING BUSINESS

Mr. KENNEDY. Mr. President, I ask unanimous consent that at the conclusion of the remarks by the Senator from Maine there be a period for the transaction of routine morning business, with statements therein limited to 3 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR UNFINISHED BUSINESS TO BE LAID BEFORE THE SENATE AT CONCLUSION OF MORNING BUSINESS

Mr. KENNEDY. Mr. President, I ask unanimous consent that at the conclusion of the morning business the unfinished business be laid before the Senate.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. KENNEDY. Mr. President, I ask unanimous consent that all committees be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR ADJOURNMENT TO 11 A.M. TOMORROW

Mr. KENNEDY. Mr. President, it is my understanding that a previous order was entered providing that, when the Senate finished its business today, it adjourn until noon tomorrow. I would like to alter and change that order by asking unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 11 a.m. tomorrow.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR HRUSKA TOMORROW

Mr. KENNEDY. Mr. President, I ask unanimous consent that at the conclusion of the prayer tomorrow the distinguished Senator from Nebraska (Mr.

HRUSKA) be recognized for not to exceed 1 hour.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR GOODELL TOMORROW

Mr. KENNEDY. I ask unanimous consent that at the conclusion of the remarks by the distinguished Senator from Nebraska (Mr. HRUSKA), the distinguished junior Senator from New York (Mr. GOODELL) be recognized for 30 minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, I thank the distinguished Senator from Maine for permitting me to make those requests.

DECLARATION OF CONSCIENCE—20 YEARS LATER

Mrs. SMITH of Maine. Mr. President, 20 years ago on this June 1 date at this same desk I spoke about the then serious national condition with a statement known as the "Declaration of Conscience." We had a national sickness then from which we recovered. We have a national sickness now from which I pray we will recover.

I would like to recall portions of that statement today because they have application now 20 years later.

I said of the then national condition:

It is a national feeling of fear and frustration that could result in national suicide and the end of everything that we Americans hold dear.

Surely that is the situation today.

I said then:

I speak as briefly as possible because too much harm has already been done with irresponsible words of bitterness and selfish political opportunism.

That is not the only situation today, but it is even worse for irresponsible words have exploded into trespass, violence, arson, and killings.

I said then:

I think that it is high time for the United States Senate and its Members to do some soul searching—for us to weigh our consciences—on the manner in which we are performing our duty to the people of the United States—on the manner in which we are using or abusing our individual powers and privileges.

That applies today. But I would add this to it—expanded application to the people themselves, whether they be students or construction workers, whether they be on or off campus.

I said then:

Those of us who shout the loudest about Americanism in making character assassinations are all too frequently those who, by our own words and acts, ignore some of the basic principles of Americanism—

The right to criticize;
The right to hold unpopular beliefs;
The right to protest;
The right to independent thought.

That applies today—and it includes the right to dissent against the dissenters.

I said then:

The American people are sick and tired of being afraid to speak their minds lest they be politically smeared... Freedom of speech is not what it used to be in America. It has been so abused by some that it is not exercised by others.

That applies today to both sides. It is typified by the girl student at Colby College who wrote me:

I am striking with my heart against the fighting in Cambodia but I am intimidated by those who scream protests and clench their fists and cannot listen to people who oppose their views.

I said then:

Today our country is being psychologically divided by the confusion and the suspicions that are bred in the United States Senate to spread like cancerous tentacles of "know nothing, suspect everything" attitudes.

That applies today—but it must be expanded to the people themselves. Twenty years ago it was the anti-intellectuals who were most guilty of "know nothing" attitudes. Today too many of the militant intellectuals are equally as guilty of "hear nothing" attitudes of refusing to listen while demanding communication.

I said then:

I don't like the way the Senate has been made a rendezvous for vilification, for selfish political gain at the sacrifice of individual reputations and national unity.

That applies today. But I would add that equally I do not like the way the campus has been made a rendezvous for obscenity, for trespass, for violence, for arson, and for killing.

I said then:

I am not proud of the way we smear outsiders from the Floor of the Senate and hide behind the cloak of congressional immunity and still place ourselves beyond criticism on the Floor of the Senate.

Today I would add to that—I am not proud of the way in which too many militants resort to the illegalities of trespass, violence, and arson and, in doing so, claim for themselves a special immunity from the law with the allegation that such acts are justified because they have a political connotation with a professed cause.

I said then:

As a United States Senator, I am not proud of the way in which the Senate has been made a publicity platform for irresponsible sensationalism.

Today I would add that I am not proud of the way in which our national television networks and campuses have been made publicity platforms for irresponsible sensationalism—nor am I proud of the countercriticism against the networks and the campuses that has gone beyond the bounds of reasonableness and propriety and fanned, instead of drenching, the fires of division.

I have admired much of the candid and justified defense of our Government in reply to the news media and the militant dissenters—but some of the defense

has been too extreme and unfair and too repetitive and thus impaired the effectiveness of the pervious admirable and justified defense.

I said 20 years ago:

As an American, I am shocked at the way Republicans and Democrats alike are playing directly into the Communist design of "confuse, divide and conquer."

Today I am shocked at the way too many Americans are so doing.

I spoke as I did 20 years ago because of what I considered to be the great threat from the radical right—the threat of a government of repression.

I speak today because of what I consider to be the great threat from the radical left that advocates and practices violence and defiance of the law—again, the threat of the ultimate result of a reaction of repression.

The President denies that we are in a revolution. There are many who would disagree with such appraisal. Anarchy may seem nearer to many of us than it really is.

But of one thing I am sure. The excessiveness of overreactions on both sides is a clear and present danger to American democracy.

That danger is ultimately from the political right even though it is initially spawned by the antidemocratic arrogance and nihilism from the political extreme left.

Extremism bent upon polarization of our people is increasingly forcing upon the American people the narrow choice between anarchy and repression.

And make no mistake about it, if that narrow choice has to be made, the American people, even if with reluctance and misgiving, will choose repression.

For an overwhelming majority of Americans believe that:

Trespass is trespass—whether on the campus or off.

Violence is violence—whether on the campus or off.

Arson is arson—whether on the campus or off.

Killing is killing—whether on the campus or off.

The campus cannot degenerate into a privileged sanctuary for obscenity, trespass, violence, arson and killing with special immunity for participants in such acts.

Criminal acts, active or by negligence, cannot be condoned or excused because of panic, whether the offender be a policeman, a National Guardsman, a student, or one of us in this legislative body.

Ironically, the excesses of dissent on the extreme left can result in repression of dissent. For repression is preferable to anarchy and nihilism to most Americans.

Yet, excesses on the extreme right, such as those 20 years ago, can mute our national conscience.

As was the case 20 years ago when the Senate was silenced and politically intimidated by one of its Members, so today many Americans are intimidated and made mute by the emotional violence of the extreme left. Constructive discussion on the subject is becoming increasingly difficult of attainment.

It is time that the great center of our people, those who reject the violence and unreasonableness of both the extreme right and the extreme left, searched their consciences, mustered their moral and physical courage, shed their intimidated silence, and declared their consciences.

It is time that with dignity, firmness and friendliness, they reason with, rather than capitulate to, the extremists on both sides—at all levels—and caution that their patience ends at the border of violence and anarchy that threatens our American democracy.

Mr. STENNIS. Mr. President, will the Senator yield?

Mrs. SMITH of Maine. I yield.

Mr. STENNIS. Mr. President, I commend the Senator from Maine for the fine expression of her thoughts and her principles that she has given us today. Not only does she mean what she says, but also, she touches on the very sensitive parts of our system and points out some weak spots.

I recall 20 years ago when she made the speech to which she referred today. She was right then, and I can testify that that speech had a great deal to do with bringing into focus the opinion that finally congealed in the American people, and on the floor of the Senate brought about—I could not say a full remedy, but a striking part, a very major part, of the remedy.

Her speech 20 years ago was a landmark, and I think today the Senator from Maine has given us another landmark, or milestone, whichever term we may use. We are all personally indebted to her for that, and the American people are indebted to her not only for what she says but also for what she does as a Senator. I want her to know that she is appreciated, for those reasons and others, by this body and by the American people, and I congratulate her for the speech she has made.

Mrs. SMITH of Maine. Mr. President, I thank my distinguished colleague from Mississippi. Whatever he says means much to me because of our long association. The people well know his part in the committee work that has brought about the recovery from the illness I referred to, and I thank him.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mrs. SMITH of Maine. I yield.

Mr. WILLIAMS of Delaware. Mr. President, I join the Senator from Mississippi in paying respects to the Senator from Maine for her remarks here today. I, too, recall her remarks of 20 years ago. Just as those remarks were needed then, so, too, are the statements she has uttered here today very much needed. I hope that both the Senate and the American people will take heed to the recommendations she has made.

Mrs. SMITH of Maine. Mr. President, I would like to say, "Thank you," to my able and distinguished colleague, the Senator from Delaware, for his kind words. He, too, joined Senator STENNIS and others who brought about the recovery from the illness I have mentioned.

Mr. KENNEDY. Mr. President, will the Senator yield?

Mrs. SMITH of Maine. I yield.

Mr. KENNEDY. Mr. President, I should like to commend the distinguished Senator from Maine, also, for this very thoughtful statement. Unlike the Senator from Mississippi or the Senator from Delaware, I was not a Member of the Senate 20 years ago. However, as one who was a student at that time and who followed the events which touched young people during the McCarthy period, I think all interested young people were very much aware of the extraordinary contribution made by the distinguished Senator from Maine in helping awaken the conscience of this country in the early days, as she spoke so eloquently and passionately about abuses that were then taking place within the U.S. Senate.

As one who has spoken during the last couple of weeks at various graduations—unfortunately, perhaps, there are all too few graduations this year—I believe that the distinguished Senator from Maine has touched on what I think is a theme which will bring a tremendous response from young people. Most of the young with whom I have spoken are well aware of the abuses of the English language which have been perpetrated by other young people in referring to law enforcement people as pigs and in taking extraordinary license with the English language.

I think there is a general kind of abhorrence and realization that abuses of that kind do not represent responsible dissent. The distinguished Senator from Maine has cautioned against these kinds of violations, as she has cautioned those of us in the Senate; and I would certainly expect those of us who hold responsible positions, whether in the Senate or in the administration, or others, who use words to inflame passion and distrust, to heed her words.

If all of us—students, Senators, administration officials—really take to heart the counsel of the Senator from Maine, I think the cause of responsible dissent, for which she has repeatedly demonstrated concern, would be advanced in this body and in the country at large.

I agree with the Senator from Mississippi that these words—coming as they do from someone who is so widely considered, and justifiably so, as objective and fair—should be taken to heart by all of us here, by all public officials, by all young people, and by all other concerned citizens in the country.

I commend the Senator from Maine. I think there is great food for thought in her address. I listened to it with genuine interest.

Mrs. SMITH of Maine. Mr. President, I am most grateful to the acting majority leader for his generous and kind remarks. I thank him from the bottom of my heart for being so kind in his observations about the speech I have just made.

Mr. PERCY. Mr. President, will the distinguished Senator yield?

Mrs. SMITH of Maine. I am very glad to yield.

Mr. PERCY. Mr. President, as I listened to the comments of the distinguished Senator from Maine, it occurred

to me that what she has been saying is, "A plague o' both your houses," that excesses on one side do not call for excesses on the other, but sometimes it brings it on.

I know that when we all began our talks with the students, in one way or another we have been trying to say to them, "Do not play into the hands of those who would try to drive you into violence, who would try to drive you into those measures which could then call for the kind of response that they want to have." That would really bring down the institutions of this country such as we have known them.

Mr. President, over the long weekend, I had occasion to meet with young people in the Capitol steps and in remarks I had prepared for delivery that day I said, in part:

I urge you with all the force I can summon to shun and help prevent the violence that will only retard progress toward our common goals.

Violence is a form of self-indulgence, providing momentary release at the expense of the long-range aspirations we share. Violence: arson, damage to life, and property—should be condemned and treated as the criminal acts they are, whether it be the wanton destruction of a scholar's life work or the death of innocent student bystanders. It can only lead to further polarization of this already battered but still a great nation, and destroy our opportunity to represent your views effectively.

I think, at this time, when the distinguished Senator from Maine recalls her own words 20 years ago that they apply so aptly to conditions today.

I am reminded of the words of Alexander Hamilton which are as relevant today as when they were written over 200 years ago when the Bill of Rights was first conceived.

He said:

Nothing is more common in time of crisis than to gratify momentary passions by letting into government principles and precedents which afterwards prove fatal.

Thus, Mr. President, I rest the case of the distinguished Senator from Maine on that note, that we simply cannot allow the excesses of one side to lead to excesses on the other. Somehow, in between, we as a great society must be able to absorb and take criticism. We hope that it will always be constructive, but sometimes it manifests itself in a form somewhat repugnant to us.

It is easy for us to take a quiet picket line with a few innocuous signs, but it is much more difficult—when people crowd in, break into our office, or whatever else may happen—to keep one's "cool" under such circumstances and conditions. I always tend to believe that those who are trying to drive us to react in such a way as to bring disgrace to the Republic should not be aided.

The moderate tone of the comments of the distinguished Senator from Maine today have added importantly to the dialog that must and should be carried on throughout the country—certainly in this distinguished body.

Mrs. SMITH of Maine. I deeply appreciate the very kind comments of the distinguished Senator from Illinois and thank him very much indeed for what he has said.

DOMESTIC POLARIZATION

Mr. SPONG subsequently said: Mr. President, I regret that I was not present in the Chamber earlier this morning when the distinguished Senator from Maine (Mrs. SMITH) made her timely and eloquent remarks.

Yesterday in Staunton, Va., I expressed some of the same fears of the polarization that is so evident in our country today, and the reactions and counterreactions that are flowing from it.

I agree with the distinguished Senator from Maine that it is time for all of us to recognize the bitter harvest of extremism which our Nation will reap if those who foster either anarchy or repression are allowed to prevail.

Mr. President, I ask unanimous consent to have printed in the RECORD a copy of the remarks I made yesterday at Staunton Military Academy, Staunton, Va.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

REMARKS OF SENATOR WILLIAM B. SPONG, JR.

You are being graduated at a time in which the nation's needs are as great or greater than at any time in our history. But, if the nation's needs are great, the challenge to the nation's young is greater.

There have been earlier times of divisiveness that threatens the stability of government. It is doubtful, however, that there has ever been a time in which a domestic polarization could have such far-reaching consequences for the world at large.

On the domestic scene there is evidence of a polarization so extreme that it threatens the functioning of an American democracy capable of protecting the institutions of a free society.

We can see economic group pitted against economic group, North against South, young against old, management against labor, and black against white.

In past times, our nation has been able to bring together diverse opinions; those with more middle-of-the-road positions have been able to find a course of action. A mix of ideas, with a lesser degree of polarity has led to compromise which maintained the principles of a democracy and a stability of government which served the general welfare. Unfortunately, such an approach appears endangered.

I have an uneasy feeling that at the root of the polarization over our nation's involvement in Southeast Asia there is a more basic question concerning withdrawal from a position of leadership in the world and a return to isolationism.

It is perhaps ironic that I should speak of isolationism in Staunton, the birthplace of Woodrow Wilson, who earlier in this century, warned of the bitter consequences of such a policy. But, it is also perhaps fitting that I should speak of isolationism here and its manifestations in another Congressional-Executive confrontation.

There is currently an attitude in this country, particularly in the Senate—and I share this—that past commitments made by the Executive point to the need for more caution and restraint in our involvement throughout the world. This is, I believe, a healthy attitude.

Less healthy, however, are the actions and reactions among certain segments of our society, actions and reactions which serve as catalysts for a polarization which could make it impossible for our nation to function as a democracy, even if a policy of isolationism were pursued.

We have witnessed during recent weeks, especially on the American college campus,

attacks against the Reserve Officers Training Corps Program, attacks against certain research and development programs, personal attacks against recruiting officers and other military personnel.

To use a cliché, however, every action causes a reaction and therein rests both today's danger and challenge.

Certainly the frustrations of our youth are real and the ROTC is a symbol of the existence of a Department of Defense and the part it plays in our society. The ROTC buildings and ROTC commanders are convenient targets for those who desire to demonstrate their dissent from our overseas involvement.

On one Friday night, a single article in one newspaper carried reports of Molotov cocktails being thrown into the Army and Navy administrative office at Princeton University, shotgun blasts being fired into the home of the Stanford Army ROTC commander, illegal entry into an aircraft plant in Seattle, a fire-setting spree at Michigan State, a demonstration which forced the cancellation of an ROTC awards ceremony at the University of Iowa, and a fire in Ohio which destroyed a former Army barracks and threatened the Air Force ROTC building. These actions do not enhance the search for truth essential to academic freedom. Freedom cannot survive in such an atmosphere of violence.

As ROTC participants you have a special stake in this. In our society there is no excuse for violence as a form of protest either against persons or property. It is destructive not only of private property, but also of the rights of other students and of a source of volunteers for the support of this country, should the need continue.

The Constitution provides for the civilian control of the nation's defenses. The Congress provides the funds and the President, elected by the people, serving as commander-in-chief by authority of the Constitution is the civilian head of the armed forces. The Reserve Officer Training Programs on campuses, now completely voluntary, provide a reservoir of manpower for our defense needs. In fact, as Senator Mansfield recently observed, the students who become military officers by way of colleges rather than through the regular academies provide a significant and far-reaching civilian influence in the military services. In the Majority Leader's words, "they add a civilian input to the branch in which they serve. They give a very desirable dimension of civilian leadership—it is a valuable ingredient in retaining a civilian-controlled military force in this nation."

The ROTC has a long and proud history, dating back to the War Between the States. It serves an important function in providing about 50% of our newly commissioned officers.

The results of current antipathy toward it and other military endeavors in general are potentially dangerous. But so is the possible counter-reaction. While the current anti-militarism denotes an attack on U.S. Asian policy, if carried to an extreme, it could restrict our deterrent strength and further an attitude of anti-intellectualism.

Because much of the anti-militarism which now exists has originated or been demonstrated on the campus, it is, perhaps, only natural that the anti-intellectual reaction should be directed toward higher education.

The possible result of such a situation is, however, both frightening and ironical. It would be a supreme contradiction to have our nation conquer space, develop miraculous drugs and advance technologically only to have a divisiveness over foreign policy undermine the very institutions which made progress possible, and which are the only means by which we can assure a better life for all tomorrow.

Certainly, we cannot permit the college campus to be the sanctuary for those who foster violence, disruptions and vulgarity. We cannot permit the college campus to become a haven for those who would destroy the system of higher education or the institutions of government. But, I have met with thousands of college and university students in the past few weeks and I do not believe that those who pursue the above are more than a small minority.

By the same token, the businesses and their organizations, the labor unions, the laborer, the middle class family, our citizens in general, must not become so polarized that their support—in terms of money or personal allegiance—will be withdrawn from our educational institutions. For from these institutions must come the manpower for all of our future activity. From these institutions will come the men who will be responsible for the elimination of heart disease, cancer, respiratory diseases, the problems of air and water pollution and the difficulties of living in an increasingly urban nation.

You young men who are graduating from this academy have had a special experience. You have benefited from a fine education coupled with military training. Because of this, you, perhaps more than most, are aware of the necessity for both excellence in education and a strong military deterrent strength. Understanding of and appreciation for the role each must play in our nation and society is essential. I believe that you can contribute to this understanding and appreciation. I urge you to do so.

ROUTINE BUSINESS

The PRESIDING OFFICER (Mr. HUGHES). Under the previous order, the Senate will now proceed to the transaction of routine morning business, with statements therein limited to 3 minutes.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Leonard, one of his secretaries.

