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| FORM OF DOCUMENT | CORRESPONDENTS OR TITLE                                 | DATE                | RESTRICTION  |
|------------------|---------------------------------------------------------|---------------------|--------------|
| #3 memo          | <del>Sayre to Bundy</del><br>S 1 p <i>open 12-15-99</i> | <del>12/21/64</del> | <del>A</del> |
| #3a memo         | <del>NSAM draft</del><br>S 4 p                          | <del>undated</del>  | <del>A</del> |
| #4 memo          | <del>NSAM draft</del><br>S 4 p                          | <del>undated</del>  | <del>A</del> |
| #4a memo         | <del>NSAM draft</del><br><del>PCI</del> 4 p             | <del>12/16/64</del> | <del>A</del> |
| #7b rpt          | "Panama Canal Treaty Negotiations"<br>S 6 p             | undated             | A            |
| #7c rpt          | Duplicate of #7b                                        |                     |              |
| #7e memo         | Read to Bundy<br>C 3 p                                  | 4/30/65             | A            |
| #8 memo          | For Anderson and Irwin<br>C 3 p                         | undated             | A            |
| #8a memo         | Duplicate of #8                                         |                     |              |
| #9 memcon        | "Canal Negotiations"<br>C 9 p                           | 4/30/65             | A            |

FILE LOCATION

**NSF, NSAM, NSAM 323--Policy Toward Present and Future of the Panama Canal**

**Box 6**

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THE WHITE HOUSE  
WASHINGTON

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January 8, 1965

NATIONAL SECURITY ACTION MEMORANDUM NO. 323

SUBJECT: Policy toward the present and future of the Panama Canal

TO: The Secretary of State  
The Secretary of Defense  
The Director, Central Intelligence Agency  
The Chairman, Atomic Energy Commission  
The Director, Bureau of the Budget  
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaties.

2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in the possible construction of a sea level canal through its territory. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.

3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, at its option, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government, but the door could be left open for it to accept contributions from other sources, both public and private.

4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of

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Authority NSC memo 5/23/78  
By MTT, NARS, Date 6/6/78

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users or of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs. We should seek treaty terms which give to the United States the necessary rights and freedom of action to ensure the effective security of the canal regardless of the actions of the other country or countries.

6. The tolls for a sea level canal would be fixed in such a way as to put the canal on a self-sustaining basis, to pay an annuity to the host government, to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the negotiation with Panama, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the existing canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama governing the present lock canal, based on the retention by the United States of all rights necessary to the effective operation and protection of the canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It should recognize Panama's sovereignty. It should provide for a termination date for rights retained by the United States based on

the operational date of a sea level canal wherever it might be constructed. It should provide for the effective discharge by the United States of its responsibilities for hemispheric defense. The present treaties would, of course, remain in effect until a new agreement is reached.

(3) The new treaty for the existing canal should include adequate provisions to ensure continuation of our military bases and activities in the Canal Zone until the closing of the existing canal, without loss of necessary rights or freedom of action. The treaty should make no distinction between the use of bases for purposes of protection of the canal or for hemispheric security. The agreement should contain appropriate acknowledgment of Panama's contribution to hemispheric security under these arrangements. In addition, arrangements should be included to continue existing U. S. military base rights in the Republic of Panama outside the Canal Zone and to create appropriate status of forces provisions for U. S. servicemen when outside the Zone.

(4) Upon the closing of the existing canal, our military rights under the new treaty as discussed in the preceding paragraph will terminate. Therefore, negotiations should also be started for a base rights and status of forces agreement with Panama, related to hemispheric security, to come into effect upon the closing of the present canal. This new agreement should provide for continuation of U. S. military bases and facilities in the present Zone and outside the Zone in the Republic of Panama, with such changes as are needed. The agreement should also cover whatever new arrangements are needed in connection with the security and defense of the new canal wherever it is located.

(5) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal, but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(6) We will also take every possible step to protect the employment rights and economic security during the transition period of United States citizens now employed in connection with the operation, maintenance, and defense of the present canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

9. In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future:

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period to govern the operation and administration of the present lock canal; and

(3) Agreement on the terms of arrangements for facilities for defense of the existing and sea level canals and for the security of the Hemisphere.

These three problems are intimately interrelated and to the maximum degree practicable, should be addressed simultaneously.

10. NSAM 152 dated April 30, 1962, and NSAM 164 dated June 15, 1962, are rescinded; except paragraph 6 b and c (2) of NSAM 152.

*McGeorge Bundy*

McGeorge Bundy

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NSC Files

Rcpts. nos. 8-13

## OFFICE OF THE WHITE HOUSE PRESS SECRETARY

## THE WHITE HOUSE

REMARKS OF THE PRESIDENT ON THE  
PANAMA CANAL

(AS ACTUALLY DELIVERED AT 4:45 PM EST)

This government has completed an intensive review of policy toward the present and the future of the Panama Canal. On the basis of this review I have reached two decisions.

First, I have decided that the United States should press forward with Panama and other interested governments, in plans and preparations for a sea level canal in this area.

Second, I have decided to propose to the Government of Panama the negotiation of an entirely new treaty on the existing Panama Canal.

These decisions reflect the unanimous judgment of the Secretary of State, the Secretary of Defense, the Joint Chiefs of Staff. They are based on the recommendations of Ambassador Robert Anderson, Secretary Stephen Ailes, Secretary Thomas Mann, and our Ambassador in Panama, Ambassador Jack Vaughn. They have the full support of Mr. Truman and General Eisenhower. They have been reported to, and in most instances sympathetically received by the leadership of the Congress.

These two steps I think are needed now -- needed for the protection and the promotion of peaceful trade -- for the welfare of the hemisphere -- in the true interests of the United States -- and in fairness and justice to all.

For fifty years the Panama Canal has carried ships of all nations in peaceful trade between the two great oceans -- on terms of entire equality and at no profit to this country. The Canal has also served the cause of peace and freedom in two world wars. It has brought great economic contributions to Panama. For the rest of its life the Canal will continue to serve trade, and peace, and the people of Panama.

But that life is now limited. The Canal is growing old, and so are the Treaties for its management, which go back to 1903.

The Panama Canal, with its limiting locks and channels, will soon be inadequate to the needs of our world commerce. Already more than 300 ships built or building are too big to go through with full loads. Many of them -- like our own modern aircraft carriers -- cannot even go through at all.

