

STATEMENT OF STEPHEN A. SHEFLER, DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION, BEFORE THE HOUSE MERCHANT MARINE AND FISHERIES COMMITTEE, PANAMA CANAL SUBCOMMITTEE, CONCERNING PANAMA CANAL TREATY IMPLEMENTING LEGISLATION, FEBRUARY 15, 1979

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to discuss with you the views of the Department of Transportation on legislation to implement the provisions of the Panama Canal Treaty of 1977. As President Carter has stated, the legislation to provide for efficient conversion to the new system of Canal operation described in the Treaty should be adopted by May 31, 1979, in order for the new system to be instituted expeditiously and effectively so that it can be in place when the Treaty enters into effect on October 1, 1979.

Since it was first opened to traffic, the Panama Canal has been an important transportation facility, and it will continue to play a major role in meeting U. S. and world transportation needs. Viewed in the short term, the Canal is vital for, among other things, the transport of oil from the Alaskan North Slope to the East Coast and Gulf refineries. And the Canal will continue to provide a necessary supplement to our domestic transportation system, even as we complete development of adequate coast-to-coast pipeline capacity, deepwater ports and land minibridge transportation refinements.

The committee has before it for consideration several bills which differ significantly as to how the Panama Canal Treaty will be implemented. H.R. 111 has been introduced by Chairman Murphy. The Administration has also proposed a bill to implement the Panama Canal Treaty, H.R. 1716, which Chairman Murphy has also kindly introduced. The Department of Transportation supports the Administration's bill, which we believe provides a comprehensive but sufficiently flexible system for implementation of the Treaty. Moreover, a number of the provisions of H.R. 111 are of direct concern to us.

Without going into great detail, I would like to cite a few provisions in H.R. 111 that are of particular concern to DOT:

- H.R. 111 would require that the Panama Canal Commission be an appropriated fund agency, while the Administration bill would establish the Commission as a government corporation. The Department supports the concept of a government corporation as provided for in H.R. 1716. The treaty envisions the Canal as a selfsupporting enterprise in which the management will be gradually shifted to Panama in preparation for final cession to Panama in the year 2000. The past history of the Panama Canal Company has shown that adequate control of such a corporation is achievable, when subject to general policy direction coordinated with interested government departments. Moreover, to establish the Commission as an appropriated fund agency would make the transition from the Panama Canal Company to the Panama Canal Commission more difficult as it would require a change in the structure of the Canal management organization.

- The Administration's bill provides for what DOT considers a fair and reasonable fee for Canal use which is based upon operating costs, including depreciation on certain properties. H.R. 111 would add significant additional costs to Canal tolls by requiring the Panama Canal Commission to pay interest on the net direct investment of the United States. This additional cost could have an adverse impact on Canal traffic.

- H.R. 111 would require that the Department of Defense provide oversight to the Panama Canal Commission, whereas the Administration bill would provide the President with discretion as to where that responsibility should be lodged. While we understand the importance of defense concerns with respect to the Canal, we believe the flexibility provided by the Administration bill is preferable. Conditions change and the President should have the authority to respond to such changes when they occur.

- Under H.R. 111, the membership of the Board of the Panama Canal Commission is so specified as to exclude participation by Administration representatives other than the Department of Defense. The Department of Transportation supports the Administration proposal, which would permit representatives on the Board of more than one interested Federal agency. This would assure that overall U.S. policies could be effectively achieved. It would also permit DOT to be one of the agencies represented on the Board.

Canal matters are important to our overall national transportation policy. If the capacity and efficiency of the Panama Canal are not

maintained, there will have to be additional railroad, highway, and pipeline capacity provided for trade which now uses the Canal. Similarly, as the volume of trade increases in the future and new trade opportunities develop (e.g., the People's Republic of China), many of these trades could be most economically handled through an efficiently operated Panama Canal. Our Midwestern exporters of grain have a vital interest in the maintenance of the Canal as a low cost water route. On the other hand, the handling of containers where speed and certainty of on-time delivery is very important has been moving to minilandbridge service in both directions as an alternative to service through the Canal.

The Panama Canal is a major transportation facility which presents many problems similar to those encountered in the operation of the Saint Lawrence Seaway and other transportation facilities. As the Executive Branch Agency responsible for the overall coordination of transportation policy, DOT should be included within the membership of the Canal Commission's Board. I urge you to consider the latitude in Board appointments provided by the Administration's bill so that DOT will not be legislatively excluded from membership.

The Department of Transportation would expect to be involved in the examination and evaluation of options for future development of the Panama Canal or whatever facilities succeed it. The issues involved must be reviewed both from the point of view of the needs of our domestic

users and as an aid to Panama in its longer range planning for the time after year 2000. This is a challenge that we at the Department of Transportation welcome. Regardless of the particular structure developed for interagency cooperation, DOT's inherent expertise in transportation management, including the correlary capabilities in transportation research, planning, operations and training should be available to the Canal management. In this way DOT can make a significant contribution toward efficient Canal development and operation both in the period to year 2000 and in planning for the period beyond 2000.

This concludes my prepared statement. I will be pleased to answer any questions you may have.