EXECUTIVE MESSAGE REFERRED

As in executive session, the Acting President pro tempore (Mr. ALLEN) laid before the Senate a message from the President of the United States submitting the nomination of T. Keith Glennan, of Virginia, to be the Representative of the United States of America to the International Atomic Energy Agency, with the rank of Ambassador, which was referred to the Joint Committee on Atomic Energy.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed the following bills and joint

resolution, in which it requested the concurrence of the Senate:

H.R. 17711. An act to amend the District of Columbia Cooperative Association Act;

H.R. 15073. An act to amend the Federal Deposit Insurance Act to require insured banks to maintain certain records, to require that certain transactions in U.S. currency be reported to the Department of the Treasury, and for other purposes; and

H.J. Res. 1117. Joint resolution to establish a Joint Committee on the Environment.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and they were signed by the Acting President pro tempore (Mr. ALLEN):

H.R. 4813. An act to extend the provisions of the U.S. Fishing Fleet Improvement Act, as amended, and for other purposes; and

H.R. 13816. An act to improve and clarify certain laws affecting the Coast Guard.

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and referred, as indicated:

H.R. 17711. An act to amend the District of Columbia Cooperative Association Act; to the Committee on the District of Columbia.

H.R. 15073. An act to amend the Federal Deposit Insurance Act to require insured banks to maintain certain records, to require that certain transactions in U.S. currency be reported to the Department of the Treasury, and for other purposes; to the Committee on Banking and Currency.

ENROLLED BILL SIGNED

The ACTING PRESIDENT pro tempore (Mr. ALLEN) announced that on today, June 1, 1970, he signed the enrolled bill (S. 952) to provide for the appointment of additional district judges, and for other purposes, which had previously been signed by the Speaker of the House of Representatives.

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The ACTING PRESIDENT pro tempore (Mr. ALLEN) laid before the Senate the following letters, which were referred as indicated:

PROPOSED SUPPLEMENTAL APPROPRIATION (S. Doc. 91-85)

A communication from the President of the United States transmitting a proposed supplemental appropriation for 1970 in the amount of \$250,000,000 for the Federal Home Loan Bank Board, to permit the prompt implementation of the subsidized advances program contained in title I of the Emergency Home Finance Act of 1970, now pending as S. 3685, which, with an accompanying paper was referred to the Committee on Appropriations, and ordered to be printed.

PROPOSED LEGISLATION TO AMEND THE RENEGOTIATION ACT OF 1951

A letter from the Chairman, the renegotiation Board, transmitting a draft of proposed legislation to amend the Renegotiation Act of 1951, and for other purposes (with an accompanying paper); to the Committee on Finance.

REPORTS OF THE COMPTROLLER GENERAL

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the potential for reducing inventory investments in the Defense Supply Agency through improved computation of stock needs, Department of Defense, dated May 28, 1970 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the administration of the program for aid to public school education of Indian Children being improved, Bureau of Indian Affairs, Department of the Interior, dated May 28, 1970 (with an accompanying report); to the Committee on Government Operations.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the need for specific criteria for adjusting the interest rate charged on insurance policy loans by the Veterans' Administration, dated May 28, 1970 (with an accompanying report); to the Committee on Government Operations.

PETITIONS

Petitions were laid before the Senate and referred as indicated:

By the ACTING PRESIDENT pro tempore (Mr. ALLEN):

A resolution adopted by the city of Winter Park, Fla., relating to the conquering of cancer, and making this conquest a national priority; to the Committee on Labor and Public Welfare.

The petition of Howard Hillier, of Dafer, Mich., praying for a redress of grievances; to the Committee on Public Works.

ADDITIONAL COSPONSOR OF A BILL

S. 3528

Mr. CHURCH. Mr. President, I ask unanimous consent that, at the next printing, the name of the Senator from Nevada (Mr. BIBLE) be added as a cosponsor of S. 3528, to amend the Small Business Act.

The PRESIDING OFFICER (Mr. HUGHES). Without objection, it is so ordered.

AMENDMENT OF THE FOREIGN MILITARY SALES ACT—AMENDMENT

AMENDMENT NO. 666

Mr. WILLIAMS of Delaware submitted, intended to be proposed by him, to the bill (H.R. 15628) to amend the Foreign Military Sales Act, which was ordered to lie on the table and to be printed.

(The remarks of Mr. WILLIAMS of Delaware when he submitted the amendment appear earlier in the RECORD under the appropriate heading.)

ADDITIONAL COSPONSORS OF AN AMENDMENT

AMENDMENT NO. 657

Mr. KENNEDY. Mr. President, on behalf of the Senator from Indiana (Mr. BAYH), I ask unanimous consent that, at the next printing of amendment No. 657 to H.R. 16916, making appropriations for the Office of Education for the fiscal year ending June 30, 1971, and for other

purposes, the names of the Senator from New Jersey (Mr. WILLIAMS) and the Senator from Texas (Mr. YARBOROUGH) be added as cosponsors.

The PRESIDING OFFICER (Mr. HUGHES). Without objection, it is so ordered.

ENROLLED BILL PRESENTED

The Secretary of the Senate reported that on today, June 1, 1970, he presented to the President of the United States the enrolled bill (S. 952) to provide for the appointment of additional district judges, and for other purposes.

NOTICE OF HEARINGS ON SMALL BUSINESS LEGISLATION

Mr. MCINTYRE. Mr. President, I wish to announce that the Subcommittee on Small Business of the Committee on Banking and Currency will hold hearings on the following small business legislation:

S. 2609, a bill to increase the participation of small business concerns in the construction industry by providing for a Federal guarantee of certain construction bonds and authorizing the acceptance of certifications of competency in lieu of bonding on connection with certain Federal projects;

S. 3528, a bill to amend the Small Business Act to encourage the development and utilization of new and improved methods of waste disposal and pollution control; to assist small business concerns to effect conversions required to meet Federal or State pollution control standards; and

S. 3699, a bill to clarify and extend the authority of the Small Business Administration.

The hearings will be held on Monday, Tuesday, and Wednesday, June 15, 16, and 17, 1970, and will begin at 10 a.m. in room 5302 New Senate Office Building.

Persons desiring to testify or to submit written statements in connection with these hearings should notify Mr. Reginald W. Barnes, assistant counsel, Senate Committee on Banking and Currency, room 5300 New Senate Office Building, Washington, D.C. 20510; telephone 225-7391.

ORDER OF BUSINESS

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. PERCY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

DOMESTIC INTERNATIONAL SALES CORPORATION—DISC

Mr. PERCY. Mr. President, the Treasury Department recently proposed in the Ways and Means Committee a new proposal to increase U.S. exports and retain jobs in this country.

This tax proposal would recognize a

special category of corporation called a Domestic International Sales Corporation—DISC. In essence, the proposal contemplates that the U.S. tax on the export earnings of such corporations would be deferred until those earnings are distributed to the stockholders. The hope is to create a hospitable tax climate in which exporters and potential exporters can operate more effectively and discourage the flight of U.S. manufacturing operations abroad.

I recently sent this proposal to hundreds of Illinois firms and asked for their comments. The responses are most thoughtful and the vast majority favor such a proposal.

Mr. President, I ask unanimous consent to have printed in the RECORD a summary of the DISC proposal and the answers I have received from many companies on its merits.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

HIGHLIGHTS OF DOMESTIC INTERNATIONAL SALES CORPORATION PROPOSAL

There is outlined below a tentative proposal now under consideration in the Treasury for modification of existing United States tax rules relating to exports. This proposal would provide for deferral of Federal income tax on export profits and would accomplish this by establishing a special tax regime for domestic international sales corporations (DISC).

OUTLINE OF PROPOSAL

In general

The proposal calls for special tax rules to be applied to a defined entity called a domestic international sales corporation. A domestic corporation would qualify as a DISC if it met the following conditions:

(1) Most of its gross income (say 95 percent) is derived from—

Export sales (determined by a destination test rather than by technicalities of place of passage of title);

The performance of services ancillary to its sales;

The leasing or rental of export property; Interest received on loans made to finance the acquisition of plants, machinery or equipment in the U.S. used in export production (export manufacturing facilities);

Interest on obligations issued or guaranteed by the Export-Import Bank or F.C.I.A.; and Other transactions and activities related to its exports; and

(2) Most of its assets (say 95 percent) are export-related, including—

Working capital necessary to meet the reasonable needs of the corporation;

Plant, machinery and equipment used in the sale, storage, packaging, servicing, assembly or transportation of its exports;

Obligations issued or guaranteed by the Export-Import Bank or F.C.I.A.;

Assets of foreign sales branches handling the U.S. exports;

Stock or securities in a controlled foreign corporation engaged in marketing the DISC's exports; and

Obligations representing loans to domestic producers to finance the acquisition of export manufacturing facilities.

With respect to loans made by the DISC to finance the acquisition of export manufacturing facilities, the annual gross income from such loans (less any dividends paid out of earnings of that year) could not exceed 50 percent of the DISC's annual gross income from all sources.

Tax treatment of DISC profits

So long as the domestic corporation continued to qualify as a DISC its retained earn-

ings would be exempt from U.S. income tax. Upon a dividend distribution, liquidation, or sale of the shares, those earnings would be taxed to the shareholders as ordinary income. The dividends received deduction would not be available, since the DISC incurred no U.S. income tax. With respect to foreign taxes paid by the DISC, a foreign tax credit would be available to the corporate shareholders. Dividends of a qualified DISC would be deemed at least in part to be foreign source income and excess foreign tax credits available from other sources could be applied against U.S. taxes on the dividends.

Profits attributable to the DISC

It is contemplated that export sales by the DISC to its related foreign purchasers would be made on an arm's-length standard under existing income allocation rules. However, the sale of goods for export by the domestic manufacturer to the DISC would be subject to a different allocation rule which would enable the DISC to earn a profit in excess of the profit which would be attributable to it under the existing allocation rules.

Rationale

The DISC proposal proceeds from the view that exporting businesses in the United States operate under a tax disadvantage as compared to foreign manufacturing subsidiaries of U.S. corporations and as compared to foreign suppliers, each of which seek to supply the same foreign market. The disadvantage inheres in the fact that, apart from certain situations which are dealt with under "subpart F" (Internal Revenue Code § 951 et seq.), the U.S. tax on the earnings of a foreign subsidiary of a U.S. parent is deferred until those earnings are repatriated, whereas a domestic exporting corporation is taxed on its earnings currently and many foreign suppliers are subject to tax at rates considerably below the U.S. level. Permission to operate an export business through a domestic corporation under U.S. laws and accounting systems would also simplify operations materially as contrasted with operations through foreign corporations.

The DISC proposal, therefore, is a reform designed to achieve equality and simplification by treating a domestic exporting subsidiary on the same basis as a foreign subsidiary so that U.S. tax on export income derived by the DISC would be deferred until the DISC distributes its income to its shareholders. So long as the domestic export corporation continued to earn qualified income and continued to invest in qualified assets in the proportions required, if no dividends are paid no Federal income tax would be incurred.

It is contemplated that generally tax-free reorganizations would be permitted in order to telescope existing foreign operations into a DISC or to put existing foreign sales subsidiaries under its ownership where desired.

SOME SIGNIFICANT ASPECTS

In examining the potential value of this proposal, there are four aspects which should be given particular consideration: the significance of deferral, investment of profits in export manufacturing facilities, the determination of export profits and the treatment of dividend distributions made by the DISC for purposes of the foreign tax credit.

While deferral of tax for a relatively short period, such as a year or two, would be of limited significance, deferral for a substantial period reduces significantly the impact of a tax and, of course, deferral that lasts indefinitely can have substantially the same effect as an exemption from tax. Since the proposal would permit profits of a DISC to be invested in export manufacturing facilities as well as in export sales facilities, it would appear that in many instances the

deferral provided by this proposal would be for substantial periods.

The only limitation on deferral would be that the income from financing export manufacturing facilities in any year (less dividends paid by the DISC with respect to that year) could not exceed the corporation's income for that year from export sales activities. This would mean that after a time the DISC would have to make distributions for its income in order to prevent the income from financing export manufacturing facilities less dividends from exceeding income from export sales activities.

Since export profits (income from export sales activities plus income from financing export manufacturing facilities) would be deferred only as long as they are retained by a corporation that qualifies as a DISC, amounts paid as dividends would at the time of distribution be subject to tax as the income of its parent or other shareholders. Our rough calculations, based on assumptions which we believe to be typical, indicate that where export profits are deferred, the proposal would not require the distribution of export profits earned by a DISC during ten years after enactment. Where export profits follow a rising curve, this period would be longer.

As indicated, the profits of the DISC could be invested in export manufacturing facilities, subject to the limitation described above, on income from such investments. The typical investment by a DISC in export manufacturing facilities, we believe, would be a loan by the DISC to its parent corporation to help the parent finance new manufacturing facilities. This would result in the DISC receiving interest. It is not contemplated that we would require the loan to be traced to specific manufacturing facilities or equipment which will actually produce for export as long as the ratio of the financing supplied by the DISC to total new investment in manufacturing facilities does not exceed the ratio of the manufacturer's export sales to total sales.

The third aspect to be considered is the provision for special rules for the allocation of income between a related manufacturing corporation and the DISC. The thought here is that part of the income now earned by corporations manufacturing in this country for export would be treated as constituting export profits which could be earned by a DISC. Under this approach, a substantial amount of income could be allocated to the DISC, whether the DISC exports to related or unrelated customers in foreign countries. In addition, exporters would be encouraged to allocate to the DISC substantial functions involved in export sales, and to the extent this occurs the income which would be allocable to the DISC would increase.

Finally, it will be possible in many instances to conduct export sales through the DISC with relatively low foreign taxes on the sales income. Dividend distributions from a qualified DISC will carry such foreign taxes as foreign tax credits and will be deemed to be foreign source income at least to the extent of the export sales income of the DISC. To the extent that the foreign taxes on the DISC are lower than the U.S. corporate rate, a corporate shareholder will be able to use excess tax credits from other foreign source income against U.S. taxes on the DISC dividends.

JOHN OSTER MANUFACTURING Co.,
Chicago, Ill., May 4, 1970.

HON. CHARLES H. PERCY,
U.S. Senator, New Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: In these many years of efforts in exporting electrical appliances, the writer has had occasion to see under

what disadvantage the US Exporters labor compared to exporters from other countries that provide direct and indirect subsidies to export.

To be able to take advantage of any tax relief under the present rules, our exporters must resort to very complicated handling, particularly in the case of finished products.

I do not hesitate to say that this handling alone prevents us from obtaining 30 to 40% of additional business we could otherwise book.

I therefore believe that the passing of legislation concerning Domestic International Sales Corporations would be beneficial to the US exports, although this is only the first step which in my opinion should be taken.

Very truly yours,
OTTO E. LANDEN,
Director of Marketing, Eastern Hemisphere.

AMFORGE, INC.,
Chicago, Ill., May 22, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR PERCY: I appreciated your letter of April 27 regarding Domestic International Sales Corporation (DISC). Sorry I have not answered sooner, but unfortunately have not been in the office very frequently since that time.

Amforge is in the forging business, and because of the nature of the product, does little export work. We have, however, recently set up several licensees in various countries, and expect to expand the number in the future. In conjunction with these licensees, we have been able to sell equipment which we build.

As you can see from the above, it probably does not make sense for us to set up a Domestic International Sales Corporation to take advantage of the tax situation.

I might add, however, that I have read through the material, and feel that it is probably an excellent approach for companies involved in a great deal of export. It certainly makes the tax situation much more equitable for companies exporting parts, compared to those doing foreign manufacturing. I would be very much in favor of this type of arrangement, and hope that it will be in effect if later we get into the types of work that will warrant this type of corporation.

Thank you for keeping us advised. I hope my thoughts may be of some help to you.

Very truly yours,
JOHN W. CONLEY,
Vice President, Planning.

BELL & HOWELL,
Chicago, Ill., May 7, 1970.

Senator CHARLES H. PERCY,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: I was pleased to receive your letter of April 27th with detailed information on the Proposed Domestic International Sales Corporation Legislation.

On receipt of your letter we contacted Miss Agnes Stenros, Executive Administrator of the International Trade Club of Chicago. I believe this is the most important association of its type in the United States. I was informed that DISC has been brought to the attention of their membership which exceeds seven hundred individuals representing the leading International Trade firms throughout this area. Miss Stenros informed me the International Trade Club is very much in favor of DISC.

This proposed tax category appears to be a good legislative step very much needed to assist U.S. exporting organizations in

strengthening their positions in overseas markets. It is most discouraging for representatives of a U.S. exporting corporation to see the amount of increased competition being faced in overseas markets from foreign firms operating under a tax structure that is far more beneficial than we are faced with in the United States.

It is hoped that in the language of the final draft of such legislation adequate low cost levels would be permitted to support appropriate responses to increasing competition while remaining clear to avoid contention with the Internal Revenue Service.

I am most hopeful your efforts in behalf of U.S. industry to assist in promoting further sales through the use of legislation as proposed with DISC will be successful. Our associates of the International Trade Club of Chicago join us in support of the DISC legislation.

Sincerely,

F. J. GONZALEZ,
Regional Manager.

INTERCON RESEARCH ASSOCIATES, LTD.,
Chicago, Ill., May 8, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: I am pleased to reply to your letter of April 27, 1970 and I am complimented that you wrote to ask our advice on legislation concerning the establishment of Domestic International Sales Corporation (DISC).

Our firm is actually more concerned with the problems of international licensing and exchange of technology than in the export area per se. However, we are exposed continuously to the problems that now exist wherein U.S. business generally does not have incentive to seriously undertake export programs. This is especially true of medium and smaller size successful companies who are enjoying good domestic demand. Unfortunately in the case of these firms, and especially when they produce products of high technical content, there is probably an exceptional potential for export. Therefore, any new legislation that highlights and stimulates interest in exportation, even if the subsidies or tax advantages are economically not of the greatest significance, could still be very important in helping the United States arrest and improve our present serious decline in shares of foreign markets.

From our own experience also many other countries provide a variety of tax and other special incentives to exporters and most of these are not available in the U.S. Therefore, I feel that the proposal for the establishment of a DISC has merit although I am not able to fully ascertain how significant the tax advantages will be for such a company.

Generally I feel that an overall study should be made of all types of business who contribute positively to the credit side of our balance of payments. For example, licensing is estimated to return to the United States upwards of \$1 billion each year in royalties. Consulting firms like our own are attempting to stimulate licensing agreements between American companies and overseas counterparts. Along the same vein so-called combination export-management firms are attempting again to stimulate overseas sales generally for smaller companies. Such types of organizations could perhaps receive more assistance and encouragement from the various Government Departments. I don't mean to imply that these Departments, such as Commerce, are not very cooperative with us but probably programs could be developed that would encourage greater use of our services and this could be a helpful factor in our trade position.

Sincerely yours,

JOHN V. DONOVAN,
Executive Director.

CXVI—1115—Part 13

GALLAGHER & ASCHER Co.,
Chicago, Ill., May 6, 1970.

MR. CHARLES H. PERCY,
U.S. Senator,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: Thank you for your letter of April 27th in which you ask my advice on legislation being proposed by the Treasury Department to increase U.S. exports and retain jobs in this country.

Senator, I have been an advocate of increasing exports for the past twenty-five years. I have written, I have preached, and I am in agreement with your development of the Domestic International Sales Corporation (DISC). But to be realistic, are we giving the corporations a real benefit since, as you state, the tax on the export earnings would be deferred until those earnings are distributed to stockholders?

My position for years has been to give a tax deferral to any corporation who enters the export field—one that can be recognized as a benefit to those who export.

It is a shame that a country as large as ours has only 4% of its corporations engaged in Foreign Trade and Exports. I would like to see an outright tax benefit for any corporation who enters into, or is already in the export market, because the cost of promoting foreign markets is a great deal more than promoting domestic markets. It entails travel overseas to establish agents or make actual contacts with companies to whom products can be sold. This at least should be a "write off" permitted to those firms so they will become interested enough to develop an export business.