MORE

(OVER)

So I think it is time to plan in earnest for a sea level canal. Such a canal will be more modern, more economical, and will be far easier to defend. It will be free of complex, costly, vulnerable locks and seaways. It will serve the future as the Panama Canal we know has served the past and the present.

The Congress has already authorized 17 million dollars for studies of possible sites and of the other practical problems of a sea level canal. There seem to be four possible routes -- two in Panama, one in Colombia, and one which goes through Nicaragua and possibly Costa Rica as well.

I have asked the Secretary of State to begin discussions immediately with all the governments concerned with these possible new routes. In these discussions we will be prepared to work on the terms and the conditions of building and operating a new canal, and if preliminary arrangements can be reached, we will be ready to go ahead with selected site surveys.

Last January there was violence in Panama. As I said then, "Violence is never justified and is never a basis for talks."

But while the people of the United States have never made concessions to force, they have always supported fair play and full respect for the rights of others. So from the very first day, as your President, I made it clear that we were ready to sit down and to seek answers, to reason together and to try to find the answers that would be just, fair and right, without precondition or without precommitment on either side.

On that basis, relations between our two countries . negotiations were resumed in April, and on that basis I chose Mr. Robert Anderson, the distinguished former Secretary of the Treasury under President Eisenhower, to be my special Ambassador on this problem. Since then Ambassador Anderson has been working with the American Ambassador, Mr. Vaughn, with the Secretary of the Army, Mr. Ailes, and with Secretary Mann of the State Department. They have recommended that we should propose a new treaty for the existing Canal. After careful review with my senior advisors, I have accepted this recommendation.

Today we have informed the Government of Panama that we are ready to negotiate a new treaty. In such a treaty, we must retain the rights which are necessary for the effective operation and the protection of the Canal, and the administration of the areas that are necessary for these purposes. Such a treaty would replace the Treaty of 1903 and its amendments. It should recognize the sovereignty of Panama. It should provide for its own termination when a sea level canal comes into operation. It should provide for effective discharge of our common responsibilities for hemispheric defense. Until a new agreement is reached, of course, the present treaties will remain in effect.

MORE

In these new proposals, we will take every possible step to deal fairly and helpfully with the citizens of both Panama and the United States who have served so faithfully through the years in operating and maintaining the Canal.

These changes are necessary not because of failure but because of success; not because of backwardness but because of progress. The age before us is an age of larger, faster ships. It is an age of friendly partnership among the nations concerned with the traffic between the oceans. This new age requires new arrangements.

The strength of our American system is that we have always tried to understand and meet the needs of the future. We have been at our best when we have been both bold and prudent in moving forward. The planning of a new canal and the negotiation of a new treaty are just such bold and prudent steps. So let us today in friendship take them together.

END

(4:56 PM EST)

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✓  
OK; hold until  
we hear from  
December 21, 1964 State 3

MEMORANDUM FOR MR. BUNDY

I have asked State and Defense to give me their comments on the attached draft NSAM. State's comments are to include Anderson's views. Since Anderson is in Europe, it may mean we cannot issue a NSAM until the second week in January.

Although we will have to await State and Defense comments, I believe the draft needs clarification on only two points:

1. Provisions in a new treaty with Panama that sanction the hemispheric defense role of US Southcom. This could be taken care of by the language Ailes agreed to in the President's statement.

2. The negotiation of a defense facilities agreement to enter into force upon the closing of the present canal. (Para 3, page 3)

The Army begins with the fact that we have \$750 million in military installations in Panama. It notes estimates that sea-level canal construction in Panama at the present location might be done for \$500 million as opposed to \$1.2 billion in Colombia, for example. It argues that you cannot have a sea-level canal in one country and the defense facilities in another. This leads Army to the conclusion that we should build in the present location because construction in Colombia, for example, would cost \$2.2 billion more than in the present location (\$750 million lost in present facilities, \$750 million at least in comparable replacement facilities, and \$700 million added construction cost).

I do not accept the argument that you cannot have defense installations in one country and the canal in another. I think you could make a persuasive case to the contrary.

As paragraph (3) now stands it provides for retention of present military facilities in Panama after the present canal ceases operation.

I believe paragraph (3) should be deleted or modified so that it does not weight the negotiations and the study of Interoceanic Canal Commission on the side of building the sea-level canal in Panama, preferably at the present location. Instead the negotiations for a defense facilities agreement with Panama should be considered by us to be in the same context as similar proposed agreements with Colombia, Costa Rica and Nicaragua.

  
Robert M. Sayre

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E.O. 12958, Sec. 3.5  
NSC Memo, 1/30/05, State Dept. Guidelines  
By 14, NARA, Date 12-15-99

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THE WHITE HOUSE  
WASHINGTON

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NATIONAL SECURITY ACTION MEMORANDUM NO.

SUBJECT: Policy toward the present and future of the Panama Canal

To: The Secretary of State  
The Secretary of Defense  
The Director of Central Intelligence  
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaty.<sup>es</sup>
2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in having the United States proceed with the surveys authorized by Congress. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.
3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government but the door could be left open to contributions from other sources, both public and private.
4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of users or

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By rg, NARA, Date 12-15-99

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of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs.

6. The tolls would be fixed in such a way as to put the canal on a self-sustaining basis to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the proposal for negotiation of a new treaty governing the present Panama Canal, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the Canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama, based on the retention by the United States of all rights necessary to the operation and protection of the Canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It <sup>should</sup> ~~would~~ recognize Panama's sovereignty ~~over the Canal and would~~ provide for a termination date for rights retained by the United States based on the operational date

it should

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It should provide for the effective discharge by the United States of its responsibilities for hemispheric defense.

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of a sea level canal wherever it might be constructed.↑ The present treaties would, of course, remain in effect until a new agreement is reached.

(3) In connection with the existing lock canal, our two countries have recognized the responsibilities we bear and the contributions we make toward hemispheric defense. In order that both of our nations may continue as allies and partners in the inter-American defense system and to provide for the defense and security of the hemisphere on a basis compatible with the sovereignty, dignity and interest of both countries, negotiations should be started for a new defense facilities agreement to come into effect upon the closing of the present canal.