You of all people should know better what can be done as a shining example is the Bell & Howell Company. I am sure, Senator, the cost of establishing distributors all over the world came to a pretty figure, and if there were any type of tax gain at that time—Bell & Howell would have done even more in the establishing of their distributors and thus increasing export trade.

This is the crux of what I am trying to say—if you give a tax benefit to domestic corporations you will get more people selling export products thus bringing more dollars back to the United States and keeping our balance of payments in good balance.

See the enclosed booklet "What Do You Mean... You Don't Export?"

Very truly yours,

MARK M. TRILLING,
Vice President.

ALPHALOX CORP.,
Chicago, Ill., May 6, 1970.

MR. CHARLES H. PERCY,
U.S. Senator,
U.S. Senate,
Washington, D.C.

DEAR MR. PERCY: I am very definitely in favor of the Domestic International Sales Corporation (DISC) proposal.

Currently, anyone attempting to generate export business from this country is definitely under a handicap, not only from a tax standpoint, which the DISC legislation would alleviate, but also from higher labor costs and shipping costs making it very difficult in many cases to be competitive in price. This deferral of taxes on export earnings would be a definite help, particularly in these times of high money costs. Its effectiveness on our Balance-of-Payments should more than offset any loss of immediate revenue to the government. From our work in the electronics industry in particular, any U.S. company that is forced to construct facilities overseas almost invariably ends up producing a major portion of their domestic requirements overseas and returning them to this country.

In short, we very definitely feel that a

program such as DISC would be preferable to restrictive import duties or other deterrents to free trade in order to protect selected U.S. companies.

Yours very truly,

DEAN J. DEAKYNE,
Sales Manager.

L. H. FROHMAN & SONS, INC.,
Chicago, Ill., May 7, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: Thank you very much for your letter of April 27th outlining the proposal for legislation on DISC, a new idea to strengthen U.S. export efforts abroad. Based upon the highlights you enclosed with the letter and conversations with qualified people, I believe that this project should be pushed to completion. I am sure that there are various technical points which must be smoothed out, especially in relation to tax officials, but in essence I believe this gives U.S. manufacturers or export sales agents a better competitive situation abroad. As this will increase profits, help with tax problems, increase exports and hence build more jobs here, I believe it is a good program.

Aside from creating an even and equal situation with large companies who now have manufacturing facilities abroad and enjoy tax privileges, it provides the incentive for domestic companies as well as current exporters to expand their efforts. Providing a subsidy through a tax advantage, we are helping to equalize the efforts of foreign nations whom we must meet on the competitive battlefield.

I will be interested in the progress of this idea into legislation.

Very cordially yours,

ARTHUR H. FROHMAN.

CE REFRACTORIES,
Chicago, Ill., May 8, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: I have your letter of April 27 and I am very pleased to offer my opinion on the Treasury Department proposed recognition of a Domestic International Sales Corporation (DISC).

Large firms accustomed to multi-corporation operation would have no difficulty structuring their corporation to take advantage of the tax benefits under DISC because large companies tend to have separate operating functions in international trade.

On the other hand, small and medium size companies who are presently engaged or could become interested in international trade are structured so that export sales are merely an extension of their domestic marketing departments. In these cases, organizational and accounting problems may be a deterrent to establishing a Domestic International Sales Corporation.

In general, I can say that the U.S.A. is far behind other industrialized nations in assistance to companies engaged in exportation of products and services. Certainly if we are to attain our rightful position in international trade, our companies will need benefits similar to those provided by DISC but perhaps with a less complicated system.

Yours very truly,

GEORGE V. CAMPBELL,
Vice President.

SEMICONDUCTOR SPECIALISTS, INC.,
Chicago, Ill., May 8, 1970.

Subject: Your letter April 27, 1970, Domestic International Sales Corporation.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: We read your letter and description of the proposed legislation

on DISC with great interest. We would favor such a corporate structure because it would encourage exports from the U.S. instead of establishing foreign subsidiaries. Specifically, we have a foreign subsidiary in England and contemplate others in Germany and Canada. The proposed legislation would probably cause us to set up a DISC instead.

Sincerely,

PAUL F. CARROLL,
President.

E. I. DU PONT DE NEMOURS & Co., Inc.,
Wilmington, Del., May 20, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: Your letter dated April 27, 1970, addressed to J. M. Remsen, has been referred to me for reply. You request comments and advice on a Treasury Department proposal which would recognize a special category of corporation called a Domestic International Sales Corporation (DISC).

For sometime, Du Pont Company representatives have actively participated in a number of discussions with Treasury officials in an effort to effect measures which would serve to increase exports. We have become convinced that there are two things which need to be done before any new incentive is adopted. First, the Internal Revenue Code should be amended to eliminate Section 954(d), which requires controlled foreign subsidiaries of U.S. companies to pay U.S. tax on certain undistributed sales income. Secondly, the Treasury Department should adopt understandable guidelines in applying Section 482 of the Code, particularly in determining the price which a U.S. parent can charge its foreign subsidiaries for exported products.

It is our feeling that a foreign selling base is essential if a U.S. manufacturer is to sell effectively in world markets. Only through a constant and ready contact with customers can a company provide effective service and a direct understanding of their needs and problems. Du Pont presently sells into European markets through a Swiss selling subsidiary which has over a thousand employees. It is difficult to conceive how the selling services performed by this company could be carried on efficiently by a domestic selling company.

The DISC proposal would add a completely new and complicated concept to the tax law. The deferral of tax provision would certainly be of advantage to any company which set up a DISC for use in its exports. Whether or not this proposal would result in an increase in exports is, to say the least, problematical. I believe that we would not be able to testify that Du Pont could expect to increase its exports through use of a DISC.

I have refrained from discussing any of the particulars of the DISC proposal because I feel sure that the Treasury is still refining the announced features of such a plan. In the event you feel a more detailed general discussion of the present DISC proposal would be helpful to you, we would be glad to supply it.

Sincerely,

ROY A. WENTZ,
Chief Counsel, Federal and Foreign Tax
Division.

SKIL CORP.,
Chicago, Ill., 21, 1970.

Senator CHARLES H. PERCY,
U.S. Senator,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: I am responding to your letter of April 27th seeking advice on legislation being proposed by the Treasury Department to increase U.S. exports and retain jobs in this country.

The United States should be vitally concerned with the deterioration of her trade

position in world markets. As I travel around the world I am amazed (and discouraged) at how quickly we have lost our trade position. Japanese and German manufacturers as well as others have brought or borrowed our technology, improved upon it, and captured our traditional export markets. This is certainly true in the portable power tool industry and, in my opinion, in other durable goods fields.

Until there is dramatic improvement in the productivity and efficiency of American industry in this country, we will continue to lose ground in export markets. The long term solution to this problem lies with the internal control of inflation, which may require wage and price controls or a lengthy recession forcing our free economy to get back into good order.

In the meantime, and as a lasting incentive, a bill such as Treasury is proposing is long overdue and welcome. I support it wholeheartedly.

SKIL Corporation is currently deeply involved in disputes with the IRS over export problems. In all cases, the IRS is acting in the worst interests for U.S. exports. On the other hand, we have the Commerce Department urging U.S. manufacturers to export more. In our case, 85% of our U.S. exports are to foreign subsidiaries which we control. The IRS argues that we treat these subs with too much favor. But we know that raising prices to our subs merely forces them to find local foreign sources and buy locally rather than from the U.S.

The DISC proposed by the Treasury Department would offer some relief to our situation. Following are some specific comments on the proposal as developed by our tax specialist:

QUALIFICATION OF THE DISC—95 PERCENT RULE
QUALIFICATION OF THE DISC—95% RULE

(a) Gross income

The 95% rule is fair enough as far as I can see, being based on the current WHTC formula. I am definitely in agreement that export sales must be determined on a destination basis rather than by technicalities of place or passage of title. I am happy to see that the Treasury is attempting to eliminate another round of court hassles on the title passage question.

(b) Export related assets

I would assure that we would experience no difficulties here with the 95% rule. However, I foresee that this will be a central area of future IRS attacks and court litigation. Regulations must clearly define what is deemed to be an "export related" asset.

PROFIT ATTRIBUTABLE TO THE DISC

The proposal contemplates making changes in Section 482 as it relates to a parent company's dealings with its DISC. Does this hopefully mean that a parent could make intercompany sales to its DISC at cost without danger of a Section 482 challenge from the IRS? This is a very key area and any DISC legislation should very carefully outline the workings of Section 482.

INTERCOMPANY LOANS

It appears that a company could get money out of its DISC through a low interest (say 4%) intercompany borrowing with the provision that the proceeds be used to finance new export related manufacturing facilities. The proposal gives a formula with which I agree. We do not feel that a loan should have to be traced to specific manufacturing facilities which actually produce for export.

ORGANIZATION OF A DISC

Tax free re-organizations will be permitted under the proposal, which would enable us to liquidate our WHTC and Export Department into a newly organized DISC. Thus, there will be little difficulty in conforming our business set-up to any new legislation which comes out.

In summary, SKIL Corporation supports this proposal as outlined as an inducement for U.S. manufacturers to increase exports. We recognize it as a step towards making the U.S. more competitive with other nations in regards to export incentives. We would also stress that any inhibiting restrictions which might be introduced by the IRS in regulating the proposed DISC might well destroy any incentive contained in this proposal.

Sincerely,

JOHN W. SULLIVAN,
President.

TEE-PAK, INC.,
Chicago, Ill., May 4, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR PERCY: I am glad to have your letter of April 27 on the subject of ways and means of increasing U.S. exports as this has long been a matter of grave concern to me.

Although we theoretically have had regulations offering lower tax rates on exports, in effect these actually have not materialized. I refer to the Western Hemisphere corporations which have long been in vogue and are so abused both by the awkwardness of fulfilling the regulation and the overcontrol by Internal Revenue Service as to virtually negate the effect of the law. I refer in particular to the requirement that the transfer of title has to be effective outside of this country which means domestic manufacturers have to use a number of expensive and impractical artifices to avoid passage of title within the United States. It would seem this is of no particular benefit to the control of this situation whatsoever. The second item relates to the annual battle with Internal Revenue Service on intercompany pricing with the intent of minimizing the very benefits of Western Hemisphere trade corporations envisioned by Congress in passing the law.

We have eliminated the use of our Western Hemisphere company to Latin America for the above reasons.

For years this company had European wholly owned subsidiaries acting as our sales agents. Annually we were assessed fantastic figures of added profits to the domestic corporation under the guise of an argument on intercompany pricing and these were always settled at about 10¢ on the dollar. However, it became so annoying that we took the simple though expensive route of making our foreign subsidiaries into branches of our American corporation and eliminated this unnecessary headache.

As to DISC, I am all in favor of it—or any other system that gives business people an opportunity to compete not just in Europe, but in other markets where the Europeans are very aggressive. It is about time someone took an interest in this matter to see that we were not put at an export disadvantage and that the laws and regulations under which we operate truthfully reflected the oft stated anxiety from Washington that we become bigger and consistent exporters. There is much work that can be done in this field.

Sincerely yours,

SEYMOUR OPPENHEIMER.

O'HARE INN,
Des Plaines, Ill., May 6, 1970.

HON. CHARLES H. PERCY,
U.S. Senator, U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: Referring to your letter of April 27 concerning the proposal of creating a domestic international sales corporation (DISC), I believe the rationale behind it is very valid and healthy for our national economy.

Of course, the 95% of gross income qualifying requirement, I believe, is too high, as it would eliminate probably the great majority of exporters. I presume, therefore, that

the Treasury proposal permits the creation of a domestic wholly owned subsidiary which would qualify under DISC rules. Such subsidiary would perform all services and transactions related to the exports even though the parent company, itself, would not qualify under the 95% rules.

The exclusion of the dividends paid by a foreign selling subsidiary of a DISC for 95% qualifying rule would, of course, have a negative influence on the creation of a DISC itself.

Sincerely yours,

GILBERT E. ROSENBERG,
General Manager.

BORG-WARNER CORP.,
Chicago, Ill., May 20, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR: I am replying to your kind letter of April 27, 1970, requesting an expression of opinion on legislation proposed by the Treasury Department to establish a Domestic International Sales Corporation (DISC).

We are extremely pleased to see the Treasury Department present this tax proposal and believe that this legislation, if enacted, will substantially assist U.S. companies to compete in the overseas markets.

Foreign competition often has many advantages through taxation, subsidies, hidden protection discouraging imports, etc., to assist them and this proposed legislation could help U.S. exporters compete on a more equitable basis.

Having previously been the president of Borg-Warner International Corporation, our export subsidiary, I can personally attest to the need for legislative assistance to bolster U.S. exports.

It is to be hoped that this legislation will not be burdened by too much administrative "red tape" as was the Western Hemisphere Trade Corporation.

Sincerely yours,

ROBERT A. BROWN.

ROSENBERG-ADAMSON,
Aurora, Ill., May 6, 1970.

HON. SENATOR CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR PERCY: I am replying to your letter of April 27 requesting comments on the Treasury Department proposal for the creation of DISC (Domestic International Sales Corporation). We have studied this proposed legislation with a great deal of interest, as in my opinion it would definitely be a shot in the arm to companies who are actively promoting their export business. It would also greatly help to make American products more competitive in overseas markets and equalize the foreign government subsidiaries and tax credits which they give to their domestic manufacturing company for exports around the world.

It is certainly true that many American companies have formed manufacturing subsidiaries overseas in order to retain existing markets or to gain new markets where American exports under our normal tax system are not competitive. The key to this legislation, however, is the rules which will be formulated for inter company pricing arrangements between the American manufacturing company and DISC. I am sure it is not the normal intention of an American manufacturer to sell to DISC on a loss basis but a simplified definition of proper costs are necessary to determine an equitable inter company pricing structure.

I am also pleased to see that companies already in existence can consolidate foreign sales subsidiaries already existing within the DISC corporate structure and have the income of these foreign sales subsidiaries treated in the same way as profit on direct sales from the United States. This would

assist companies already organized in international markets.

I am also pleased to see that the Treasury proposes a complete deferment of all U.S. income on DISC profit. This is much more satisfactory than the lower percentage points that were previously available to Western Hemisphere Trading Corporations and very difficult to administer.

Our parent company, Borg-Warner Corporation, in past years have tried to decentralize their international operations because of the lack of an American subsidiary that could operate at a tax advantage. Therefore, every division of Borg-Warner is responsible for its own foreign subsidiaries and it would be difficult for us to pull all of this back together into one domestic DISC structure. The solution may be separate DISC structures for major operating groups. I am only mentioning this to show that the more involved you get in international business the lack of advantageous legislation in the past has not only caused competitive hardship but organizational hardship as well.

I have discussed this matter with the Central Office of Borg-Warner Corporation and have been asked to add their recommendations to my personal request that you favor the proposed Treasury regulation, and when it comes to the Senate for vote, you vote in favor of its adoption.

Yours very truly,

ROGER W. BARTON,
Vice President.

A. TORRES EXPORT, INC.,
Chicago, May 6, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SIR: Your letter of the 27th of April, which was received by us the 4th of this month, brings us to the hope that something we consider very necessary will finally be done by our government to help the people that are in a position to stop the deterioration of the trade position of the United States.

We in the export business have been confronted with increasingly heavy odds in our efforts to increase our volume of exports, and the most important of these obstacles are the higher costs of American made products and the fact that in heavy industrial countries outside of the United States, the exporters are subsidized in one way or another by their respective governments.

We are handicapped, therefore, by offering higher priced merchandise that is available from other countries, and while we lean very heavily on the traditionally high quality of American made products, this argument is wearing thinner and thinner as the capabilities of our European and Asiatic competitors increase.

Our own business has shown a constant increase in the last ten years, and we believe that this increase will continue at a rate that can be accelerated if we are placed in a position that will enable us to increase our sales efforts by more extensive advertising and traveling.

If we could be assured that at the end of the year we will have to pay lower corporation taxes to the Federal Government, or no taxes at all, on our profits which are solely derived from sales made outside of the United States, our selling activities would increase very materially. This, of course, will certainly lead to higher penetration of foreign markets.

Such a help from our government would also enable us to give longer terms of payment to our customers abroad. As you no doubt know, this is one of the strongest selling tools that can be used. We are using this means of increasing our business, but we are limited by the increased cost of doing it because of the higher interest rates that we now have to pay for the financing that longer terms of payment invariably require.

We are hoping very earnestly that the

proposed legislation will go through without much delay, because help is needed now and it is needed urgently.

Cordially yours,

A. TORRES,
President.

CULLIGAN, INC.,
Northbrook, Ill., May 5, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SIR: In response to your letter of April 27, Culligan Inc. has some rather strong feelings with regard to International trade.

First of all, we began our international business in 1958. Today, 37% of our sales and 41% of our profits are international.

Marketing today in 88 countries, and being essentially in the water pollution control business, we of course see the tremendous potential for export and establishment of overseas facilities. We also recognize that other nations grant export subsidies of various types to their own local companies. In Italy, it is 6%. In a country like France, their local added value tax or TVA is exempted for exports. This, of course, represents a substantial export subsidy. If all nations applied added value tax as a true source of taxation, then we would be on a more equivalent basis. However, I understand that this method of taxation is not predicted for the foreseeable future. Therefore, we feel that some kind of incentive must be applied.

We are heartily in accord and substantially support the DISC proposal. As President of the International Trade Club of Chicago, I am enclosing a copy of our policy statement which has been forwarded to Treasury. I am also attaching a policy statement which emanated from our President's office.

We would urge your support of DISC and feel that this would be a great contribution to our balance of payments problem.

Yours sincerely,

DONALD L. PORTH,
Executive Vice President.

INTERNATIONAL TRADE CLUB
OF CHICAGO,
May 5, 1970.

HON. CHARLES H. PERCY,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: It is a pleasure to send you the enclosed "Statement and Recommendations of the International Trade Club of Chicago with regard to the Proposed Domestic International Sales Corporation."

This statement has been submitted on behalf of our Club to Mr. Edwin Cohen, Assistant Secretary of the Treasury for Tax Policy.

We hope that our views will be of interest to you, and that we may count upon your endorsement and support of the proposed legislation.

Yours sincerely,

DONALD L. PORTH,
President.

STATEMENT AND RECOMMENDATIONS OF THE
INTERNATIONAL TRADE CLUB OF CHICAGO
WITH REGARD TO THE PROPOSED DOMESTIC
INTERNATIONAL SALES CORPORATION (DISC)
APRIL 9, 1970

This organization, the International Trade Club of Chicago, supports the enactment of legislation to establish the proposed Domestic International Sales Corporation (DISC).

The International Trade Club is comprised of over 800 executives representing approximately 700 firms with international business interests. The companies which these executives represent are engaged in all of the major fields of international trade and investment including manufacturers, exporters and importers, transportation companies, and firms providing various services to companies engaged in international trade and investment.

We believe that the proposed legislation establishing DISC will be beneficial for exporters and will result in an overall increase in exports.

We recommend that in the final legislation the following points be clearly expressed:

A. The permissible pricing arrangements between the parent company and the DISC should be clearly stated.

The limitations of Section 482 should not be applied.

Any price, not below cost, should be approved.

B. The broadest terms should be included with regard to the freedom of DISC to lend funds to its parent or other affiliated domestic company. Eventually, when the balance of payments situation permits, the DISC should also be permitted to lend the funds to an overseas corporation which, in turn, imports from the United States.

Consideration should also be given to providing the same reduction in taxes for a DISC which is now available to a Western Hemisphere Trade Corporation. This would eliminate the need for a U.S. corporation to have both a DISC and a Western Hemisphere Trade Corporation with different rules applying to two segments of its exports. Such a lowered tax rate would have a very substantial effect in expanding exports.

INTERNATIONAL HARVESTER CO.,
Chicago, Ill., May 5, 1970.

HON. CHARLES H. PERCY,
U.S. Senate
Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: Thank you for your letter of April 27, 1970, addressed to Mr. R. J. McMenamin of our Company on the subject of legislation being proposed by the Treasury Department to increase United States exports.

International Harvester Company wishes to record its support for the proposed legislation which would permit establishment of Domestic International Sales Corporations which could qualify for federal income tax deferrals on export profits.

We have reviewed the proposed rules by which a domestic corporation could qualify for such tax deferral, and see no particular problems in establishing a subsidiary which would meet such tests. If the allocation of export sales profit between a manufacturing parent and a Domestic International Sales Subsidiary then enables sufficient profit to be maintained for deferment, the competitive position of United States exports would be enhanced.

International Harvester Company has had long experience in the problems of exporting goods manufactured in the United States as compared to providing products abroad through foreign manufacturing subsidiaries in order to meet the competition of foreign suppliers. It is our contention that proposals designed to increase the export of manufactured products from the United States are in the best interests of our country, as well as that of our Company. We believe that properly designed tax legislation of the type now proposed would assist us in maintaining and, in time, increasing export markets for our products manufactured in the United States.

We are concerned, of course, that prior proposals intended to stimulate United States exports have become unduly complex, especially in matters of inter-corporate pricing and corporate rearrangements which might be required to take full advantage of any new legislation. While we support the present proposal, we would suggest that the export stimulation which is intended will require definite income allocation rules to prevent deletion of tax deferral benefits by subsequent administrative judgments.

Sincerely yours,

DARYL B. OLDAKER.

SOILTEST, INC.,

Evanston, Ill., May 14, 1970.

Senator CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: We refer to your letter of April 27 with regard to proposed legislation designed to increase U.S. exports.

We have reviewed the DISC outline and believe that this type of arrangement would be very effective for our company.

Soiltest is a manufacturer and distributor of engineering test equipment. Fifty percent of our sales are in the export market and we sell in about one hundred different countries of the world.

During recent years there has been more competition coming into our field and we are losing the market for many of the standard items to producers in England, France, Norway, Japan, Thailand, Colombia and Brazil.

In addition, we are running into very attractive financing competition from Japan, Germany, Switzerland and some of the Iron Curtain countries.

As a result, while we are still increasing our export sales on an annual basis, we are doing this only by the continual introduction of more sophisticated equipment which is not as yet available from the major competitors.

Because of the wide range of products we produce and sell, it has not been attractive for us to set up a manufacturing operation abroad. However, we must still compete internationally against specialized manufacturers located in the countries above. In addition, we are running into considerable localized competition which produces many of the basic items of our line for sale in the national markets.

We believe that the DISC proposal would enable us to be more competitive on the international market and to retain jobs for our employees in the United States. In fact, we believe that under the plan as outlined, that we would be able to make more jobs available at our plants in the U.S.

Very sincerely,

T. W. VAN ZELST,
President.

PROCON, INC.,
Des Plaines, Ill., May 25, 1970.

Senator CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: Thank you for your letter asking for comments on the Treasury's proposal of a tax deferral arrangement for Domestic International Sales Corporations.

I am strongly in favor of the DISC proposal.

First, the sharp rise in overseas investment by U.S. companies creates a situation where unequal treatment in any respect may greatly affect the location from which a transaction is done. The DISC proposal, by offsetting the tax deferral opportunity of working through a foreign subsidiary, would shift the current incentive situation back in the direction of exporting from the United States.

Second, the opportunity to generate cash flow free from immediate income taxes would, in my view, provide a strong incentive for American business to concentrate more energy on the export market, or to get into the export business if not already there. The sharp drop in our trade surplus since the 1964 peak and the current bleak payments outlook make a powerful case for providing an effective incentive to increase U.S. export earnings.

Third, I believe that a good case could be made that an effective DISC arrangement would be so valuable to U.S. overall interests that the estimated short-term loss of \$500 million to \$600 million in tax revenue is worth

accepting. I have not made such an analysis. But it would include: (a) more jobs in the U.S. created both directly and indirectly by higher U.S. production stimulated by export production in response to the DISC; (b) greater tax revenues ultimately when repatriations of DISC earnings take place; (c) improved export revenues; and (d) a correlative improvement in the U.S. international payments position.

Fourth, the DISC proposal could be improved if its final form creates a clear arrangement whereby its provisions are usable by engineering-construction companies. Procon Incorporated and its major competitors all have overseas offices from which we can do substantially the same work as we do from U.S. facilities. The choice of office tends to decide the country from which we buy the equipment installed in the industrial plants we build. In Procon's case, about \$240 million out of the \$400 million of new contracts obtained in 1969 are to be engineered in Europe and the equipment bought there. To be competitive, we had to take advantage of the superior incentives in Europe. Some of this business could be brought back to the United States if the final version of DISC makes tax deferral available to our kind of activity.

Whether or not the legislation can be made responsive to my last suggestion, I feel that the DISC proposal is a highly desirable piece of legislation which would serve the national interest effectively.

I appreciate the opportunity to give you the foregoing comments,

Yours sincerely,

LAWRENCE C. MCQUADE,
President.

ZENITH SALES CO.,
Chicago, Ill., May 11, 1970.

HON. CHARLES H. PERCY,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR PERCY: Thanks for your letter of April 27 soliciting our comments on the Treasury Department's proposal providing for deferral of Federal Income Tax on export profits through implementation by a new Domestic International Sales Corporation (DISC).

Coming from Treasury, this is a benevolent idea but, in my opinion, it is unfortunately too late and too little to help significantly our Company—also the U.S. consumer home electronic industry—to boost our exports. Deferral of U.S. tax is not enough of an incentive to generate at this late date more active interest and efforts, than we are already doing now, to expand our exports because there are only a few countries left which would allow the imports of completely manufactured home electronic products. Tax deferral will not convince many countries in the world today to reopen their doors to imports of U.S. home electronic products and components. Tax deferral will not eliminate the host of non-tariff barriers which have existed for home electronic products, extending from official government restrictive measures of all kinds to actions by quasi-government agencies and private groups which have precluded competition from the outside. Tax deferral is not going to help us regain foreign markets lost, in my opinion, permanently to local and foreign competition, particularly from the Orient where dumping for export is a normal way of doing business outside of their own domestic markets.

Tax deferral on U.S. exports could be inopportune at this time when we are questioning the export practices of a few of our trading partners, particularly Japan, which provides all kinds of subsidies and bounties resulting in the price of merchandise for export substantially lower than their own domestic prices for the same goods. It would give Japan, the European Common market and the other GATT signatories an opportunity they have been looking for to

impugn our integrity in questioning their unfair export practices when we would be establishing a tax privilege for U.S. exports.

I think that certain U.S. industries—like aircraft, computers, heavy machinery as earth-moving equipment, construction and agricultural implements, to name the more important that come to my mind at this time could benefit from DISC but an industry such as ours, which has been long ridden with all kinds of restrictive and prohibitive measures abroad—extending from direct government action to acts of cartels, patent pools, standards associations, with the knowledge and consent of their governments—cannot possibly benefit significantly from the DISC proposal, particularly if the royalty income from foreign licensing, for the use of the company's trademark and production know-how, does not qualify as export income.

Tax deferral is not going to bring back to our shores the multitude of U.S. electronic manufacturers who have established manufacturing facilities in low-cost labor countries in the Orient, putting many thousands of Americans out of jobs, for the prime purpose of possibly competing with the Japanese in the U.S. market.

Moreover, it seems to me that our foreign trade plight could be more effectively alleviated if the Treasury and Justice Departments would strictly enforce our federal laws pertaining to dumping and the imposition of countervailing duties to equalize Japanese bounties and subsidies. It does not seem logical for our Government to meet the serious foreign trade problem by imitating foreign tax subsidization rather than by promoting reciprocal, fair and free trade—through the effective enforcement of our dumping and countervailing duty statutes.

I sincerely appreciate your giving me the opportunity to comment on the DISC proposal and on other matters pertaining to U.S. foreign trade which have been of deep concern to our company and to me personally for some time.

Sincerely yours,

J. A. MIGUEL, JR.

PANDUIT CORP.,
Tinley Park, Ill., May 21, 1970.

HON. CHARLES H. PERCY,
Senate Office Building,
Washington, D.C.

DEAR MR. PERCY: We have followed, with great interest, the proposed legislation which would authorize the establishment of Domestic International Sales Corporations (DISC) which would qualify for Income Tax deferrals on export profits.

Since export sales have become an important part of Panduit Corp.'s business, we are very conscious of the difficulty in competing in foreign markets against foreign suppliers and/or foreign manufacturing subsidiaries of U.S. companies, both of which enjoy substantial tax advantages compared to a domestic manufacturer exporting from the United States into foreign markets.

We strongly urge you to support this legislation which, while not a perfect solution, would nevertheless greatly enhance the abilities of U.S. companies to compete more effectively in all the world's markets, thereby expanding U.S. exports and also improving the U.S. balance of payments position, while at the same time increasing the long-term tax receipts from U.S. exporters.

We would suggest that the proposed legislation could be improved by including the following:

a. A clear statement regarding pricing arrangements allowable between the DISC and its parent company; and that the limitations of IRS Code, Section 482, regarding inter-company pricing, not be applicable to a DISC and its parent company and that any inter-company price which is not below cost be allowed.

b. That the same reduced tax rate now available to a Western Hemisphere Trading Corporation be granted to a DISC, thereby eliminating the need for the parent company to establish two different sets of rules for different export areas, one applicable to a DISC and the other applicable to a WHTC.

We firmly believe that the proposed legislation, incorporating the above changes, if adopted would greatly increase U.S. exports, support a more favorable balance of payments for the U.S., and also result in increased revenues for the Treasury Department. Therefore, we again urge you to support this important legislation.

Sincerely yours,

R. T. BURNS,

Vice President, International and Staff Operations.

LIBERTY TRUCKING CO.,
Chicago, Ill., May 7, 1970.

Subject: Domestic International Sales Corp. Proposal.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: This is in answer to your letter of April 27th, with respect to the subject matter you had attached and dated February 17, 1970.

Frankly, I don't quite understand the proposal as fully as I should because of its technicalities, but I gather it has to do with tax free income of corporations or individuals doing business in foreign countries, and creating foreign income, tax free except when distributed as dividends to stockholders. If such is the case, I can see more and more industries leaving the United States with an ultimate result of complete erosion of our major American industries.

If I am correct in my assumption, I violently object to any such allowance or deferment of taxes in any form. A small business like ours, while we are affiliated with a giant industry, are having a difficult time meeting our local, state and national taxing budgets to a point where we find no means of relief, gimmicks such as this would be unbearable to a point where progress from growth is impossible.

I think it would be wise to look into the needs of the small businessman all over this great country of ours, rather than to entertain tax avoiding gimmicks by industries who seek to avoid their fair share of taxation. In view of the dire need of some relief by many of our American industries, and small businessmen, I strongly object to the Domestic International Sales Corp. proposal.

Trusting you will accept my views in the right spirit, and thanking you for the opportunity of expression, remain

Respectfully yours,

WM. S. BARRANCO,
President.

THE DEARBORN CO.,
Chicago, Ill., May 12, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SIR: Responding to your letter of April 27th regarding legislation being proposed to increase U.S. exports, I don't think taxes are a real deterrent to exports which are priced out of the foreign market on competitive merchandise and, therefore, any gimmicks deferring or even waiving taxes, unless it is sufficient to offset the cost factor, will be academic.

Exclusive production of limited appeal, where price is not a factor, would not be affected and any advantages such as outlined would be a windfall to that type of manufacture.

If the target is the balance of payments consider the penetration of low cost furni-

ture from Japan, Taiwan, Yugoslavia, etc., that caters to the mass unit market and lands cheaper than the cost of labor and material. One would imagine that with our own forests, furniture would be the last category subject to import since our exports are nil. This could probably apply to other categories where labor is a serious factor.

Very truly yours,

J. F. ROBEINEAU.

LIBBY, McNEILL & LIBBY,
Chicago, Ill., May 13, 1970.

HON. CHARLES H. PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: We are pleased to have an opportunity to comment on the proposal outlined in your letter of April 27 and the enclosed paper for the creation of domestic international sales corporations (DISC). Our comments are obviously in the context of our own situation including the facts that our international business is almost exclusively in canned goods, for most of our 102 years we have been in international business, and currently we are in a tax carry forward position.

We think the proposal likely will be of some but only limited benefit in improving the United States balance of payment position. We say it will be of only limited benefit because we doubt that postponement of payment of income taxes has in most instances been the controlling factor in decisions to establish a foreign manufacturing (or procuring) subsidiary rather than export U.S. manufactured goods. In fact, I do not remember a single instance in the last thirty years or so (and some of our foreign manufacturing subsidiaries were established even much earlier than that) when tax postponement was the controlling or even a very substantial factor, although it would have been reflected in any economic analysis of available alternatives.

In many instances the tax rates in the foreign country were as high, or nearly as high, as those in the U.S., and unless there is a material difference in tax rates, there is no significant benefit from postponement. Even then since a reserve would have to be set up for the postponed taxes, the only benefit to profits would be interest savings or other return realized on the cash that otherwise would have been paid out.

In most instances the decision to manufacture abroad or procure from foreign sources is simply a matter of comparison of the laid-down costs, including transportation and duties, in the foreign market in question. For many years one product after another that we have produced in this country has, because of rising costs, been priced out of most major world markets making it not only economical but essential for survival in particular foreign markets either to manufacture there or, where that is not practical or economical, procure from other foreign sources.

This is not perhaps a matter of grave national concern so long as the increased costs simply represent an increasing standard of living in this country and our growing technology and efficiency permit the substitution of other goods for export. However, in the last few years the process has been greatly accelerated by the rampant inflation in this country, and that, in my opinion, is the real core to the problem and is not affected by the proposal in question.

The paper attached to your letter points out that DISC subsidiaries could loan to a parent for building new facilities even though these would not be used entirely for export. This would seem to imply that there would be no way to get a comparable benefit if existing facilities are used, which is usually the situation in our industry that has generally ample facilities. It is also pointed

out that the DISC could own foreign sales subsidiaries so as to defer U.S. tax on their profits paid out in the form of dividends. Presumably this would not be practical in the case of existing foreign subsidiaries that market goods of their own manufacture, or procured from other countries, as well as goods procured from the United States.

The 95% test for qualification seems high when compared with other analogous qualification requirements, such as those for Western Hemisphere Trading Corporations. Indeed a good argument has been made that the qualifications for these and for DISC should be identical. In any event, there should be a grace period before disqualification is effective and an opportunity for taking corrective action.

Perhaps it should also be pointed out that with the growing prevalence in other countries of the value added tax, which generally is forgiven completely on exports, it thus operates as an out-and-out subsidy whether or not so designated, while the DISC proposal is only a postponement and hence not equivalent to the tax incentive given exports in many other countries.

In spite of inflation and rising costs, our Company still has a substantial export business which has remained relatively constant in recent years, and for that business it might prove worth while to set up a DISC subsidiary. However, for the reasons I have mentioned it would have only limited benefit. While certainly it would be better than nothing and perhaps could be used to advantage in new situations, it does not deal with the real reasons for our balance of payments difficulty and probably would not be very effective in reversing patterns that already exist.

This leads to the further comment that the DISC proposal appears to be a somewhat typical piecemeal approach to this highly complicated problem. Quite understandably each governmental agency's approach to the balance of payment problem tends to be limited by its own authority or customary activity. We would hope that a way could be found to develop a more complete program that would take into account all significant factors, including existing investments abroad, and would bring to bear a much broader approach than represented by this proposal.

Sincerely,

LYNDLE.

THE POWERS OF CONGRESS AND THE PRESIDENT—AMENDMENT OF THE FOREIGN MILITARY SALES ACT

AMENDMENT NO. 666

Mr. WILLIAMS of Delaware. Mr. President, much has been said during debate in the past few weeks about the powers of Congress and the powers of the President.

A few days ago I made some comments in this connection and pointed out that the way for Congress to retain its power over foreign policy would be to stop delegating the powers which we already have to the President. I particularly made reference to the sale of arms abroad, an act which, oftentimes, gets us involved even though we do not intend to do so at the beginning.

I suggest that it would be better not to delegate this wide power to the President, as we have been doing. It would be better to accept or reject such requests for arms as line items in a bill whereby both the country and the amount of arms requested would be specified. In this manner Congress could either approve or disapprove such requests.

The pending bill extends this authority for \$250 million in one section and \$300 million in another place whereby the President can furnish arms to any country except Cambodia when he deems such action to be in the best interests of the country. Conceivably he could make them available to Red China or Russia. This is a broad delegation of power. I think that Congress should stop the broad power furnished under military sales legislation, and when either the President or Congress wants to furnish arms to country A, B, or C, it could be submitted as a line item, as would be the case for a dam in Idaho or a project in some other State. Such projects are all line items in a bill and require specific approval in each case.

To accomplish this objective I send to the desk an amendment which would strike from the bill this broad delegation of power.

Mr. President, I know that we have a pending amendment before the Senate. But under the unanimous-consent agreement the Dole amendment will not be voted on until Wednesday.

If the leadership wishes I would be willing to enter into a unanimous-consent agreement that would limit debate on this particular amendment to 30 minutes to a side. I could say what I want to on this amendment in 30 minutes, and we could then go ahead and dispose of this amendment, I would hope, today or tomorrow if it is desired. If it is not possible to dispose of it today perhaps we could get an agreement to vote tomorrow and then revert back to the Dole amendment, and if not, we could vote as soon thereafter as possible.

I would be willing to agree to any kind of reasonable limitation on debate to expedite this matter.

Mr. President, I send the amendment to the desk at this time and express the hope that we can get this to an early vote so that we can get on with the business of the Senate.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. KENNEDY. Mr. President, I thank the Senator from Delaware for indicating to the leadership that he is agreeable to having an early vote on the amendment with some kind of time limitation thereon.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the Senator be granted another 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, it had been the hope of the leadership when we took up this bill, that we could dispose of the entire Military Sales Act and all amendments thereto in 10 days or 2 weeks. We have now been working on the measure for nearly 3 weeks, and the end is not in sight.

As the Senator from Delaware pointed out, it would take a unanimous-consent agreement to consider this amendment now. I will take this up with the floor managers of the bill but it is doubtful that we could consider it until after the

vote Wednesday and until after disposal of the amendment to be offered by the Senator from West Virginia (Mr. BYRD).

Mr. WILLIAMS of Delaware. Mr. President, I thank the Senator. He is correct, it would take a unanimous-consent agreement to consider the amendment at this time. The amendment deals with the main substance of the bill itself.

I realize that an amendment dealing with the bill would not be in order until all committee amendments have been disposed of, but we could get a unanimous-consent agreement to take it up out of order, proceed with it, and get it out of the way.

I would be willing to make such a unanimous-consent request at any time that the majority leader is willing.

Mr. KENNEDY. Mr. President, I appreciate the statement of the Senator from Delaware. The Senator is displaying his usual spirit of accommodation to the leadership.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, in support of my earlier remarks regarding the amendment, I point out that I recognize the amendment offered here today would be subject to a division. I have assured Senators there will be a division of the question; the two votes would come immediately after one another. It would be subject to a request for a division, and I will protect Senators on this point.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. PERCY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

SUCCESSFUL WAR ON DRUGS RESULTS FROM OPERATION INTERCEPT

Mr. PERCY. Mr. President, all of us recall the uproar over Operation Intercept at the Mexican-American border last September. Although I did not publicly make any statements at the time, I had just recently returned from Mexico and was deeply disturbed at what might be an interruption of the harmonious relations we maintain with our neighbor to the south.

All sorts of dire predictions were made as to the terrible damage which would result to Mexican-American relations from this move. The Nixon administration was accused of headline-hunting and insensitivity in dealing with the border drug-smuggling problem.

Now comes an entirely different assessment by Ernest B. Furgurson in the June

1, Baltimore Sun, entitled "Intercept Becomes Cooperative Becomes Success."

As a result of the publicity given to the marijuana and heroin problem by the original operation, some striking changes have occurred in drug enforcement policies in Mexico, and a strong bond of cooperation has developed between officials of Mexico and the United States.