(4) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(5) We will also take every possible step to protect the employment rights and economic security during the transition period of both the Panamanians and the United States citizens now employed in connection with the operation, maintenance, and defense of the present Canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future:

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period

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*and make adequate provision  
for our Hemisphere defense  
responsibilities*

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to govern the operation, defense and administration of the present lock canal; and

(3) Agreement on the terms of future arrangements for facilities for the defense of the sea level canal and the Hemisphere.

McGeorge Bundy

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THE WHITE HOUSE  
WASHINGTON

*DeLong*

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NATIONAL SECURITY ACTION MEMORANDUM NO.

SUBJECT: Policy toward the present and future of the Panama Canal

To: The Secretary of State  
The Secretary of Defense  
The Director of Central Intelligence  
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaty.
2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in having the United States proceed with the surveys authorized by Congress. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.
3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government but the door could be left open to contributions from other sources, both public and private.
4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of users or

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By rf, NARA, Date 12.15.99

of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs.

6. The tolls would be fixed in such a way as to put the canal on a self-sustaining basis to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the proposal for negotiation of a new treaty governing the present Panama Canal, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the Canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama, based on the retention by the United States of all rights necessary to the operation and protection of the Canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It would recognize Panama's sovereignty over the Canal and would provide for a termination date for rights retained by the United States based on the operational date

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of a sea level canal wherever it might be constructed. The present treaties would, of course, remain in effect until a new agreement is reached.

(3) In connection with the existing lock canal, our two countries have recognized the responsibilities we bear and the contributions we make toward hemispheric defense. In order that both of our nations may continue as allies and partners in the inter-American defense system and to provide for the defense and security of the hemisphere on a basis compatible with the sovereignty, dignity and interest of both countries, negotiations should be started for a new defense facilities agreement to come into effect upon the closing of the present canal.

(4) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(5) We will also take every possible step to protect the employment rights and economic security during the transition period of both the Panamanians and the United States citizens now employed in connection with the operation, maintenance, and defense of the present Canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future;

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period

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- 4 -

to govern the operation, defense and administration of the present lock canal; and

(3) Agreement on the terms of future arrangements for facilities for the defense of the sea level canal and the Hemisphere.

McGeorge Bundy

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12/16/64

4a

This Government has completed an intensive review of policy toward the present and future of the Panama Canal. On the basis of this review I have reached two decisions.

First, I have decided to propose to the Government of Panama the negotiation of an entirely new treaty on the existing Panama Canal.

Second, I have decided that the United States should press forward, with Panama and other interested governments, in plans and preparations for a sea-level canal in this area.

These decisions reflect the unanimous judgment of the Secretary of State, the Secretary of Defense, and the Joint Chiefs of Staff. They are based on the recommendations of Mr. Robert Anderson, Secretary Stephen Ailes, Secretary Thomas Mann, and Ambassador Vaughn. They have the full support of Mr. Truman and General Eisenhower. They have been reported to -- and sympathetically received by -- the Leadership of the Congress.

These two steps are needed now -- in fairness to Panama -- for the protection and promotion of peaceful trade -- for the welfare of the hemisphere -- and in the true interest of the United States.

For fifty years the Panama Canal has carried ships of all nations in peaceful trade between the two great oceans -- on terms of entire equality, and at no profit to this country. The Canal has also served the

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cause of peace and freedom in two world wars. It has brought great economic contributions to Panama. For the rest of its life the Canal will continue to serve trade, and peace, and the people of Panama.

But that life is now limited. The Canal is growing old, and so are the Treaties for its management, which go back to 1903.

The Panama Canal, with its narrow locks and channels, will soon be inadequate to the needs of world commerce. Before very long ships will have to wait in line to go through. Already more than 300 ships built or building are too big to go through with full loads. Many of them -- like our own most modern aircraft carriers -- cannot go through at all.

So it is time to plan in earnest for a sea-level canal. Such a canal will be more modern, more economical, and far easier to defend. It will be free of complex, costly, vulnerable locks and seaways. It will serve the future as the Panama Canal we know has served the past and present.

The Congress has already authorized 17 million dollars for studies of possible sites and of the other practical problems of a sea-level canal. There seems to be four possible routes -- two in Panama, one in Colombia, and one which goes through Nicaragua and possibly Costa Rica as well.

I have asked the Secretary of State to begin discussions with all the governments concerned with these possible new routes. In the discussions we will be prepared to work on the terms and conditions of building and operating a new canal, and if preliminary agreements can be reached, we will

be ready to go ahead with selected site surveys.

But even at the best, it will be a number of years before a new canal is opened. In the meantime it is essential for us in the United States to take full account of the honorable interests of our friends in Panama. Last January there was violence in Panama, but our own reaction was prudent and restrained. We said at once that we were ready to sit down and reason together and talk out our differences as honorable men. On this basis, relations were resumed. The people of the United States have never made concessions to force, but they have always supported fair play and full respect for the rights of others.

In that spirit now we are ready to negotiate with Panama on a new treaty for the existing canal. What we need, and all that we need, in such a treaty, is to retain the rights which are truly necessary for our operation and protection of the canal. Such a treaty would replace the Treaty of 1903 and its amendments. It would recognize the sovereignty of Panama throughout the Canal Zone. It would provide for its own termination when a sea-level canal comes into operation.

I have therefore instructed Secretary Rusk to go forward at once in negotiations with Panama for such a new treaty. Until a new agreement is reached, of course, the present treaties will remain in effect.

In these new proposals, we will take every possible step to deal fairly and helpfully with citizens of both Panama and of the United States who

want to  
feed these  
people to  
Congress

in Pan when  
Cruz + Small  
- Fairness  
Am don V. G. + M  
so in it

have served so faithfully through the years in operating and maintaining the Panama Canal. We will also seek to ensure that our two countries continue in agreement in the contributions which we make towards hemispheric defense -- always on a basis that respects the sovereignty, the dignity, and the interest of both countries.

These changes are necessary not because of failure but because of success; not because of backwardness but because of progress. The age before us is an age of larger, faster ships. It is an age of friendly partnership among the nations concerned with the traffic between the oceans. This new age requires new arrangements.

The strength of our American system is that we have always tried to understand and meet the needs of the future. We have been at our best when we have been both bold and prudent in moving forward. The planning of a new canal, and the negotiation of a new treaty, are just such bold and prudent steps. Let us take them together.