Mr. President, I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

INTERCEPT BECOMES COOPERATION BECOMES SUCCESS

(By Ernest B. Furgurson)

MEXICO CITY.—What seemed at the time to be one of the clumsiest foreign policy blunders of the Nixon administration is now largely forgotten in the United States, though it still smarts in Mexico. Yet now, eight months later, it is turning out to be a long-range success.

It was Operation Intercept, which for 23 days last September brought border business nearly to a halt while traffic from Mexico was shaken down for illegal drugs. It was ordered as another illustration to the voters of America that the new administration was going to use a heavy hand in its crusade for law and order. As a political exercise, it had good propaganda results among those who did not suffer personally from the great "marijuana famine" of last fall, and who do not depend on border commerce for their living. But its effect on dope-running was mostly as a temporary deterrent, growing out of publicity about the drive, rather than a newsworthy roundup of the criminals fattening on the traffic. And the domestic political profit hardly seemed worth the damage to Mexican-American relations.

At least that was the view of the Mexicans, as well as the border businessmen and their representatives in Congress. The Bank of Mexico's figures for 1969 show that American tourist spending in Mexican border cities grew only 4.3 per cent compared to 19 per cent the year before. In the other direction, Mexican spending on the United States side of the border went up only 6.6 per cent, compared to 25.4 in 1968. Economists here blame the difference on Operation Intercept.

It was that dollars-and-pesos effect that caused the outcry from congressmen from California and Texas, among others. It was the less tangible matter of injured pride that prompted the loudest anti-gringo cries heard publicly in Mexico in years. The Mexican press, which does not venture far beyond the bounds of government policy, reacted as if Mr. Nixon and Mr. Mitchell were telling the whole world that all Mexicans were smugglers and defilers of American youth.

Officially, President Gustavo Diaz Ordaz departed from the rigid rule of not commenting on other countries' affairs which has allowed him to imply that Mexico objects to Washington's Vietnam policy, for example, without coming right out and saying so. When the Apollo astronauts were visiting here in the glory of their first moon mission, Diaz Ordaz noted in a welcoming speech that it was too bad bureaucratic errors could cloud normally sunny international relations. Nobody missed his point.

The narcotics campaign also stirred public and private criticism of the United States position on bilateral issues—restrictions on tomato and meat imports, salinity of Colorado river waters, etc. The Mexican government's insistence on the "Mexicanization" of business and industry by requiring a majority of local interest in new enterprises took on a more specifically anti-United States slant.

And so, little more than three weeks after it began, Operation Intercept was called off. It was hard to be sure which side was most embarrassed by it. But it did cause Diaz Ordaz to promise a serious crackdown nearer the sources of the illegal dope in his country. Thus was born the son of Operation Intercept, Operation Cooperation.

Compared to its predecessor, it has worked well. American money and technology, including helicopters to spot fields of pot, has helped Mexican police trace some of the traffic literally to its roots. Hardly a day passes without an arrest on one side of the border or the other. And they are major operations.

In Tlajuana, officials of both countries ran down a dope ring that had been supplying heroin, cocaine and marijuana for the past 15 years. In San Antonio, the former head of the Mexican secret service and his accomplices were picked up with marijuana valued by police at \$44 million. Close to 3,000 pounds of marijuana was taken and 18 persons picked up in a raid on a ranch in the state of Michoacan. Three barge loads, about 8,000 pounds, were seized on the California coast after their trip from Mexico—all this and more, in May alone.

Last week was drug control week in the United States, by presidential proclamation. Nowhere was it given more attention than in Mexico. Joseph Arpaio, the U.S. narcotics bureau chief for Latin America, was in the position of congratulating Mexican judges and law enforcement for their effective work, rather than insulting them for their laxity.

At home, some Americans who bless pot as the least of the narcotics evils say the crackdown has been bad because it had brought the Mafia into that traffic and caused some users to shift to harder drugs. If these points are true, they should be dealt with head-on rather than by blaming this increasingly effective and long overdue enforcement of the laws against international drug traffic.

TRIBUTE TO AMERICAN PRISONERS OF WAR

Mr. PERCY. Mr. President, over the past weekend, Memorial Day, we have heard hundreds upon hundreds of tributes paid to the memory of men who have died in America's war efforts. And this is as it should be. A nation should pause from time to time to honor its dead.

Today, however, I would urge Senators to pause and consider the tragic plight of some living Americans who also have paid a high price to support their country. Not only have these men fought bravely for America but they fight still, in a silent kind of war that few know and even fewer can fully understand.

I refer to the 1,500 or so Americans who are being held prisoner of war by the North Vietnamese. Many of them have spent a full half-decade as prisoners.

All of them live under conditions which can be described at best as calculated brutality. Their callous, insensitive captors treat them less as human beings than as unwanted animals, to be maintained at the barest possible standard.

I would ask Senators also to consider the equally grim plight of a fine and honorable band of women, the wives and mothers of these prisoners, who are subjected daily to a kind of grief and anxiety that becomes increasingly hard to tolerate.

Never before in our history have we dealt with an enemy so completely with-

out humanity when it comes to the treatment of prisoners captured during the course of battle. All of the precepts of civilization have been flaunted and ignored. All the considerations due to one human being from another have been callously cast aside.

We are not even sure as to the number of men being held by North Vietnam. They have flouted the basic rules of international procedure established by the so-called Geneva accords, which require that the capture of prisoners be noted and the government involved notified through an international agency—usually the International Red Cross.

The North Vietnamese have refused to make this official notification to the United States. The only time we are informed that any specific individual is held prisoner is when the Communists want to use him for propaganda purposes. Several times in the past year the North Vietnamese have used radio tapes of prisoners of war designed to hurt the morale of our fighting men, and more specifically, of the women they have left behind.

Incredibly, Hanoi has found willing sources in the United States to further this propaganda barrage. There is, for instance, a group in New York City known as the Committee of Liaison with the Families of Servicemen in North Vietnam. Though I have no personal knowledge, the Washington Daily News has described this group as its nomination for the most loathsome group of 1970.

According to news accounts this group receives mail from the prisoners in North Vietnam and then passes it along to their families. The letters themselves are of the briefest kind, but they are accompanied by a plethora of vicious anti-American propaganda which is thus foisted on the families of the prisoners.

The women who get these letters feel constrained not to complain publicly for fear that they will hear no further from their loved ones. This, it seems, is the only way they can receive word. It is one of the ignoble prices they have to pay if they are to find out whether or not their husbands or sons are still alive.

This cowardly play upon the emotions of women whose emotional capacity is already stretched to the limit is carried even further by those who so cooperate in this country. One woman in New Jersey has even complained privately that her husband's letter to her was released to the press before she had received it.

In every respect this is total violation of the principles of the Geneva convention on prisoners of war.

I would like to remind the Senate that those accords require several minimum standards.

First, the men must be treated with decency. They must receive medical treatment and they must have a nourishing diet.

Second, the government must be notified of their capture.

Third, the men must be allowed at least minimal communication with their families.

Finally, the men are not to be mistreated.

To the best of our knowledge the

Communists in North Vietnam have violated every one of these standards established by the civilized nations of the world.

We have little information available upon which to base an estimate. Most of this information has come from the few prisoners who have been released from time to time by the Communists. Some of it comes from neutral observers and from representatives of the press of other Communist countries.

We do know, for instance, that on a number of occasions the captors have allowed wounds to fester and become infected without providing any medical treatment that might have prevented this infection.

We also know that one of the commonest forms of punishment for prisoners is to put them on a starvation diet—or to deprive them of food for days at a time.

There are a number of accounts of this. It usually happens when a prisoner refuses to allow his name to be used in a Communist propaganda broadcast or refuses to sign false statements concerning his treatment by the North Vietnamese.

We also have ample evidence from these sources that American prisoners are beaten, some repeatedly.

There are other stories of American prisoners being caged and put on display for the populace to see and jeer at.

Prisoners are held in solitary confinement, frequently in total darkness, for as long as a month at a time.

The sketchy information we do have indicates the men involved lead lives that verge on animal existence.

As cruel as these manifestations of mistreatment are, it is equally cruel to do to the men's families what the Communists have done.

This bill of indictment of the Communist treatment of American prisoners cannot go unsatisfied.

We must make every possible effort to insure that these men are brought home and this long and terrible experience is brought to an end. As Members of the Senate we can do no less than this.

The American Government is working at every possible level to bring this about. At negotiations in Paris with the Communists we have repeatedly insisted on humane and proper treatment for the prisoners. Our diplomats who talk with the Chinese Communists at Warsaw have discussed this matter in an effort to enlist the Chinese to use their good offices and influence on the North Vietnamese. Other diplomats have talked to their Communist counterparts on every occasion.

We in the Senate must back up the administration in this effort. We owe it to the men involved. We owe it to their families. And we owe it to our own consciences.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HUGHES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ELLENDER). Without objection, it is so ordered.

SPEECH BY SENATOR EAGLETON BEFORE WASHINGTON UNIVERSITY LAW ALUMNI ASSOCIATION

Mr. HUGHES. Mr. President, when we speak of a crisis of confidence in the United States today, let us be clear that it is not only confidence in the present administration which is in question. The viability of confidence in our own institution—the Congress—is in doubt, and more precisely our ability to exercise our constitutional authority in the matters of war and peace.

Senator EAGLETON recently spoke on this subject, eloquently and in depth. I should like to share his speech with my colleagues, and ask unanimous consent that it be printed at this point in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

ADDRESS BY SENATOR EAGLETON

We meet at a trying and difficult time—at a moment when an air of general crisis pervades this country. At stake are not simply men's lives, or honor, or policies, but our very institutions and the fundamental freedoms which these institutions were established to protect. What is most troubling is that this challenge to democratic government comes not simply from extremists—either on the right or on the left—but from elected officials and from average Americans.

It was not Minutemen who attacked citizens attempting peacefully to exercise the right of assembly on Wall Street. It was basically decent, hardworking construction men and longshoremen.

It is not Communists or President Nixon's "bums" who want to free without trial a man who allegedly ordered a murder. No, it is educated men and women who seem to believe that our court system should be thrown out the window and replaced by a form of mob justice.

It is not some ordinary quack whose political hallmark is attacking the press and dissenters. It is the second highest elected official in the land—the Vice President—who engages in fearmongering and hate-mongering, rather than tending to the task of societal healing.

Who among us can see these events as they occur day after day and not be profoundly disturbed? For you and I are all members—or are about to become members—of a profession whose basic creed is to maintain the rule of law . . . to preserve an institutional structure dedicated to individual freedom and justice. Now we are faced with the prospect that all the rights and liberties and regulatory mechanisms we have strived to create may crumble beneath us.

What is at the heart of this crisis? For me the answer is complex, with many turns and twists. It goes to our failure to pursue diligently enough the just society in which all men will be judged solely by their merit and not by color or class. It goes to our unwillingness to tax ourselves fairly and heavily enough so that the governmental policies which we have authorized for better education, decent housing and a cleaner environment can be funded.

Most significantly, it goes to the war in Indo-China which not only exhausts the funds needed to solve domestic problems, but breeds the hatred and distrust which is fractionalizing our society. Worst of all, that abominable war stands guilty of spreading the belief among many of our citizens, including the best of our youth, that our basic

institutions are incapable of responding to their needs . . . of finding answers to the problems which beset us.

Well might they be cynical. That war, with its commitment of hundreds of thousands of troops, is now flailing its way through a second Presidential Administration. Yet where is the progress . . . where are the successes . . . which can justify the better than \$100 billion already spent? What vital national interest of the United States can justify the senseless sacrifice of thousands of our country's bravest young men . . . the breakdown of respect for our most treasured institutions . . . the erosion of our capacity to provide ourselves with the things that really count in our own daily lives?

The Paris peace talks, which many of us hoped might produce a reasonable solution, have broken down. The reason is not simply the intransigence of our enemy. This Administration has been intransigent, too—by refusing to admit that a victory denied on the battlefield cannot be won at the peace table. Our government now treats these talks with disdain—even while the President claims he seeks a negotiated peace.

Some six months have passed since the resignation of Henry Cabot Lodge as chief negotiator. But still no new appointment has been forthcoming from the Administration.

The story in Indo-China is no better. Time and again, Congress and the American public have heard glowing reports on the success of Vietnamization. Time and again we have been disappointed. True, we have been able to show that the Viet Cong hold over various areas of South Vietnam can be broken by the day-to-day presence of contingents of American and South Vietnamese troops. But what we have not been able to demonstrate convincingly is that this guerrilla infrastructure can be prevented from reappearing almost immediately once American forces have departed.

And what sort of confidence shall any of us have in the Government of President Thieu and Vice President Ky on which our leaders have spent so much money and lavished so much attention? How shall we defend its recent orders to soldiers to fire on disabled Vietnamese veterans protesting the lack of adequate housing and financial support for them and their families? How are we to continue sanctioning this Government which now admits that it has physically tortured students protesting the progress of the war and the state of the economy? What compassion shall we have for leaders who arrest an elected official for favoring a coalition government and try him on trumped-up charges of conspiring with a Communist—who also happened to be his brother?

For how long shall we remain blind to what the war is doing to the people of Vietnam? What more will it take if we are not affected by the words of one ardent anti-Communist member of the South Vietnamese National Assembly who recently wrote:

"Our minds are dirty, our hearts are dirty. It is clear that we are up to our necks in corruption. It has entered our bloodstream, our lungs, our hearts. It is no longer an individual disease. It is systemized. It has got hold of the whole regime."

Are we not to respond to the frustrations of our young soldiers who find themselves fighting a war devoid of purpose and direction? How sad and yet how true the words which some of our fighting men have taken to writing on their helmets: "We are the unwilling, led by the unqualified, doing the unnecessary, for the ungrateful."

The Post-Dispatch carried these lines by Anthony Lewis of the New York Times last week:

"For on the face of things, Americans might well believe that nothing they say can affect the course of policy in the most ill-conceived, disastrous foreign adventure in our history. No election, no protest, no

reasoned argument, no lesson from experience seems to alter the central fact of American policy in the Indo-China War. That is our commitment to the Thieu-Ky government in Saigon."

On the face of things . . . more and more Americans would seem to agree with Mr. Lewis.

How much longer are we to tolerate the irrationalities and inconsistencies of this Administration on the war? On April 20, the President told us that such tangible accomplishments were being achieved in Vietnam that 150,000 more American troops would be brought home from that country within the next twelve months. Only 10 days later, the President announced that American and South Vietnamese troops would have to invade Cambodia to wipe out enemy sanctuaries and capture the enemy headquarters—the sinister and codenamed COSVN or Central Office for South Vietnam.

Our troops have now been in Cambodia for three weeks. They have found no COSVN and it is becoming increasingly clear that if such a headquarters ever did exist in the border area of Cambodia, it was moved before our troops ever entered that country—moved, the Pentagon now says, just beyond the President's 21.7 mile limit. Has this failure to find COSVN, on which so much of the incursion into Cambodia was premised, even troubled our military leaders? It would appear not, for they still claim success. The public is barraged with figures about the killing of 5,000 of the enemy, and the capture of over 9,000 enemy weapons, 15,000 rockets and 3,000 tons of rice and so on. They don't seem concerned that, as of last week, all of these captured supplies had a value of only about \$18 million—roughly the cost of supporting our Vietnam effort for 9 hours.

And as if the invasion of Cambodia were not troublesome enough, Secretary of Defense Laird has now confirmed a report leaked by a South Vietnamese diplomat that troops from his country, accompanied by American advisers, had made limited raids within Laos.

Who cares—that seems to be the attitude of this Administration—that Congress passed legislation last year barring the use of American ground combat forces in Laos? After all, these were only limited incursions taking place over a limited number of hours with only a limited number of American participants.

Let it be known that I care; and that I believe the American public cares. This Administration has overreached itself, and the time has come when the Congress must reassert its power and its traditional role in foreign affairs. It must take the steps needed to assure the people of this country that an orderly system of checks and balances on the institutions of government still exists.

What does all this mean?

In regard to the war in Indo-China, it means that the Congress must take the following steps:

First, we must strip away the rhetoric and, in lawyers' language, get down to the hard facts of who has jurisdiction to commit troops to battle and what this means in the context of our Indo-China War. For me, the language of the Constitution is clear and the meaning attached to that language by the Founding Fathers is relevant and persuasive.

Article I, Section 8 gives the power "to declare war" to the Congress. It also delegates to the legislature the power to appropriate monies "to raise and support Armies" but requires that these appropriations not be made for terms longer than two years.

Article II vests the "executive power" in the President and makes him "Commander in Chief of the Army and Navy of the United States."

To the draftsmen of the Constitution, this division of authority was meant to alter the unity of power that had existed in England. In the *Federalist Papers*, Hamilton wrote that to be Commander in Chief

"would amount to nothing more than the supreme command and direction of the military and naval forces, as first general and admiral of the Confederacy; while that of the British king extends to the declaring of war and to the raising and regulating of fleets and armies—all which, by the Constitution under consideration, would appertain to the legislature."

In short, the framers gave to the Congress the decision of whether to commit or not to commit troops to a trial of force. Once they were committed, the President had the power to direct their day-to-day operations so long as he did not open up this country to a new trial of force.

The war-making power given to Congress was meant to be broadly construed and to permit Congress to define the dimensions of any war. In short, it was to be up to Congress to authorize hostilities and those who accepted this delegation—as the Supreme Court has noted on various occasions—would "act under special authority, and ['could] go no further than to the extent of their delegation."

Second, we must apply these constitutional principles to the war in Indo-China. It must be made clear that our commitment of troops to that unhappy country does not stem from the inherent power of the President, or from the SEATO Treaty which states only that each signatory will "meet the common danger in accordance with its constitutional processes." Rather it stems from a Congressional authorization, namely, the poorly worded and hastily enacted Tonkin Gulf Resolution—whose repeal I favor.

Let us be clear that the existence of such a Resolution does not permanently or unalterably bind the Congress in Constitutional terms. On the contrary, it places the two Houses in exactly the position where the Founding Fathers expected them to be—a position from which they could define the scope and conditions under which the hostilities they had authorized would be conducted.

Cast in this light, the measure sponsored by Senators Church and Cooper to limit the range of conflict in Cambodia and the measure by Senators McGovern and Hatfield to establish a timetable for troop withdrawal from Southeast Asia and to cut off funds for military operations in that area of the world after December 31, 1970, are constitutionally sound. They constitute an attempt—even if somewhat late—to end a war which is senseless and divisive and to establish some of the terms which should have been part and parcel of the Tonkin Gulf Resolution.

The contention that these measures may embarrass the President or cast doubt on his wisdom carries no weight with me. This country must stand on the merits of its policies, not on the pride of its leaders.

When the Founding Fathers gave Congress the power to declare war and compelled it to review military appropriations at least every two years, they recognized that the legislative branch must have power to review not only its own mistakes but the errors of a President in conducting hostilities. And in acting on these measures to limit the war in Southeast Asia, we propose to enforce that power of review.

Beyond the adoption of these specific proposals which I feel Congress must enact if the war in Indo-China is to be limited, there remains the overriding need for that body to make a far greater effort to redefine and reassert its given powers. We in Congress can no longer surrender our authority to powerful Chief Executives whose claim is that they alone know what is best for the country in the area of foreign policy. We can no longer enact bills and resolutions—like that which was passed after the Gulf of Tonkin incident—through which we present the President with a broad charter for his actions and place ourselves in the position

of having to second-guess the President rather than of originally limiting and placing conditions on the steps which he may take. We must be willing to face up to the issues at the time of each particular crisis and not merely sit back and criticize after having abdicated our power. Put simply, Congress is as likely to be right in foreign affairs as the Chief Executive and must willingly assert its constitutional prerogatives.