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By gpl/mie NARA, Date 2/7/92

May 7, 1965

MEMORANDUM FOR MR. McGEORGE BUNDY  
THE WHITE HOUSE

Subject: Sea Level Canal

I am in general agreement with the main thrust of the proposed instructions to Bob Anderson and Jack Irwin regarding negotiations with Panama. I however wish to call your attention to the following points:

First. While we should tell the Panamanians that we will attempt to finish our negotiations with them before approaching any other government, after this is done it will be necessary to negotiate with either Colombia or Costa Rica-Nicaragua in order to be able to conduct two separate site surveys as Congress intended. The Panamanians should understand this.

Second. I have made oral commitments to a number of Congressmen that we will keep the appropriate Committees fully informed at all times and will show them texts that we intend to submit to foreigners before they are shown to foreigners. We should be very sure that Congress is going along with us at all stages of the negotiations. This is largely a matter of time and effort on the Hill.

Third. Colombia and Costa Rica-Nicaragua fully understand that we have a special relationship to Panama and will not I believe be greatly disappointed if we negotiate with Panama first. They need only be told that we will be talking to them later.

CONFIDENTIAL

CONFIDENTIAL

-2-

It has always been my opinion that the Congress and the American people will go along with anything reasonable in terms of altering our rights in the Canal Zone, provided we can say that it is a wasting asset and that we will construct a trans-isthmian canal to take its place. I think we can -- if Congress is previously informed -- make a great many concessions now, to be effective on the signing of the necessary treaties, but that we should not do anything to impair our effective control of operations until the site survey is concluded and we are absolutely sure that the new canal will be built.

I am unclear as to what the phrase "more direct participation by Panama in the management of the Canal and in the Canal revenues" means. Perhaps this should be spelled out in more detail.

  
Thomas C. Mann

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DEPARTMENT OF THE ARMY  
OFFICE OF THE UNDER SECRETARY  
WASHINGTON, D.C. 20310

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5 May 1965

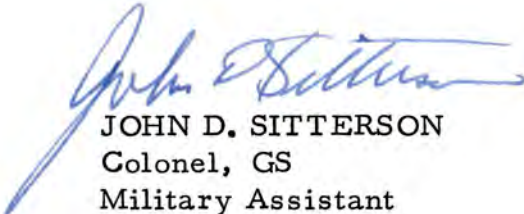
MEMORANDUM FOR: Mr. Bromley Smith  
Office of the Special Assistant to the  
President for National Security Affairs  
Room 368  
Executive Office Building

With reference to the meetings on the negotiations with Panama, Secretary Ailes asked that we send over, for Mr. Bundy, copies of the inclosed study, which goes along with Mr. Irwin's proposed memorandum.

Mr. Irwin has been consulted and has been furnished a copy.

Because of the limited time, there has been no coordination with or concurrence by the Joint Chief of Staff or the Governor of the Canal Zone.

Incl  
a/s

  
JOHN D. SITTERSON  
Colonel, GS  
Military Assistant

"Regraded Unclassified when separated  
from Classified Inclosures."

~~SECRET~~

~~SECRET~~

5 May 1965

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from Classified Inclosures."

~~SECRET~~



DEPARTMENT OF STATE  
WASHINGTON

1864

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IN REPLY REFER TO:

To Mr. Bromley K. Smith, Executive Secretary of the  
National Security Council, White House.

May 5, 1965 1 p.m.

Dear Brom:

Here is our contribution, which has  
been carefully coordinated with the officers of  
Secretary Ailes' staff by Mr. Irwin and Ed Smith.  
We hope that this document can be signed or initialled  
as instructions to the negotiators.

Secretary Ailes' staff is sending over  
separately a background memorandum which is a re-write  
of the memo we used in our discussion with you on  
Monday, May 3. This re-write has also been fully  
coordinated with us and we believe it will be very  
useful in coming to the decision to authorize the  
draft instructions to the negotiators.

Ever yours,

*Bob*  
RFW

MEMORANDUM FOR: M - Mr. Mann SR/PAN:NY - Ambassador Anderson  
ARA - Mr. Vaughn SR/PAN - Mr. Irwin

THROUGH: ARA/PAN - Mr. Clark

FROM: ARA/SR/PAN - Robert F. Woodward *RFW*

SUBJECT: Recommendation that Panama Canal Company Study  
Revision of Tolls System

After a month's restudy of Canal matters, I have been so impressed with the number of problems that might be greatly eased by a better tolls system (bases on value of merchandise) and by a larger income from the Canal, that I recommend that the Department recommend to Secretary Ailes that he request the Canal Company to make a thorough study to determine the fairest and best system of tolls. Seventy-two million tons of cargo transitted the Canal in 1964; tolls were \$62.5 million USCy; and it would be reasonable to expect an average increase in tolls that would increase income by at least \$40 million per annum.

The following advantages could be gained from a changed toll system and from increased income:

1. The toll system could be made much fairer than it is now. Today, the same rate - \$0.90 cents a long ton - applies on United States coal or Chilean iron ore that is valued at \$10 a ton as on Japanese television sets that are valued at over \$5,000 a ton. This obviously favors the industrialized nations, and an UNCTAD exponent could argue that this is contrary to the Hay-Pauncefote Treaty which guarantees equal Canal privileges to all nations.

2. A system of tolls based on value of merchandise - which I believe would be entirely feasible to administer - would make it possible to lower tolls substantially on low value cargo and on ships in ballast - while raising tolls on more costly merchandise, thus (a) conforming to the political desirability of assisting less-developed countries which produce raw materials, (b) helping all commerce in low-value merchandise, including our own coal and oil commerce, and, (c) helping the steamship lines that cannot charge high freight rates on low-value merchandise. (This cargo is now carried largely by foreign-flag vessels, since United States flag ships cannot compete for low-rate cargo.)

3. A substantially higher income from the Canal would make a sea level canal a much more attractive investment, and an investment that could be amortized within a reasonable number of years. It would be possible, similarly, to amortize the remaining 'investment' in the present Panama Canal.

4. I believe profit from the Canal (after costs, amortization and reserves) should be divided with the Government of Panama and that this new dispensation should be accompanied by a Panamanian Government unilateral declaration that the additional income would be used for the benefit of all the people of Panama in ways (particularly education) that are consistent with the Alliance for Progress - thus working toward realization of the old dream that Panama may become a "showcase" of the benefits of cooperation with the United States. (The average income is still only \$450 per capita.)