In the weeks ahead—after the Congress has dealt with the more specific issue of controlling the level of hostilities in Cambodia and Vietnam—I shall sponsor legislation designed to set forth clearly and specifically the procedures which should henceforth be followed before American troops can be committed abroad, and the reciprocal limitations which the Congress understands to be imposed by the Constitution on the unilateral actions of a President. This effort must be made if we are to avoid in the future one instance after another in which irreconcilable disputes must be faced regarding the war-making powers of the President and the Congress.

And what should all of you be doing in the months ahead? As members of the Bar, you are guardians of our legal order. But even more, you are and must be the catalysts for reform.

The upsurge of concern about this war shown by lawyers has been a healthy first step and must be repeated on other pressing foreign policy and domestic issues as well. All of us who have joined the legal profession have taken upon ourselves the responsibility and the privilege of striving to preserve a nation in which liberty can be joined with order, tradition with reform, and individual dignity with institutional integrity. This trust is ours and we must dedicate ourselves to the task of bearing it with honor.

WHY GET MAD WHEN THINGS GO RIGHT?

Mr. PERCY. Mr. President, Mr. Howard K. Smith, one of the most highly respected commentators on our radio and TV scene today, recently said something that cut clearly through the storm of verbiage and denunciation we have been hearing for the past few weeks. Though I have been deeply concerned about many aspects of our incursion into Cambodia, primarily because of its diplomatic, political, and psychological implications, I have felt that it would prove to be a military success. We await with interest the President's report to the Nation on Wednesday night of this week.

Mr. Smith's idea is that, this being baseball season, a metaphor from that realm of endeavor suggests itself through which, by analogy, we might view the present stage of the conflict in Vietnam. On May 13 he said:

U.S. forces in Southeast Asia resemble a baseball team nobody in the stands is paying attention to. The crowd is too absorbed in ripping up the bleachers and throwing beer-cans at one another . . . to note that the home team is scoring hit after hit, and even home runs.

In the Cambodian operation, huge depots have been seized and the enemy is dispersed in all directions. War correspondent Don Baker said on this report yesterday it will be months, if ever, before the Communists can replace and re-organize what has been shattered.

The Evans-Novak column reports from the field that a result has been a much weakened Communist structure in South Vietnam as well.

As the war materials seized and the organization being disrupted were not there to

decorate the jungle, but to kill Americans with . . . it seems safe to assume many American lives have been saved. Possibly the war is being shortened.

How to account for the turbulent protest against an operation, without which casualties would certainly mount? It is, one guesses, just one of those irrational moments nations occasionally lapse into. It seems specially odd that in a war in which so much has gone so wrong so often . . . people should get madder than ever when things go remarkably right.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS OF SENATORS

THE SPEAKER FOR THE PEOPLE

Mr. McINTYRE. Mr. President, in Washington, Speaker McCORMACK is known as Speaker of the House, the man who has held that position, as of May 29, longer than any other person in point of continuous service.

But to the people he has so brilliantly served in his district of Massachusetts and to the people who know him and love him because of his association with them in New Hampshire he is their friend and their spokesman—a speaker for the people.

As an indication of this respect and admiration for the Speaker and Mrs. McCormack, an editorial published recently in the Laconia (N.H.) Citizen states this view with feeling.

Mr. President, I ask unanimous consent that it be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

McCORMACK TO RETIRE

Decision of Speaker McCormack to retire from Congress is a matter of great interest to friends in the Lakes Region, where Mr. and Mrs. McCormack have been vacation visitors for 40 years. First at Lochmere and later in Laconia and Gifford, their sojourns added constantly to their circle of friends and admirers. Succeeding postmasters in Laconia, Messrs. Carroll, Morin and Ballou, provided temporary office space for the congressman in the local post office, and a message to have "Speaker McCormack call the White House" was not unusual.

Clerks in our stores became well acquainted with the McCormacks and will rejoice over the possibility, now, that with more leisure time available, their visits will occur oftener.

John McCormack's rise to power is one of America's great success stories.

This region has benefited in many ways.

Mayor Robinson W. Smith enlisted his aid in obtaining funds for an access road to the Laconia airport. He has helped on other projects.

Long before he assumed the duties of Speaker, he accepted invitations from service clubs and other local groups to address them, sharing his knowledge as to happen-

ings on the national and international scene.

He intends to respond to calls for public service, as he puts it, "for the next ten or 15 years." We hope this expectation is realized, also, that Mrs. McCormack's health will show steady improvement.

RESULTS OF THE CAMBODIAN SANCTUARY OPERATION

Mr. BENNETT. Mr. President, I ask unanimous consent that a summary of the results of the Cambodian sanctuary operation as of 8 a.m. June 1, 1970, be printed in the RECORD.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

Total operations, 8 a.m., Jun. 1, 1970	Number	24-hour change
Individual weapons.....	15,102	+1,851
Crew-served weapons.....	2,083	+43
Bunkers/structures destroyed.....	8,093	+2,158
Machinegun rounds.....	3,236,842	+151,900
Rifle rounds.....	6,899,125	+552,422
Total small arms ammunition (Machinegun and rifle rounds).....	10,135,967	+704,322
Grenades.....	34,667	+6,947
Mines.....	3,892	1-68
Satchel charge.....	500	(²)
Miscellaneous explosives (pounds).....	72,000	(²)
Anti-aircraft rounds.....	133,721	1-330
Mortar rounds.....	45,472	+520
Large rocket rounds.....	1,554	+46
Smaller rocket rounds.....	25,185	+1,060
Recoilless rifle rounds.....	21,550	+392
Rice (pounds).....	10,888,000	+510,000
Man months.....	239,536	+11,220
Vehicles.....	348	+11
Boats.....	40	(²)
Generators.....	36	(²)
Radios.....	185	+1
Medical supplies (pounds).....	36,000	(²)
Enemy KIA.....	8,944	+225
POW's (includes detainees).....	1,881	+16

¹ Field adjustments.
² Unchanged.

A TROUBLED AND DIVIDED LAND

Mr. METCALF. Mr. President, at a time when our Nation's leaders vastly need to open lines of communication to our young people, it is reassuring to know that some are attempting that very task with skill and style. The distinguished Senator from Utah (Mr. Moss) recently gave a speech to high school students in Provo, Utah, that bears repeating because it combined sympathy for the concerns of youth with a plea for responsible action within the system.

In reminding these young people that the forces of polarization which now threaten our country could be stopped if they and other young men and women will only continue to listen to and respect one another, he also reminds us that we equally bear that responsibility.

If the youth of this country continue to try to work through rather than against the system, it will be in no small part because representatives like TED MOSS convince them that the older generation is for them and is as concerned as they are about the problems now dividing the Nation. I ask unanimous consent that Senator Moss' speech be printed in the RECORD. I commend it to the attention of Senators.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

A TROUBLED AND DIVIDED LAND

I have come here today to speak about a divided and troubled nation. A bitter and ugly spirit seems to have settled upon our land. Students are shot. Banks burn. Buildings explode. Violent protest has spread from a few campuses to hundreds of colleges in the country. No community now seems safe from discord and disruption.

Talk of such unpleasant things would not normally be appropriate for a high school vespers service in this peaceful valley. But these are not normal times. Never in my twelve years in Washington have I seen the capital city so divided and so troubled. In Washington and all over the country, people are angry and people are afraid.

And who is it that we are so angry at and afraid of? Not some foreign foe; no, not the Russians, or the Chinese, but other Americans. Not since the Civil War have we Americans been so unhappy with each other.

Fortunately, here in Utah and particularly here in Provo, we are still on speaking terms with each other. But division and discord could happen here. Take this audience, for example. Some of you in this room will go on to become college students, some of you will work in the steel mills, and still others will become policemen and members of the National Guard.

All of you will continue to be Americans, but if the forces of polarization continue to eat away at the fabric of American society, some of you may grow to hate and fear each other.

Now those are horrifying thoughts and I would not speak of them here unless I were profoundly disturbed at what I see happening to our country. I agree that the news media exaggerates to some degree the violence and the division, but the malaise has set in—we as a people are in trouble. As Lincoln once said, "A house divided against itself cannot stand."

Today, I want to talk about this polarization, because you, as high school seniors, are about to enter potentially divided segments of our society. I also want to talk to your parents because all of us, young and old, need to be brought together. All of us need to remind ourselves of the virtues of tolerance, compassion, and understanding. All of us need to take the good advice of President Nixon and lower our voices so that we can listen to each other.

Your studies show you that there is much that can be improved upon in this country and I hope that you will work for beneficial change. If you feel the need to protest, the constitution guarantees you the right of peaceable assembly and the right to petition the Government. But violent protest is illegal and must be treated as such.

There is no excuse for any American to resort to verbal or physical violence and there is particularly no excuse for such violence to take place on a college campus. A university should be a place for rational debate, not for throwing rocks.

Let me give those who are thinking of protest marches a bit of practical advice. Though peaceful protest is your constitutional right, I would suggest that there are even more effective ways to get policies changed.

One of the most encouraging sights I have witnessed since I went to Washington was the deluge of students who came to Capitol Hill to lobby their Senators and Congressmen. For the last three weeks my office has been filled with college students—many of them from Utah—urging me to vote for certain amendments. I have been glad to see them because it indicates a renewal faith in the political system. Many of you sitting here today may not agree with the anti-war college students, but at least you and I should be thankful that most of them have now decided to work through the political system. This was equally true of one dele-

gation which came to urge me to support the invasion of Cambodia.

I have listened intently as these students have earnestly voiced their views, their fears, their hopes, and desires. Most of the students who came to Washington these past weeks came with a responsible, sincere message. This is certainly true of the several delegations of Utah students from various universities with whom I met. They were courteous and articulate. They were constructive and sincere.

From my observation these young people are communicating eloquently and I, for one, have learned much from them. What I ask in return is that these students do me and other adults the same courtesy and listen to us. What our country needs is dialogue. We must hear one another and be willing to accept new ideas, new thoughts, new realities. We must not close our ears by prejudice and emotion!

This is one of the valuable lessons they can learn from the events of recent days—the lesson of listening carefully and then making their own decisions, thoughtfully and carefully.

One of the great dangers of physical demonstrations is the possibility of mob psychology where emotions take over from reason. Step back and think before you act. That seems like such obvious advice, but many have forgotten.

Working through the legislative process requires reason not emotion, but it also requires time. That is what I must caution student lobbyists.

Be determined and persistent, but have patience. Convincing people of the rightness of any cause takes time. As one who has labored long in the legislative vineyard, I know how frustrating it is to get things changed. It took me nearly ten years to achieve a bill to eliminate cigarette advertising on radio and television. Even then, the effective date was set nearly a year away from passage of the bill.

Have tolerance. In our legislative system every side should be heard. If your amendment fails to pass, it doesn't mean the system won't work. It means that you haven't convinced enough legislators. It means you have more work to do.

Seek change. In the final analysis it is through the electoral process that the will of the people is felt. Find a candidate who represents your viewpoint and go work for him. He will welcome your help. The vitality which you young people bring is sorely needed.

There are many things you can do to change public opinion and to elect representatives of your choice. Not all of these things may seem very exciting, but they must be done. Elections are hard work. You can write letters to editors, you can help prepare mass mailings, you can hand out campaign literature, and, most effective of all, you can go door-to-door and try to convince your fellow citizens.

Remember what students opposed to President Johnson did in 1968 New Hampshire primary? Mainly through their efforts a political unknown ran ahead of the President of the United States. Some students even went so far as to shave off their beards and cut their hair in order to get the citizens of New Hampshire to listen to them.

Now you students here most likely won't have to go that far, but you will have to be courteous and respectful. If you are, I have no doubt but that most Utahans will be at least willing to listen to you.

One more thing I hope you will soon be able to do in the political process—is vote! For too long 18 to 21 year-olds have been forced to carry the other burdens and responsibilities of citizenship without the most fundamental right of all—the right to vote. Eighteen year olds are asked to put their lives at stake in the armed forces, they

are treated as adults in the criminal courts, they can marry, and they can make legal contracts, but they cannot vote. Why? Because back in feudal times some one decided that 21 was a good dividing line.

I think it is time to update our election laws. Eighteen year olds should be allowed to elect the representatives who can vote to send them to war. Last March 12 I voted with 83 other Senators to lower the voting age to eighteen. If the courts find a constitutional amendment rather than a Federal statute is required, then I will vote for that as well, but I want the voting age to be lowered as soon as possible.

But even without the voting age being lowered, you young people can make a difference in the political system. The system will respond if you will get to work and give it a chance. You must seek to change American society not to destroy it. If you are opposed to the war in Vietnam, you must try to convince other Americans, not threaten them. If you support the war, you have equally an obligation to convince, not to call names.

Those of you going on to college should from time to time remind yourselves that your primary purpose there is to learn. You can be active citizens at the same time, but remember you are in college only once. Yours is a marvelous opportunity not granted to others less fortunate. You must use this opportunity constructively or you shall have wasted a very precious resource.

Those of you who are not going on for more schooling must also keep listening and learning. In addition to being producing members of this Nation's work force, you can play another vital role. You can serve as a communicating bridge between your contemporaries in college and the rest of society. Your generation speaks a common language and shares tastes in music and clothing. You must never let yourselves be driven apart by class jealousies or false snobisms.

And now for us in the older generation. We, too, have work to do if we are going to do our share in bringing this country back together.

We ought to listen to the young. If we do not know their minds or their hearts, we cannot know the future of this country. That future soon must pass into their hands. And that "soon" is rushing upon us at a great rate, the average age of the country is now under 25. So what the young have to say is "the voice of the future" as surely as what the founders have to say is "the voice of the past."

We are indeed obliged to listen respectfully to youth who bring to the examination of our society the vision of idealism. The foresight of the informed. The scrutiny of the well-prepared, and the freshness of new insight. But we are not, of course, obliged to submit quietly to half-formed inanities of confused minds or to heed those who regard our history as only the last few years.

Young people were born free, to be sure, however, they were not all born wise or infallible. Young people should not be lumped together in unfavorable generalizations, nor should we take the most extreme and violent of the young as their spokesmen. All of us should ignore the obscene rhetoric of the rock-throwing radicals who are already getting too much attention.

Instead we must listen to the responsible spokesmen. They are trying to tell us something. They are trying to tell us that the foreign policies of the 50's and 60's may not be right for the 70's.

They are trying to tell us that we as a nation should at least consider the possibility that we are doing the wrong thing in Southeast Asia.

They are trying to tell us that if the United States has made a mistake, it is

greatness to be willing to admit the mistake instead of trying to save face.

They are trying to tell us that we have many, many urgent tasks here at home.

You and I may or may not agree with what these young people are saying, but we must listen. We must not attack their patriotism. And we must convince them that we are listening. If we close our ears we will not only create division, but we will miss out on some good ideas. As President Kennedy once said, "What we need now in this Nation most of all is a constant flow of new ideas. We cannot obtain new ideas until we have a government and a public opinion which respect new ideas and the people who have them—our country has surmounted great crises in the past, not because of our wealth, not because of our rhetoric, not because we had longer cars and whiter iceboxes and bigger television screens than anyone else, but because our ideas were more compelling and more penetrating and more wise and more enduring."

It is leaders who appeal to the best in us, like John F. Kennedy, to whom we must listen. It may be easy for political leaders to appeal to hate and prejudice, but in the long run, it will be disastrous for our country.

We need to heal the spiritual wounds that the last few years have brought to our divided country. You can do your part by vowing today that whatever your disagreements, you will always respect and listen to each other.

Finally, and despite all of the troubles about which I've spoken, remember that you are a citizen of the world's greatest republic. You inherit a choice land which needs your care and protection. You inherit a great political and moral system which cries for your nurture and sustenance. You inherit the dreams of a great and diverse people. You must build and fulfill those dreams.

PROPOSED TRANSFER OF OPERATION OF DULLES AND NATIONAL AIRPORTS

Mr. SPONG. Mr. President, on June 9 and 10, hearings will be held before the Aeronautics Subcommittee of the Committee on Commerce on a bill to transfer the operation of Dulles and National Airports from the Federal Government to a regional authority.

Recent decisions by the FAA with regard to the operation of National Airport have only confirmed my thought when introducing the bill that communities within the Washington metropolitan area, as well as individual citizens must be given some opportunity to express their views concerning the development and utilization of Dulles, National, and Friendship airports.

Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the Alexandria Gazette dated April 29, 1970, and an editorial broadcast by WMAL-TV on May 13.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

INVESTIGATION OF FAA

Acting on word that the airlines, under the cover of the traffic crisis engendered by the "sick in" of the air traffic controllers, have gotten authority to use National Airport for larger jet planes, Sen. William B. Spong Jr., has asked for an investigation. Virginia's junior Senator has indicated that he would confine the probe into just this one aspect of the Federal Aviation Administration. We endorse the inquiry but we

feel that it should go much further than this one phase. It should inquire into the good faith of the operations of FAA and its relations with the airlines.

The record of the FAA in dealing with jet traffic has not been enviable. As we recall a public hearing had been set for the whole question of the use of National for jet aircraft by the commercial airlines operators. Nearby jurisdictions, already concerned about the noise created by the massive prop-driven aircraft, were told they would have a chance to express their opinions at the public hearing. Before the hearing could be conducted a date was set for the start of jet aircraft operations at National. It was made a terminal for planes flying to intermediate and short range destinations. Opportunistic airline operators sought to evade this order by scheduling stops at intermediate points on long range flights. This practice was ordered stopped. It might be worthwhile to investigate to determine whether this order is in fact being observed.

Those living in houses in densely populated clusters along the Potomac River in Alexandria and Georgetown, for instance, are well aware of the results of jet traffic into and out of National. In order to enjoy privacy and to converse in normal tones, residents are almost compelled to noise-proof their homes. This calls for the year around use of sealed storm windows, closed fireplaces, and the installation of year around air conditioners. Even so, television reception is interrupted and windows and walls crackle when a jet passes over. As far as we know there have been no dramatic developments from this repetitive shock experience. Thus we do not know whether and to what extent permanent damage may be in progress as a result of jet airplane passage over populated areas. One can, however, contend that the "quality of life" has been and will continue to be impaired with continued jet operations.

We endorse Sen. Spong's proposed investigation but feel that it should go fully into the integrity of operations of the Federal Aviation Administration and the resulting effects of jet operations on our environment.

WMAL-TV EDITORIAL

Recent developments offer a fresh chance to evaluate National Airport. The Federal Aviation Agency has urged consideration of a fourth airport in the Washington area . . . and a regional authority to run them. Stretch jets, jumbo jets, and air buses form a new generation of equipment. Flight limitations have been imposed at the nation's busiest airports, including National. It is time to consider a new pattern of flights for the Washington metropolitan area. Dulles Airport with its magnificent facilities should receive more commercial traffic. National Airport with its close-in terminal can be emphasized for smaller aircraft and shorthaul travel such as the New York run. Senate hearings next month will take up a bill for a metropolitan area airport authority. We support the idea to establish better balance in flights among the present airports . . . Dulles, National and Friendship. The hearings should be the takeoff point for a comprehensive plan to make the airports match the airplanes of the seventies. Before the government builds a fourth airport . . . it better utilize properly the ones it has.

INADEQUATE FUNDING FOR MEDICAL CARE OF VIETNAM VETERANS

Mr. KENNEDY. Mr. President, one of the tragedies related to the Vietnam war has been our Nation's failure to provide adequate medical care for the wounded. Thousands and thousands of young men

have been seriously and permanently injured in the prime of their life. And especially, in this type of guerrilla fighting, the number of soldiers who have been paralyzed or have suffered amputation of one or more limbs has risen sharply from earlier wars.

Yet in far too many cases, these brave men who have made such a real sacrifice on the battlefield are being given second-rate medical care at home. A Nation which has marshaled billions of dollars and vast effort to equip and maintain our fighting men—a Nation whose military establishment is devoted to bringing the best possible resources and organization to waging war—that Nation is miserably failing to show equal commitment and attention to these same fighting men once their bodies have been so crippled as to render them useless on the battlefield.

As has become increasingly clear—in recent articles, television documentaries, and hearings conducted by the Subcommittee on Veterans' Affairs under the chairmanship of Senator ALAN CRANSTON—the Veterans' Administration simply does not have the resources to provide adequate care. An article published recently in *Life* magazine stated:

With 166 separate institutions, the VA hospital system is the biggest in the world. The 800,000 patients it treats in a year, mainly men wounded in earlier wars, range from cardiac to psychiatric cases. It is disgracefully understaffed, with standards far below those of an average community hospital. Many wards remain closed for want of personnel and the rest are strained with overcrowding. Facilities for long-term treatment and rehabilitation, indispensable for the kind of paralytic injuries especially common in this war of land mines and boobytraps, are generally inferior. At Miami's VA hospital, while sophisticated new equipment sits idle for lack of trained personnel, patients may wait hours for needed blood transfusions. At the VA's showplace hospital in Washington, D.C. a single registered nurse may minister to as many as 80 patients at a time. At the Wadsworth VA Hospital in Los Angeles, doctors who work there describe ward conditions as "medieval" and "filthy."

Veterans Administration Director Donald E. Johnson insists publicly that veterans receive "care second to none." The evidence is overwhelmingly against him.

Ironically, the whole medical budget proposed by the administration for fiscal 1971 is somewhat less than the cost of 1 month's fighting in Vietnam.

Mr. President, I think that it is unconscionable for this Nation to require men to make sacrifices on the battlefield—including permanent and at times almost total destruction of their bodies—and then hold back on giving first-class treatment when they are brought home in wheelchairs and stretchers.

Last Wednesday, the Senator from California (Mr. CRANSTON) discussed these problems in full and impressive detail while testifying before the Independent Offices Subcommittee of the Committee on Appropriations. Senator CRANSTON presented convincing justification concerning the need for at least \$174 million more for the VA medical budget, an increase of about 9 percent.

In his statement, Senator CRANSTON mentioned the question of priorities and our failure, sometimes, to keep them in perspective:

In my 16 months as chairman of the Veterans Affairs Subcommittee, I have concluded that one vital precept should govern Congressional action regarding veterans' programs—the principle that the cost of providing first quality medical care, along with equitable education and other readjustment benefits, and disability and indemnity compensation, must be counted as part of the cost of war. They are just as integral a part of the cost of war as the money we spend on the weapons and armaments for combat. Sometimes we tend to lose sight of this. I think that the administration has overlooked this very basic premise. In its understandable desire to retard inflation, it is asking double sacrifices from the men who have answered their country's call to battle. The war they are fighting is itself a principal cause of inflation. To use inflation now as an excuse for denying these veterans the level of services and benefits they deserve is intolerable.

Mr. President, I ask unanimous consent that Senator CRANSTON's important testimony be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR ALAN CRANSTON

Mr. Chairman and distinguished members of the Subcommittee, it is a great privilege for me to appear this morning to offer my recommendations for the Veterans Administration's fiscal year 1971 appropriation. Although I will make recommendations in a number of areas, the major thrust of my statement will deal with the VA hospital and medical care program.

My medical care recommendations grow out of oversight hearings conducted over the last six months by the Veterans Affairs Subcommittee, which I am privileged to chair, of the Labor and Public Welfare Committee. The topic of the hearings was "Medical Care of Veterans Wounded in Vietnam." I announced these hearings last Veterans' Day when I discussed with Chairman Pastore on the Senate floor the problem of deficiencies in the VA hospital program and increased demands upon it because of the war in Vietnam. I withdrew an amendment proposing a \$50 million increase in the VA's FY 1970 medical care budget, to permit time for a detailed study of the needs of the VA hospital system and development of recommendations for necessary appropriations.

Our Veterans Affairs Subcommittee held a series of hearings stretching from November 21 to April 28. I am submitting for your official Subcommittee review and records the printed transcript of the first six days' hearings, and the prepared statements from the April 28 hearing. In connection with this latter hearing, which inquired into patient care at a typical VA hospital, the Wadsworth Hospital at the VA Center in Los Angeles. I am also submitting numerous affidavits from physicians and nurses corroborating the shocking testimony which we received about the totally unclean and life-risking and life-wasting conditions at that hospital. In addition, I have with me 27 photographs showing some of these conditions. Since there are no duplicates of these photographs, which are part of the official Labor and Public Welfare Committee record, I cannot submit them for your record, but I would be delighted to make them available to the Subcommittee should it wish to examine them.

This morning I am recommending that you add approximately \$189 million to the total VA appropriation in H.R. 17548. The precise amounts and purposes are outlined in Appendix I to my statement. I recognize this is a very substantial increase, especially the \$174 million for the four appropriation bill items dealing with the medical and hospital program. However, I wish to assure the Sub-

committee at the outset that I have attempted to be conservative in my estimates of the needs and the dollars to meet them. I have also tried to ascertain to the maximum extent possible that all of these funds could be prudently and effectively obligated or expended in fiscal 1971 to meet real and pressing needs which will otherwise go unmet. We all know that, given this administration's anti-inflation policies, Veterans Administration officials are bound to state publicly that they cannot use additional funds. But I am convinced from private discussions and my personal inquiries that all the money I am requesting can be spent effectively and is urgently needed.

My recommendations fall into six major categories, and for each category I am submitting to the Subcommittee in Appendix II detailed backup data where necessary. I would like to sketch for you now the deficiencies as I see them in our veterans hospitals and outline some of the appropriation remedies that I propose. I also wish to stress, however, that to a considerable extent the problems presently besetting the VA hospital and medical care program cannot be cured by the appropriation of more money alone. Thus, I have prepared a comprehensive legislative program providing new authorities for the VA, which I will be introducing for consideration as soon as the FY 1971 appropriations process is completed.

In my 16 months as chairman of the Veterans Affairs Subcommittee, I have concluded that one vital precept should govern Congressional action regarding veterans' programs—the principle that the cost of providing first quality medical care, along with equitable education and other readjustment benefits, and disability and indemnity compensation, must be counted as part of the cost of war. They are just as integral a part of the cost of war as the money we spend on the weapons and armaments for combat. Sometimes we tend to lose sight of this. I think that the administration has overlooked this very basic premise. In its understandable desire to retard inflation, it is asking double sacrifices from the men who have answered their country's call to battle. The war they are fighting is itself a principle cause of inflation. To use inflation now as an excuse for denying these veterans the level of services and benefits they deserve is intolerable.

MEDICAL CARE

With that background, let us look at the FY '71 medical care appropriation item in the bill before the subcommittee. It is true that, as the Veterans Administration has stated repeatedly, the \$1.752 billion proposed budget—to which the House added \$25 million for a total of \$1.777 billion—constitutes a record amount for VA medical care. But our subcommittee investigation and a careful scrutiny of the budget indicates that, actually, it is at best a standstill budget. And it may well be a regressive one. This is so even after the President's April 2 restoration of \$50 million which the Bureau of the Budget had sliced from the VA's budget and of \$25 million more won on the floor of the House of Representatives by my good friend, Chairman Teague of the House Veterans Affairs Committee.

This so-called record budget is still \$50 million below the level estimated as necessary for FY 1971 more than a year ago by the Department of Medicine and Surgery, the VA's own chief physicians and medical administrators. And since that time both the demands for care and the cost of providing it have inflated beyond expectation.

The 1971 medical care figure in the bill is \$122 million more than has been appropriated for fiscal year 1970, including the very urgently needed amounts contained in the House-passed FY '70 supplemental appropriation bill. Such a 7.5 percent increase barely meets the enormously inflating cost of providing medical care. And it certainly does not

come near to dealing adequately with what I can only characterize as a dangerously enlarging crisis in the VA medical care system.

This crisis did not occur overnight. It did not occur in the last year or so. Rather, it is the result of a steady erosion over the last five years. Thus, both a Democratic and a Republican administration, as well as the Congress itself, share responsibility for the state of affairs that now confronts us in VA hospitals. Determining who is responsible is unimportant. The crucial thing is who can and will take action to make the needed major improvements.

It is a bitter irony that this deterioration in the quality of medical care we offer our disabled veterans is due largely to the war itself. It has been five years since our increased military involvement in Southeast Asia began to bring heavy casualties. Yet the VA still does not have an adequate plan to make the necessary adjustments and improvements in its hospital system to meet the desperate need of our seriously disabled war veterans. This lack of a plan to convert from peace-time to war-time conditions has brought about a deplorable situation. Moreover, the cruel fact is that the cost of waging the war is preventing an adequate level of appropriations to care for our war-maimed. This is because of the monumental direct costs of the war and because of efforts to limit domestic expenditures because of the high level of war spending.

I have talked of a crisis, an enlarging one. It is a crisis caused by taking for granted that things could be done without adequate funds. The direct result is that in many—though fortunately not all—VA hospitals the quality of care provided has suffered from a combination of denial of budget requests largely within the executive branch and the most unfortunate personnel ceiling imposed by the Congress in 1968 and removed only a year ago. This has all led to a process of deferring, year after year, needed expenditures for purchase of equipment and supplies, renovation of facilities, construction of new facilities and acquisition and replacement of staff. And this in turn has yielded some highly tragic and insidious results by draining already hard-pressed direct patient care funds for some of these other vital purposes just to keep the system going.

This process of absorption and deferral of costs masterminded by the Bureau of the Budget has produced a slow but steady erosion which only time reveals. But that deterioration is plainly visible today at a time when greatly increased numbers of Vietnam veterans are entering VA hospitals for treatment. Vietnam veterans now constitute about 10 percent of VA medical workloads.

We all regret the tragic fact that more than 275,000 men have already been wounded in the Indochina war. About half of them require some degree of immediate hospitalization for their wounds and most of these will at some point seek VA hospital or outpatient care. In FY 1970 thus far over 50,000 Vietnam veterans were admitted to VA hospitals and they made over 500,000 visits for outpatient medical care in FY 1969.

The horrible truth about the war is that it is the most crippling and seriously disabling war we have fought. Out of every 10 veterans wounded in the Vietnam war, one is wounded so grievously that he would have died in a previous war. The result is an increase of seriously disabled veterans—more quadriplegic veterans than ever before and more veterans with multiple injuries—requiring intensive care and rehabilitation in VA hospitals. For example, a survey of wounded Army personnel separated for disability shows a very high separate rate for amputation or paralysis of extremities—together totalling almost 54 percent of all those separated for disability as compared with joint totals of about 28 percent from the Korean conflict and 21 percent from World War II. And over 50 percent of all

those separations surveyed were caused by crippling diseases of bones and organs of movement—feet, legs and so forth. This is about double the previous rates from this cause.

These seriously disabled men are saved on the battlefield by excellent and unprecedented medical and surgical field procedures after rapid evacuation often minutes after being hit from the battlefield by helicopters. But we have sadly discovered that the crisis, high-intensity, almost miraculous care they receive in the service is not often sustained when they end up in a VA hospital despite the dedicated efforts of highly trained and skilled VA medical personnel. For what these most seriously disabled war casualties often find is a deteriorating VA hospital system which I will now describe in more detail for you.

The principal deficiency in VA hospitals today is lack of staff. And this comes at a time when the VA is trying to activate some 150 badly-needed specialized medical services—such as intensive care units, coronary care units, open heart surgery units, pulmonary function units, and more spinal cord injury centers—all of which require intensive staffing directly limiting the staff available for the core hospital. Presently, VA hospitals have an overall staff-to-patient ratio of about 1.5 to 1, as compared to staffing ratios of about 2.7 to 1 for community hospitals. We can all agree that this is a great disparity. Although these two ratios may not be absolutely comparable in all respects, it cannot fairly be contended that those adjustments necessary to provide relative comparability could account for the enormity of this staffing gap.

Indeed, the chairman of the House Veterans Affairs Committee, Olin E. Teague, who with his most dedicated and able staff has been of great assistance to our investigation, has been proposing for the past five months that VA general hospitals reach a staffing ratio of 2:1, and psychiatric hospitals of 1:1. It would cost about \$200 million more than I recommend today for staffing in order to achieve those very desirable levels. But I make no such recommendation now because I do not believe that such an enormous increase can be achieved within one fiscal year.

The VA needs substantial help to overcome the debilitating effects of the Revenue and Expenditure Control Act personnel ceiling. Thus, I am recommending adding about \$51 million to fund an additional 5000 staff positions in VA hospitals. Along with the funds already included for staffing increases in the FY '71 medical care item—although there is a real question at this point whether the House-passed amount would really provide for these increases—this would increase staff ratios to 1.7:1, an improvement which should directly enhance the quality of care delivered to every veteran in each of the 166 VA hospitals.

The next glaring deficiency in the present budget is its failure to provide funds to eliminate equipment and maintenance and repair backlogs which have accumulated over the past several years. Conservative estimates show that these two backlogs total at present more than \$46 million. The use of out-dated and broken-down life-saving and life-sustaining diagnostic and treatment equipment and the continued deterioration of equipment and physical surroundings not adequately maintained or repaired has reached an intolerable level and must be corrected immediately. I consider the elimination of these devastating backlogs essential to the fulfillment of the patient care improvement which is the goal of the improved staff ratio I am recommending. The best X-ray technician cannot function effectively with a defective or out-dated X-ray machine, any more than a highly skilled laboratory technician can perform with inadequate technical facilities.

Moreover, and this is an often overlooked point, VA hospital directors frantically juggling inadequate allotment of funds based on inadequate appropriation levels, are compelled time after time to choose between using funds to hire additional staff and using funds to purchase, renovate or repair urgently needed equipment or other facilities, when both are essential for quality medical care. I propose that we remove this unconscionable burden from the backs of hospital directors so they can get on with the job of recruiting and hiring the additional staff necessary to provide quality care to our veterans.

Now I would like to say a word about the now controversial article which appeared in the May 22 issue of LIFE magazine, copies of which I sent to all members of this Subcommittee last week. The article is entitled, "From Vietnam to a VA Hospital: Assignment to Neglect." This powerful piece of photographic journalism has aroused some extremely strong emotions as well as some rather startlingly categorical denials from Veterans Administration spokesmen. On the basis of the investigation the Subcommittee has conducted, I believe that the article is accurate with respect to the spinal cord injury center at the Bronx VA hospital and that, most shamefully and regrettably, these overcrowded, unsanitary, undermanned conditions do indeed exist for these maimed veterans on a day-to-day basis. Moreover, the lack of adequate numbers of staff characterizes these VA units through the country.

In order for the Subcommittee members themselves to judge the Veterans Administration denunciation of the LIFE article and its accusations about the integrity of the photographs, I have asked an individual who was present when the photographs were taken to be available this morning to answer any questions the Subcommittee might have about the circumstances under which the photographs were taken and the conditions that exist and have existed for a number of years in the Bronx VA hospital. I now ask that Donald Broderick, Executive Director of the Eastern Paralyzed Veterans Association, come forward. Mr. Broderick has been a paraplegic for fourteen years; he himself was rehabilitated at the Bronx VA hospital, and has been intimately familiar with its workings in his present capacity over the past two years. Mr. Broderick has advised me that he would welcome any questions you have regarding the article or hospital conditions for the spinal cord injured veteran.

Now I would like to return to the plight of our spinal cord injured and what I recommended be done to alleviate it. The ratio in the VA spinal cord injury units at present is approximately 1.02 staff to service each spinal cord injury bed. In striking and stark comparison, I have been advised by Dr. Howard Rusk, world famous director of the Institute of Rehabilitation Medicine in New York City, that the exactly comparable ratio at his institution is 2.17:1—a ratio more than twice as high. Nothing more graphically explains the problems at the Bronx VA spinal cord injury center. And no set of statistics more accurately illustrates to me why, when I visited the physical therapy facilities at Dr. Rusk's institution, I found a whirlwind of activity with at least fifteen patients attended by what seemed like twice as many staff actively engaged in the arduous and painful process of physical and spiritual rehabilitation. Whereas at VA spinal cord injury centers—many equipped with physical rehabilitation equipment every bit as good as that at the New York Institute—I have found at one time only a few patients actively engaged in therapy while others waited in a prone line for their turn and others no longer had the incentive to come and wait.

This is because the intensive and highly personal therapy needed to overcome the terrible disabilities which afflict these veterans is really a matter of two hands and a

heart, rather than particularly sophisticated equipment. Therefore, I propose that by the end of fiscal 1971 we provide the Veterans Administration with sufficient funds for salaries—about \$6 million in the first year—and provision of on-the-job training—about \$4 million—to double the spinal cord injury staffing ratio and provide care comparable to that available at a facility like the Institute of Rehabilitation Medicine.

In making this SCI proposal, I wish to stress that it will be necessary for the VA to train the individuals to fill the approximately 1145 new positions, for these are scarce skills. Dr. Rusk has impressed upon me that it would be a grave misfortune if we were to drain off urgently needed rehabilitation personnel from the other relatively few physical medicine and rehabilitation facilities in this country. Rather, I propose that the VA enter upon a systematic program of training and education of the new personnel, the vast majority of whom fall in paramedical or paraprofessional categories, to deliver this priority treatment.

I am also recommending the addition of approximately \$5.8 million to eliminate a dental examination and treatment backlog (44,700 examinations and 8,600 treatments) that will plague the VA by the close of the present fiscal year, as well as to provide 25,000 additional examinations and 20,000 additional treatments not estimated when the FY '71 budget was proposed. These examinations and treatments will be able to be carried out only through fee arrangements at the cost of approximately \$232.43 per treatment and \$29.88 per examination (in light of the VA's own dental staff being fully occupied in processing an unprecedented influx of dental applications from returning Vietnam veterans). I find it totally unacceptable that such veterans are forced to wait many, many months—some as much as six or more—from the time of application to the time they actually receive the dental care they require.

Although I have focused primarily upon increasing demands being made upon the VA hospital and medical care system by our disabled Vietnam veterans, we must not overlook the equally justifiable needs of our veterans of prior wars. And we must not permit our great concern over the large influx of Vietnam veterans into VA facilities to cause us to forget that the same inadequate conditions afflict all veterans—regardless of the war they fought. Of particular concern is the growing need for long-term care facilities for aging and infirm veterans not requiring intensive hospital care. Although the FY 1971 budget contains funds to expand the VA's own nursing home system by about 1,000 beds, I believe that this continues to place too great a reliance on already pressed community nursing homes in the private sector, over which the VA does not exercise direct quality control. Since it is clear that there are a number of locations at which VA hospital beds are not presently in use and do not appear likely to be used in the future, given improved VA turnover rates, I propose an additional \$6 million to provide for conversion of such beds to nursing care use.

EDUCATION AND TRAINING OF HEALTH PERSONNEL

Presently within the medical care item the VA budget includes about \$100 million for education and training of health personnel in VA hospitals and clinics. The VA system is the greatest single health personnel trainer in this country, and it has enormous potential for growth at a time when it is confronted by a large internal staffing shortfall, as well as by a great shortage of health personnel in the country generally. I thus propose the addition of approximately \$19 million to provide for the training of approximately 1,274 more allied health professionals in over 20 specialties, 60 intensive care specialists and 210 physician's assistants, as well as for the training of the ur-

gently needed approximately 1,150 spinal cord injury personnel I described earlier.

There are two very significant points I wish to make about the great importance of the health personnel education and training program in the VA. First, if the VA is ever to improve substantially its staffing ratios, it must do so with paramedical and paraprofessional personnel. There are not available in the general community enough physicians and registered nurses to meet the VA's, let alone the country's need for these professionals. Thus, I believe that it is an urgent priority for the VA to continue large education and training programs for the direct benefit of its veteran patients.

In addition, a vibrant, innovative and progressive education and training program is, along with major research efforts, an indispensable element in maintaining high quality professional staff with good morale and providing high quality patient care. Thus, the affiliation of over half of the VA's hospitals with 78 of the most outstanding medical schools in this country is the single most responsible factor for having sustained a reasonable quality of professional care in VA hospitals to date.