5. The division

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- 2 -

5. The division of higher income from the present Canal with the Government of Panama would make it easier to negotiate a treaty that would enable the United States to continue the practical exercise of controls in the Canal Zone until a sea level canal can be built and put into operation, thus resolving many of the present problems by getting a sea level canal into operation as soon as possible.

6. If the Panama Government has the prospect of higher earnings from an eventual sea level canal because of lower costs of operation (and I recommend that the use of Panamanian territory be considered as justifying payment of at least 40% after costs, amortization, reserves, etc.,) Panama would be more eager to have the Canal built with nuclear energy because this would cost less and there would be less amortization to interfere with Panamanian income.

7. I believe that these steps - made possible by a change in the tolls system - would enable us to make a new effort to maintain a better working relationship with Panama on a basis of more equal participation in the actual income if not the operation of the present canal. This action would be consistent with the political courage already demonstrated by the Administration in the President's precedent-shattering statement of December 18, 1964 and would enable us to consolidate a new relationship with Panama while we have the leadership that is capable of putting these measures into effect.

I am convinced that a new canal tolls system should be based on 'value' of merchandise. It should not be difficult to put such a system into effect and operate it. The computing officers of the Canal Company could be directed to apply a lenient pricing system without deliberately under-valuing. Under a system of tolls based on 'value' it would of course be possible to have graduated rates with lower rates on cargo of low value per ton (such as coal and iron ore) in a way that is consistent with the prevailing system of applying ocean freight rates.

The annual report of the Panama Canal Company lists the types of cargo transitting the Canal, and the latest list - for 1963 - is attached under Tab A. The present tolls system provides that \$0.72 a long ton shall be paid for the total cargo capacity of ships in ballast (calculated on a basis that results in counting only true cargo capacity, which is less than net registered tonnage) and \$0.90 a long ton for the total true cargo capacity of any ship that has any cargo on board.

I have listed all of these cargo categories according to their approximate value per ton, using low estimates where exact prices or exact categories were not available. These cargo categories and the 1963 quantities are listed under Tab B.

On the basis of this information (the information on prevailing prices and particular types of cargo should be obtained much more thoroughly, since I prepared this all myself from crude data I obtained from the Panama Canal Company, the Department of Commerce, the Department of the Interior, and the Federal Maritime Commission), I devised six hypothetical tolls systems based on values of merchandise, with a sliding scale in each system which provides for lower rates on ships in ballast and on low-value cargo while obtaining increased income by applying varying degrees of higher tolls on cargo with higher value per ton. These six hypothetical tolls systems are presented under Tab C. (Obviously, many other variations could have been prepared, and the hypothetical tolls systems I present as samples are, in general, conservative.) All of the

six

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six hypothetical tolls systems I present with this memorandum have the features that (a) they would bring a substantially increased yield, and probably much more than indicated in each instance because of the low-value estimates I have used, (b) they provide that the lowest value merchandise would pay a toll of no more than 5% (or, in some cases, 4%) of its value, and (c) they all provide for obtaining higher tolls, in varying degree, from cargo of higher value.

The idea of applying the toll in relationship to value of cargo, for cargo in the highest price ranges, is entirely consistent with ocean freight rates - which can be seen to vary in direct relationship with the value of cargo when there is no difference in the nature of the cargo for purposes of handling. An example is antimony ore, which has a graduated ocean freight rate (from Chile and Peru to U.S. East Coast and Gulf ports) in accordance with the value of the ore - from a rate of \$22 a ton for ore valued at less than \$375 a ton, to \$24 a ton for ore valued up to \$1000 a ton, to \$32 a ton for ore valued up to \$1900 a ton, to \$34 or 1 1/2% of value, whichever is higher, for each ton of ore valued over \$1900 a ton. Another example is chicle, shipped from Colombia to U.S. Atlantic ports, on which the ocean freight rate is \$70 a ton or 3 3/4% ad valorem, whichever is higher.

Except in the case of very low-value cargo, such as coal and iron ore, the present Canal toll is a very small part of the delivered cost of the merchandise. For example, with Chilean electrolytic copper selling for about \$0.35 a pound, the toll is 11/100 of 1 percent of this price. The toll is also a very small part of the shipping cost of most cargo, particularly by "Conference" vessels whose shipping rates average - on the Far East and West Coast South America routes - from 20 to 200 times the Canal toll. Even the single small item of the standard 15% discount from ocean freight rates granted to shippers who sign a contract to use "Conference" vessels, is three to five times the Canal toll. Examples of ocean freight rates between U.S. ports and Far Eastern ports, and between U.S. ports and West Coast South America ports are given on Tab D.

The comparative disregard for the Panama Canal toll as a factor in establishing ocean freight rates and port charges and handling charges - and in varying these charges from month to month and year to year - is revealed in the fact that the rates from West Coast South America to U.S. Pacific Coast ports (where no transit of the Canal is required) are in many instances higher than the rates to U.S. East Coast ports where transitting the Canal is required. For example, the ocean freight rate for fish meal from Peruvian ports to U.S. Pacific Coast ports is \$28 a ton and to U.S. East Coast and Gulf ports \$24 a ton (just reduced from \$26). Ocean insurance is usually much more than the Canal toll. The toll, in fact, is considerably less than such varying charges as the standard scale of charges per ton for handling shipments that are shipped in large pieces.

I have obtained from the Panama Canal Company a sketchy report which was prepared by the Stanford Research Institute on the question of the effect that could be expected from hypothetical substantial increases in tolls. The preparation of the report was handicapped by the fact that the Institute was asked not to reveal that it was making the study. The study expressed the view that very large increases in tolls (three, four, or more times present tolls) would not affect most shipments through the Canal, but that some limited types of cargo - particularly in U.S. inter-coastal trade where railroad rates are very close to present ocean freight rates - might be diverted even if tolls were only doubled!

For purposes

For purposes of comparison with the Suez Canal, it should be mentioned that the Suez Canal (a) has cost, to build and improve, about one-third of the cost of the Panama Canal, (b) it costs comparatively little to operate because it has no locks, and (c) it has three times the traffic of the Panama Canal. Its rates are \$0.99 per ton of cargo and \$0.44 per ton for ships in ballast, and it does not use as generous a system of calculating cargo capacity as is used by the Panama Canal Company.

If Panama Canal tolls were raised, some cargo from the Philippine Republic to United States East Coast ports might go through the Suez Canal and some U.S. inter-coastal freight might move by railroad. In the main, however, the saving in ocean distance and steamship operation is so great from using the Panama Canal (as shown under Tab E) that most of the present trade would be only imperceptibly affected. Shipping lines might make it an excuse for raising ocean freight rates, but this would be only a pretext in most instances, since port and other charges are constantly fluctuating by greater amounts. For example, a ruling was recently posted by all "Conference" steamship lines operating to the Far East that an additional port fee of \$5 a ton would be charged on all merchandise going to Manila. No explanation was given.

There might be a protest from Chile because the toll would be raised on electrolytic and blister copper by about  $1/4$  to  $1/2$  of  $1\%$  of the value. Since this semi-processed copper is selling for \$0.35 a pound, it is valued at over \$700 a ton. (A modest reduction in Chilean port fees could quickly compensate for our increased toll!)

The total cargo transitting the Canal in the 1964 Fiscal Year had a value, at point of shipment, of over \$8 billion USCy. Ocean freight on this was over \$1.2 billion USCy. - at a minimum of \$20 a ton. The toll was \$62 million (or, expressed in the same terms, \$0.062 billion).

U.S. flag vessels transport less than 17% of the cargo that transits the Canal. For convenient reference, there is attached (Tab F) a listing of nations that (a) have the most tonnage of national flag vessels transitting the Canal, (b) have the most tonnage of cargo transitting the Canal - both exports and imports, and finally (c) the nations that are the most dependent upon the Canal, in terms of total tonnage of cargo imports and exports which transit the Canal per capita of their total population.

## PACIFIC TO ATLANTIC

| PRODUCT                                  | TONS       |
|------------------------------------------|------------|
| Ores, various                            | 7,036,000  |
| Lumber                                   | 3,833,000  |
| Sugar                                    | 2,121,000  |
| Petroleum and products <sup>1</sup>      | 1,809,000  |
| Metals, various                          | 1,107,000  |
| Bananas                                  | 1,083,000  |
| Fishmeal                                 | 1,042,000  |
| Canned food products                     | 1,011,000  |
| Food in refrigeration (excludes bananas) | 950,000    |
| Manufactures of iron and steel           | 856,000    |
| Wheat                                    | 779,000    |
| Nitrate of soda                          | 697,000    |
| Pulpwood                                 | 496,000    |
| Barley                                   | 438,000    |
| Coffee                                   | 432,000    |
| Cotton, raw                              | 366,000    |
| Oilseeds                                 | 305,000    |
| Wool                                     | 281,000    |
| Rice                                     | 215,000    |
| Copra                                    | 195,000    |
| Fruit, fresh (excludes bananas)          | 194,000    |
| Borax                                    | 188,000    |
| Paper and paper products                 | 180,000    |
| Oil, fish                                | 177,000    |
| Chemicals, unclassified                  | 174,000    |
| Molasses                                 | 157,000    |
| Phosphate                                | 156,000    |
| Oats                                     | 148,000    |
| Oil, coconut                             | 142,000    |
| Grains, other and unclassified           | 140,000    |
| Textiles                                 | 130,000    |
| Chemicals, petroleum                     | 125,000    |
| Rubber, crude                            | 101,000    |
| Fruit, dried                             | 95,000     |
| Coal and coke                            | 89,000     |
| Porcelainware                            | 83,000     |
| Flour, wheat                             | 82,000     |
| Liquors and wines                        | 73,000     |
| Peas, dry                                | 72,000     |
| Beans, edible                            | 68,000     |
| Machinery                                | 57,000     |
| Vegetables, dry                          | 51,000     |
| Skins and hides                          | 49,000     |
| Seeds, except oilseeds                   | 48,000     |
| Infusorial earth                         | 46,000     |
| Rubber, manufactured                     | 39,000     |
| Electrical machinery and apparatus       | 35,000     |
| Oil, whale                               | 34,000     |
| Oil, vegetable                           | 34,000     |
| Cocoa and cacao beans                    | 34,000     |
| Bricks and tile                          | 32,000     |
| Jute                                     | 29,000     |
| Sulfur                                   | 28,000     |
| Groceries, unclassified                  | 25,000     |
| Tallow                                   | 24,000     |
| Asbestos                                 | 23,000     |
| Glass and glassware                      | 22,000     |
| Fertilizers, unclassified                | 21,000     |
| Hemp                                     | 20,000     |
| Potash                                   | 20,000     |
| All other                                | 864,000    |
| Total Pacific to Atlantic                | 29,161,000 |