In order to ensure that education and training of health personnel assumes the importance I have just outlined in the VA budget picture, I strongly recommend to the subcommittee that (1) a separate item entitled, "Education and Training of Health Personnel" be established in the appropriation bill; (2) approximately \$118,909,000 be earmarked in this item to include the cost of trainee stipends, instructor salaries, necessary physical renovations, supplies, equipment, and miscellaneous expenses; and (3) along with creation of this appropriation item, the medical care item be decreased by approximately \$66.5 million (including devotion to full-time patient care of those professionals now diverting some of their patient care attention to teaching activities). Establishment of this new appropriation item should serve to prevent the diversion of money appropriated for education purposes to providing patient care, an altogether understandable but, as I have tried to indicate, shortsighted practice to counteract inadequate provision of funds for patient care.

MEDICAL AND PROSTHETIC RESEARCH

I have two basic recommendations with respect to the medical and prosthetic research item presently earmarked at \$59,200,000, a three percent increase over the fiscal year 1970 level. First, as I have indicated, an active large medical research program is absolutely indispensable to attracting and retaining high caliber personnel in the VA system. There are just no two ways about that fact. And the VA research program has been a most worthy one, making numerous contributions to medical science. However, because it has operated at a funding level over the past several years permitting only a continuation of ongoing research and no significant new projects, the outstanding results it has achieved have not been translated into direct improvements in patient care. In order to provide for this process of direct application of research learning, I propose, first, that the title of this item in the appropriation bill be amended to add at the end "and development" and that \$17 million be added largely to fund such developmental activities and other projects indicated in Appendix I aimed at providing greater relationship between research and improvement of patient care in VA hospitals. The addition of this \$17 million merely provides the level of funding estimated to be necessary by the VA's own Department of Medicine and Surgery last year.

CONSTRUCTION OF HOSPITAL AND DOMICILIARY FACILITIES

Having been badly restricted in hospital construction by an over-all freeze on federal construction projects in FY 1970, the VA

plans a major construction effort in FY 1971 with the appropriation of \$10 million less than was appropriated last fiscal year and use of an equal amount of carryover funds. However, in several areas, I do not believe that adequate priority has been provided for urgently needed projects.

First, I was greatly shocked to learn in our hearings that there are 43 VA hospitals—in some of the hottest areas of our country—which, although qualifying for air conditioning, are not air conditioned and for which no air conditioning design funds are being requested in FY 1971. I think it is totally unacceptable for veterans in Amarillo and Kerrville, Texas; Wichita, Kansas; Bay Pines, Florida; Fayetteville, Arkansas; Gulfport, Mississippi, and numerous other similarly hot climates, to sweeter in un-airconditioned facilities. I thus propose an addition of approximately \$6.2 million in this appropriation item to prepare designs for air-conditioning of these 43 hospitals and an additional \$540,000 for the necessary personnel to execute these designs (to be added to the Medical administration and miscellaneous operating expenses appropriation item).

Also regarding the construction item, in light of the disclosures in our hearings as well as in the recent LIFE article, of intolerable and wholly inadequate physical conditions for providing up-to-date hospital care, I recommend that a Congressional priority be established for creating design plans for constructing replacement hospitals at Bronx, New York and Wadsworth, Los Angeles VA Center. I also propose that funds be added for modernization of the Brentwood Hospital at that center. That neuro-psychiatric hospital is confronted with a continuation of being able to provide care only through drugs unless major improvements are made in its physical plant in order to alter this problem and attract qualified psychiatrists and psychiatric personnel to work at that center. For these three projects, I recommend an addition of \$13 million.

Finally, with respect to the overall VA hospital and medical care situation, I wish to stress that the deteriorating conditions that I have outlined are not the rule at every VA hospital. In some VA hospitals a high quality of care is being offered. In all VA hospitals a most dedicated and highly skilled staff is doing its best, although too often under medieval working conditions. And they deserve the praise and recognition of all Americans.

At the same time, however, the conditions which have recently been publicized with respect to VA hospitals are by no means isolated instances. In our investigation and in the investigation carried out by the House Committee on Veterans Affairs numerous examples of similarly deteriorating situations at hospitals around the country were presented, and I will provide chapter and verse in this regard if the subcommittee wishes. Moreover, the deficiencies in the VA hospital system have been fully corroborated before our subcommittee by some of the most eminent medical school professors in the country as well as representatives of the various veterans organizations. Representative excerpts from their testimony are set forth in Appendix III.

One major caveat with respect to all the medical program recommendations I have made: neither the present FY 1971 medical and hospital program appropriation, nor the recommendation that I have made for increased staffing, take into account the recent six percent pay increase. That will cost the VA an estimated \$60 million in medical personnel alone. It is vitally important that the VA not be required to absorb any of this pay raise in the funds ultimately appropriated to it in this bill. I urge the subcommittee to include in its report strong language indicating the clear expectation that supplemental funding will be sought in the next Congress to cover

the pay increase and that the VA will receive a deficiency spending authorization in its initial quarterly allotment from the Bureau of the Budget.

GENERAL OPERATING EXPENSES

The final recommendation that I wish to make is the addition of some \$15 million to the general operating expenses item. This is first, to provide for implementation of the new outreach services program established in the recently enacted Public Law 91-219 (implementing the VA estimate over two years). And second, it is to provide approximately 200 more Department of Veterans Benefits field personnel to assist in coping with the expected more than 33 percent increase in veterans' benefit applications over the level experienced in 1968 while processing personnel levels have increased only insignificantly since then and to eliminate repetition of the uneconomic and counterpart DVB policy of regularly authorizing overtime—more than \$3 million in FY 1970.

I would be glad to answer any questions which the subcommittee might have about my testimony and our investigation of the VA hospital and medical care system.

SEVENTY ELECTRIC UTILITIES NET 16 PERCENT OR MORE

Mr. METCALF. Mr. President, dozens of utilities are now asking for rate increases based on last year's performance, on which comparative data will not be available until next year.

Electric, gas, and telephone utilities are trying to add another inflationary \$2 billion onto military bills before the public learns how well the companies did last year, and how well they could do this year without rate increases.

None of the Nixonomists at the White House, Budget Bureau, or Council of Economic Advisers mention the inflationary impact of high utility bills and the pending requests for another \$2 billion.

Current utility reports indicate profits will stay at their record, inflationary level, or even increase, unless the facts are disclosed and publicized promptly, and lax regulators are forced by the public to do their job.

One of the most important indicators of utility performance is net profit, after payment of all expenses, including taxes and interest. The Federal Power Commission does not even publish comparative net profit in its annual statistical reports which are based on data submitted by the companies.

Last month the FPC, at my request, calculated net profit in 1968 of the 206 major electric utilities in relation to gross operating revenue. This compilation shows that:

One utility netted more than 50 percent.

Another netted more than 30 percent. Eighteen netted 20 percent or more.

Seventy of these investor-owned utilities—more than one-third of the 206—made a net profit of 16 cents or more out of each dollar of revenue collected. The 206 IOU's averaged a net profit of 15.4 percent.

Mr. President, I ask unanimous consent to have printed in the RECORD the percentage relationship of net income to gross utility operating revenue for these companies, as compiled by the FPC staff from the IOU's own reports.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Classes A and B privately owned electric utilities in the United States—Percentage relationship of net income to gross utility operating revenues, 1968

[Net income percent of gross utility operating revenues]	
Alabama:	
Alabama Power Co.*	15.3
Southern Electric Generating Co.*	10.6
Arizona:	
Arizona Public Service Co.	13.5
Citizens Utilities Co. ²	50.7
Tucson Gas & Electric Co.	12.5
Arkansas:	
Arkansas-Missouri Power Co. ¹	7.8
Arkansas Power & Light Co.* ¹	15.2
California:	
Pacific Gas & Electric Co.	16.7
San Diego Gas & Electric Co.	14.0
Southern California Edison Co.* ¹	17.0
Colorado:	
Home Light & Power Co.*	10.4
Public Service Co. of Colorado	15.7
Western Colorado Power Co.*	16.1
Connecticut:	
Connecticut Light & Power Co.	17.1
Connecticut Yankee Atomic Power Co.*	18.4
Hartford Electric Light Co.	16.5
United Illuminating Co.*	16.8
Delaware:	
Delmarva Power & Light Co.	18.4
District of Columbia:	
Potomac Electric Power Co.* ¹	18.0
Florida:	
Florida Power Corp.*	19.4
Florida Power & Light Co.*	15.1
Florida Public Utilities Co.	7.3
Gulf Power Co.*	16.5
Tampa Electric Co.*	17.0
Georgia:	
Georgia Power Co.*	14.0
Savannah Electric & Power Co.*	15.3
Idaho:	
Idaho Power Co.* ¹	22.4
Illinois:	
Central Illinois Light Co.	13.7
Central Illinois Public Service Co.	16.1
Commonwealth Edison Co.	17.3
Electric Energy, Inc.* ¹	.8
Illinois Power Co.	17.1
Mt. Carmel Public Utility Co.	11.8
Sherrard Power System*	9.5
South Beloit Water, Gas & Electric Co.	6.2
Indiana:	
Alcoa Generating Corp.*	6.0
Commonwealth Edison Co. of Indiana, Inc.*	11.1
Indiana & Michigan Electric Co.* ¹	15.7
Indianapolis Power & Light Co.	18.1
Northern Indiana Public Service Co.	14.6
Public Service Co. of Indiana, Inc.*	19.6
Southern Indiana Gas & Electric Co.	15.7
Iowa:	
Interstate Power Co. ¹	12.2
Iowa Electric Light & Power Co.	10.2
Iowa-Illinois Gas & Electric Co. ¹	12.7
Iowa Power & Light Co.	11.7
Iowa Public Service Co. ¹	11.9
Iowa Southern Utilities Co.	15.5
Kansas:	
Central Kansas Power Co., Inc.	10.4
Central Telephone & Utilities Corp. ¹	24.9
Kansas Gas & Electric Co.*	16.1
Kansas Power & Light Co.	14.3
Kentucky:	
Kentucky Power Co.*	31.9
Kentucky Utilities Co.* ¹	18.3
Louisville Gas & Electric Co.	16.5
Union Light, Heat & Power Co.	7.4
Louisiana:	
Central Louisiana Electric Co., Inc.	17.6
Gulf States Utilities Co. ¹	19.5
Louisiana Power & Light Co.*	15.6
New Orleans Public Service Inc.	8.0

Footnotes at end of table.

Classes A and B—Continued

[Net income percent of gross utility operating revenues]

Maine:		
Bangor Hydro-Electric Co.*	14.4	
Central Maine Power Co.*	16.5	
Maine Public Service Co.*	14.0	
Rumford Falls Power Co.*	16.8	
Maryland:		
Baltimore Gas & Electric Co.	14.1	
Conowingo Power Co.*	13.3	
Delmarva Power & Light Co. of Maryland*	11.1	
Potomac Edison Co.*	22.9	
Massachusetts:		
Boston Edison Co.	12.5	
Boston Gas Co.	4.0	
Brockton Edison Co.*	11.6	
Cambridge Electric Light Co.*	8.1	
Cape & Vineyard Electric Co.*	7.6	
Canal Electric Co.*	19.9	
Fall River Electric Light Co.*	10.6	
Fitchburg Gas & Electric Co.	9.1	
Holyoke Power & Electric Co.*	0.3	
Holyoke Water Power Co.	6.2	
Massachusetts Electric Co.*	6.2	
Montaup Electric Co.*	7.4	
New Bedford Gas & Edison Light Co.	6.7	
New England Power Co.* ¹	14.6	
Western Massachusetts Electric Co.*	12.2	
Yankee Atomic Electric Co.*	11.2	
Michigan:		
Alpena Power Co.*	12.8	
Consumers Power Co.	12.4	
Detroit Edison Co.	13.5	
Edison Sault Electric Co.	12.1	
Michigan Gas & Electric Co.	7.8	
Upper Peninsula Power Co.*	10.5	
Minnesota:		
Minnesota Power & Light Co.*	15.3	
Northern States Power Co. ¹	14.4	
Mississippi:		
Mississippi Power Co.*	15.1	
Mississippi Power & Light Co.*	15.9	
Missouri:		
Empire District Electric Co.* ¹	15.5	
Kansas City Power & Light Co. ¹	17.5	
Missouri Edison Co.	8.8	
Missouri Power & Light Co.	9.4	
Missouri Public Service Co.	16.8	
Missouri Utilities Co.	7.2	
St. Joseph Light & Power Co.	12.5	
Union Electric Co. ¹	17.6	
Montana: Montana Power Co. ¹	22.7	
Nevada:		
Nevada Power Co.*	17.2	
Sierra Pacific Power Co. ¹	17.6	
New Hampshire:		
Concord Electric Co.*	6.0	
Connecticut Valley Electric Co., Inc.*	5.1	
Exeter & Hampton Electric Co.*	7.5	
Granite State Electric Co.*	8.1	
Public Service Co. of New Hampshire* ¹	14.3	
White Mountain Power Co.*	10.0	
New Jersey:		
Atlantic City Electric Co.*	19.4	
Jersey Central Power & Light Co.*	20.0	
New Jersey Power & Light Co.*	8.0	
Public Service Electric & Gas Co.	14.0	
Rockland Electric Co.*	11.5	
New Mexico:		
New Mexico Electric Co.*	12.1	
Public Service Co. of New Mexico	19.1	
New York:		
Central Hudson Gas & Electric Corp.	14.6	
Consolidated Edison Co. of N.Y., Inc.	13.1	
Long Island Lighting Co.	14.5	
Long Sault, Inc.	21.6	
New York State Electric & Gas Corp.	15.5	
Niagara Mohawk Power Corp.	11.6	
Orange & Rockland Utilities, Inc.	13.5	
Rochester Gas & Electric Corp.	13.9	
North Carolina:		
Carolina Power & Light Co.* ¹	15.3	
Duke Power Co.* ¹	15.6	
Nantahala Power & Light Co.*	19.2	
Yadkin, Inc.*	11.4	
North Dakota:		
Montana-Dakota Utilities Co. ¹	15.6	
Otter Tail Power Co.* ¹	12.3	
Ohio:		
Cincinnati Gas & Electric Co.	15.2	
Cleveland Electric Illuminating Co.	18.3	
Columbus & Southern Ohio Electric Co.*	15.6	
Dayton Power & Light Co.	14.3	
Ohio Edison Co.	22.9	
Ohio Power Co.*	20.3	
Ohio Valley Electric Corp.*	1.2	
Toledo Edison Co.	16.8	
Oklahoma:		
Oklahoma Gas & Electric Co.* ¹	18.2	
Public Service Co. of Oklahoma*	14.8	
Oregon:		
California-Pacific Utilities Co. ¹	9.3	
Pacific Power & Light Co. ¹	18.7	
Portland General Electric Co.*	17.5	
Pennsylvania:		
Duquesne Light Co.*	21.4	
Hershey Electric Co.*	6.3	
Metropolitan Edison Co.*	15.3	
Pennsylvania Electric Co.* ¹	21.7	
Pennsylvania Power Co.*	16.2	
Pennsylvania Power & Light Co.*	16.4	
Philadelphia Electric Co.	16.2	
Potomac Edison Co. of Pennsylvania*	8.9	
Safe Harbor Water Power Corp.*	20.0	
UGI Corporation	12.2	
West Penn Power Co.*	17.9	
Rhode Island:		
Blackstone Valley Electric Co.*	12.4	
Narragansett Electric Co.*	12.5	
Newport Electric Corp.*	7.9	
South Carolina:		
Lockhart Power Co.	10.9	
South Carolina Electric & Gas Co.	15.7	
South Dakota:		
Black Hills Power & Light Co.* ¹	11.7	
Northwestern Public Service Co.	9.1	
Tennessee:		
Kingsport Power Co.*	5.5	
Tapoco, Inc.* ¹	15.8	
Texas:		
Central Power & Light Co.*	19.8	
Community Public Service Co. ¹	9.2	
Dallas Power & Light Co.*	17.1	
El Paso Electric Co.* ¹	21.8	
Houston Lighting & Power Co.*	18.2	
Southwestern Electric Power Co.* ¹	17.8	
Southwestern Electric Service Co.*	11.5	
Southwestern Public Service Co.* ¹	19.7	
Texas Electric Service Co.*	20.3	
Texas Power & Light Co.*	22.7	
West Texas Utilities Co.*	20.9	
Utah: Utah Power & Light Co.* ¹	17.9	
Vermont:		
Central Vermont Public Service Corp.* ¹	13.0	
Green Mountain Power Corp.*	11.7	
Vermont Electric Power Co., Inc.*	0.8	
Virginia:		
Delmarva Power & Light Co. of Virginia*	12.8	
Old Dominion Power Co.*	5.2	
Potomac Edison Co. of Virginia*	15.3	
Virginia Electric & Power Co.* ¹	19.4	
Washington:		
Puget Sound Power & Light Co.*	14.9	
Washington Water Power Co. ¹	15.0	
West Virginia:		
Appalachian Power Co.* ¹	18.4	
Monongahela Power Co.* ¹	18.4	
Potomac Edison Co. of W. Virginia*	13.5	
Wheeling Electric Co.*	5.0	
Wisconsin:		
Consolidated Water Power Co.*	16.9	
Lake Superior District Power Co. ¹	12.9	
Madison Gas & Electric Co.	8.9	
Northern States Power Co.	11.5	
Superior Water, Light & Power Co.	6.5	
Wisconsin Electric Power Co.	14.2	
Wisconsin Michigan Power Co. ¹	7.8	
Wisconsin Power & Light Co.	14.9	
Wisconsin Public Service Corp. ¹	11.8	
Wisconsin River Power Co.*	23.7	
Wyoming: Cheyenne Light, Fuel & Power Co.		5.0
Alaska: Alaska Electric Light & Power Co.		7.6

Hawaii:

Hawaiian Electric Co., Inc.*	14.5
Hilo Electric Light Co., Ltd.*	10.6
Kauai Electric Co., Ltd.*	1.9
Mauai Electric Co., Ltd.*	8.4

*Companies are either straight electric companies or companies with only nominal operations other than electric.

¹Also operates in adjoining States.

²Also operates in other States.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

AMENDMENT OF THE FOREIGN MILITARY SALES ACT

The PRESIDING OFFICER. Under the previous order, the Chair lays before the Senate the unfinished business, which the clerk will state.

The LEGISLATIVE CLERK. The bill (H.R. 15628) to amend the Foreign Military Sales Act.

Mr. CHURCH. Mr. President, I understand that a unanimous-consent agreement has been entered into providing for the vote on the pending amendment at 11:30 on Wednesday next.

The PRESIDING OFFICER. The Senator is correct.

Mr. CHURCH. I am informed there is a possibility that another amendment, by the distinguished Senator from Delaware (Mr. WILLIAMS), which relates to the military sales aspect of the bill, may be offered, and that an effort may be made to secure a vote on that amendment prior to the Wednesday vote. That, of course, could be done by unanimous consent.

It is further my understanding that the Senate will be in session tomorrow, so that, if the requisite consent can be obtained, it is possible that a vote on the Williams amendment could occur tomorrow.

Several Senators intend to speak tomorrow. As far as is known to the Senator from Idaho, there is no further business to be transacted today.

ADJOURNMENT TO 11 A.M. TOMORROW

Mr. KENNEDY. Mr. President, if there is no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 11 a.m. tomorrow.

The motion was agreed to; and (at 12 o'clock and 50 minutes p.m.) the Senate adjourned until tomorrow, Tuesday, June 2, 1970, at 11 a.m.

NOMINATION

Executive nomination received by the Senate June 1, 1970:

U.S. REPRESENTATIVE TO THE INTERNATIONAL ATOMIC ENERGY AGENCY

T. Keith Glennan, of Virginia, to be the representative of the United States of America to the International Atomic Energy Agency, with the rank of Ambassador.