<sup>1</sup>Excludes asphalt

**PRINCIPAL PRODUCTS SHIPPED THROUGH PANAMA CANAL - 1963**

**ATLANTIC TO PACIFIC**

| <b>PRODUCT</b>                           | <b>TONS</b>       |
|------------------------------------------|-------------------|
| Petroleum and products <sup>1</sup>      | 10,828,000        |
| Coal and coke                            | 5,172,000         |
| Phosphate                                | 1,803,000         |
| Metal, scrap                             | 1,700,000         |
| Soybeans                                 | 1,446,000         |
| Corn                                     | 1,310,000         |
| Manufactures of iron and steel           | 1,282,000         |
| Sugar                                    | 774,000           |
| Ores, various                            | 771,000           |
| Chemicals, unclassified                  | 565,000           |
| Wheat                                    | 468,000           |
| Machinery                                | 422,000           |
| Cotton, raw                              | 341,000           |
| Paper and paper products                 | 340,000           |
| Fertilizers, unclassified                | 334,000           |
| Automobiles and parts                    | 309,000           |
| Metals, various                          | 299,000           |
| Sulfur                                   | 285,000           |
| Flour, wheat                             | 271,000           |
| Ammonium compounds                       | 225,000           |
| Canned food products                     | 194,000           |
| Tinplate                                 | 182,000           |
| Asphalt                                  | 167,000           |
| Grains, other and unclassified           | 159,000           |
| Chemicals, petroleum                     | 147,000           |
| Rice                                     | 145,000           |
| Potash                                   | 144,000           |
| Pulpwood                                 | 125,000           |
| Cement                                   | 123,000           |
| Oil, vegetable                           | 116,000           |
| Asbestos                                 | 115,000           |
| Soda and sodium compounds                | 110,000           |
| Glass and glassware                      | 106,000           |
| Rubber, manufactured                     | 97,000            |
| Liquors and wines                        | 91,000            |
| Coffee                                   | 91,000            |
| Resin                                    | 85,000            |
| Electrical machinery and apparatus       | 77,000            |
| Molasses                                 | 67,000            |
| Textiles                                 | 67,000            |
| Food in refrigeration (excludes bananas) | 63,000            |
| Clay                                     | 60,000            |
| Agricultural implements                  | 58,000            |
| Slag                                     | 49,000            |
| Tallow                                   | 48,000            |
| Salt                                     | 47,000            |
| Lumber                                   | 47,000            |
| Tobacco and manufactures                 | 41,000            |
| Groceries, unclassified                  | 40,000            |
| Wax, paraffin                            | 39,000            |
| Marble and stone                         | 38,000            |
| Bricks and tile                          | 34,000            |
| Railroad materials                       | 30,000            |
| Carbon black                             | 26,000            |
| Skins and hides                          | 25,000            |
| Creosote                                 | 25,000            |
| Cocoa and cacao beans                    | 23,000            |
| Paints and varnish                       | 22,000            |
| Floor coverings                          | 20,000            |
| All other                                | 998,000           |
| <b>Total Atlantic to Pacific</b>         | <b>33,086,000</b> |

<sup>1</sup>Excludes asphalt

Principal Products Transitting Canal - 1963

Classified by Value per Ton - Approx.



| <u>VALUE<br/>CLASSIFICATION</u> | <u>TONS<br/>ATLANTIC<br/>TO<br/>PACIFIC</u> | <u>TONS<br/>PACIFIC<br/>TO<br/>ATLANTIC</u> | <u>TOTAL<br/>TONS</u> | <u>APPROX.<br/>TOTAL<br/>VALUE</u> |
|---------------------------------|---------------------------------------------|---------------------------------------------|-----------------------|------------------------------------|
| Ballast                         | 4,499,537                                   | 4,762,559                                   | 9,262,096             |                                    |
| <u>\$0 to \$10 A Ton</u>        |                                             |                                             |                       |                                    |
| Coal \$10                       | 4,000,000                                   | 60,000                                      | 4,060,000             | \$40,600,000.                      |
| Ores, Various \$10              | 771,000                                     | -                                           | 771,000               | \$ 7,110,000.                      |
| Slag \$10                       | 49,000                                      |                                             | 49,000                | \$ 490,000.                        |
| Marble, Stone \$10              | 38,000                                      |                                             | 38,000                | \$ 380,000.                        |
|                                 |                                             |                                             | <u>4,858,000</u>      | <u>\$48,580,000.</u>               |
| <u>From \$11 to \$20 A Ton</u>  |                                             |                                             |                       |                                    |
| Petroleum \$20                  | 10,828,000                                  | 1,809,000                                   | 12,637,000            | \$252,740,000.                     |
| Clay \$15                       | 60,000                                      |                                             | 60,000                | 900,000.                           |
| Salt \$15                       | 47,000                                      |                                             | 47,000                | 705,000.                           |
| Ores, Various \$15              |                                             | 7,036,000                                   | <u>7,036,000</u>      | <u>105,540,000.</u>                |
|                                 |                                             |                                             | <u>19,780,000</u>     | <u>\$359,885,000.</u>              |
| <u>From \$21 to \$30 A Ton</u>  |                                             |                                             |                       |                                    |
| Oats \$25                       |                                             | 148,000                                     | 148,000               | \$ 3,700,000.                      |
| Bricks tile \$30                | 34,000                                      | 32,000                                      | 66,000                | 1,980,000.                         |
| Coke \$30                       | 1,172,000                                   | 29,000                                      | 1,201,000             | 36,030,000.                        |
| Sulphur \$27                    | 285,000                                     | 28,000                                      | 213,000               | 5,751,000.                         |
| Cement \$30                     | 123,000                                     |                                             | 123,000               | 3,690,000.                         |
| Infusorial earth \$30           | 46,000                                      |                                             | 46,000                | 1,380,000.                         |
| Phosphate \$26                  | 1,803,000                                   | 156,000                                     | <u>1,959,000</u>      | <u>50,934,000.</u>                 |
|                                 |                                             |                                             | <u>3,755,000</u>      | <u>\$103,465,000.</u>              |
| <u>From \$31 to \$40 A Ton</u>  |                                             |                                             |                       |                                    |
| Ammonium \$32                   | 225,000                                     |                                             | 225,000               | \$ 7,200,000.                      |
| Potash \$31                     | 145,000                                     | 20,000                                      | 165,000               | 5,115,000.                         |
| Metal Scrap \$40                | 1,700,000                                   |                                             | 1,700,000             | 68,000,000.                        |
| Grains, Various \$40            | 159,000                                     | 140,000                                     | <u>299,000</u>        | <u>11,960,000.</u>                 |
|                                 |                                             |                                             | <u>2,389,000</u>      | <u>\$92,275,000.</u>               |
| <u>From \$41 to \$50 A Ton</u>  |                                             |                                             |                       |                                    |
| Corn \$44                       | 1,310,000                                   |                                             | 1,310,000             | \$57,640,000.                      |
| Fertilizers \$50                | 334,000                                     | 21,000                                      | 355,000               | 17,750,000.                        |
| Asphalt \$47                    | 167,000                                     |                                             | 167,000               | 7,849,000.                         |
| Fish Meal \$50                  | 1,042,000                                   |                                             | 1,042,000             | 52,100,000.                        |
| Intrate \$48                    | 697,000                                     |                                             | 697,000               | 33,456,000.                        |
| Barley \$42                     | 438,000                                     |                                             | 438,000               | 18,396,000.                        |
| Borax \$50                      | 188,000                                     |                                             | <u>188,000</u>        | <u>9,400,000.</u>                  |
|                                 |                                             |                                             | <u>4,197,000</u>      | <u>\$196,591,000.</u>              |

| <u>VALUE<br/>CLASSIFICATION</u>  | <u>TONS<br/>ATLANTIC<br/>TO<br/>PACIFIC</u> | <u>TONS<br/>PACIFIC<br/>TO<br/>ATLANTIC</u> | <u>TOTAL<br/>TONS</u> | <u>APPROX.<br/>TOTAL<br/>VALUE</u> |    |
|----------------------------------|---------------------------------------------|---------------------------------------------|-----------------------|------------------------------------|----|
| <u>From \$51 to \$60 a ton</u>   |                                             |                                             |                       |                                    |    |
| Molasses \$60                    |                                             | 157,000                                     | 157,000               | \$ 9,420,000.                      |    |
| <u>From \$61 to \$70 a ton</u>   |                                             |                                             |                       |                                    |    |
| Bananas \$66                     | 1,083,000                                   |                                             | 1,083,000             | \$71,478,000.                      |    |
| <u>From \$71 to \$80 a ton</u>   |                                             |                                             |                       |                                    |    |
| Wheat \$72                       | 468,000                                     | 779,000                                     | 1,247,000             | \$89,784,000.                      |    |
| Lumber \$75                      | 57,000                                      |                                             | <u>47,000</u>         | <u>3,525,000.</u>                  |    |
|                                  |                                             |                                             | 1,294,000             | \$93,309,000.                      |    |
| <u>From \$81 to \$90 a ton</u>   |                                             |                                             |                       |                                    |    |
| Molasses \$88                    | 67,000                                      |                                             | 67,000                | \$5,896,000.                       |    |
| Creosote \$88                    | 25,000                                      |                                             | <u>25,000</u>         | <u>2,200,000.</u>                  |    |
|                                  |                                             |                                             | 92,000                | \$8,096,000.                       |    |
| <u>From \$91 to \$100 a ton</u>  |                                             |                                             |                       |                                    |    |
| Soybeans \$100                   | 1,446,000                                   |                                             | 1,446,000             | \$144,600,000.                     |    |
| Chemicals, Uncl. \$100           | 565,000                                     | 174,000                                     | 739,000               | 56,500,000.                        | 1/ |
| Chemicals, Petrol. \$100         | 147,000                                     |                                             | 147,000               | 14,700,000.                        |    |
| Miscellaneous \$100              | 998,000                                     | 864,000                                     | 1,862,000             | 186,200,000.                       |    |
| Lumber \$100                     | 3,833,000                                   |                                             | 3,833,000             | 383,300,000.                       |    |
| Fruit, fresh \$100               | 194,000                                     |                                             | 194,000               | 19,400,000.                        |    |
| Seeds, misc. \$100               | 48,000                                      |                                             | <u>48,000</u>         | <u>4,800,000.</u>                  |    |
|                                  |                                             |                                             | 8,269,000             | \$809,500,000.                     |    |
| <u>From \$101 to \$110 a ton</u> |                                             |                                             |                       |                                    |    |
| <u>From \$111 to \$120 a ton</u> |                                             |                                             |                       |                                    |    |
| Pulpwood \$120                   | 125,000                                     |                                             | 125,000               | \$15,000,000.                      |    |
| <u>From \$121 to \$130 a ton</u> |                                             |                                             |                       |                                    |    |
| Pulpwood \$125                   |                                             | 496,000                                     | 496,000               | \$62,000,000.                      |    |
| Wheat flour \$130                | 271,000                                     | 82,000                                      | 353,000               | 45,890,000.                        |    |
| Tallow \$130                     | 48,000                                      | 24,000                                      | <u>72,000</u>         | <u>9,360,000.</u>                  |    |
|                                  |                                             |                                             | 921,000               | \$117,250,000.                     |    |

1/ Correction of this error in multiplication, which would require a large amount of retyping on the six charts of Tab C, has been left undone because the error has the effect only of making the estimates of hypothetical tells more conservative.

RFW

| <u>VALUE<br/>CLASSIFICATION</u>  | <u>TONS<br/>ATLANTIC<br/>TO<br/>PACIFIC</u> | <u>TONS<br/>PACIFIC<br/>TO<br/>ATLANTIC</u> | <u>TOTAL<br/>TONS</u> | <u>APPROX.<br/>TOTAL<br/>VALUE</u> |
|----------------------------------|---------------------------------------------|---------------------------------------------|-----------------------|------------------------------------|
| <u>From \$131 to \$140 a ton</u> |                                             |                                             |                       |                                    |
| Sugar \$132                      | 774,000                                     | 2,121,000                                   | 2,895,000             | \$382,140,000.                     |
| Wax, paraffin \$132              | 39,000                                      |                                             | 39,000                | 5,148,000.                         |
| Carbon black \$132               | 26,000                                      |                                             | 26,000                | 3,432,000.                         |
|                                  |                                             |                                             | <u>2,960,000</u>      | <u>\$390,720,000.</u>              |
| <u>From \$141 to \$150 a ton</u> |                                             |                                             |                       |                                    |
| Paper Products \$150             | 340,000                                     | 180,000                                     | 520,000               | \$78,000,000.                      |
| Metals, various \$150            | 299,000                                     | 1,107,000                                   | 1,406,000             | 210,900,000.                       |
| Canned Food \$150                | 194,000                                     | 1,011,000                                   | 1,205,000             | 180,750,000.                       |
| Asbestos \$150                   | 115,000                                     |                                             | 115,000               | 17,250,000.                        |
| Soda, sodium \$150               | 110,000                                     |                                             | 110,000               | 16,500,000.                        |
| Refrig. food \$150               | 63,000                                      |                                             | 63,000                | 9,450,000.                         |
| Groceries \$150                  | 40,000                                      | 25,000                                      | 65,000                | 9,750,000.                         |
| Oilseeds \$150                   |                                             | 305,000                                     | 305,000               | 45,750,000.                        |
| Chemicals, pet. \$150            |                                             | 125,000                                     | 125,000               | 18,750,000.                        |
| Dried fruit \$150                |                                             | 95,000                                      | 95,000                | 14,250,000.                        |
| Dry peas \$150                   |                                             | 72,000                                      | 72,000                | 10,800,000.                        |
| Beans \$150                      |                                             | 68,000                                      | 68,000                | 10,200,000.                        |
| Dry vegetables \$150             |                                             | 51,000                                      | 51,000                | 7,650,000.                         |
| Asbestos \$150                   |                                             | 23,000                                      | 23,000                | 3,450,000.                         |
|                                  |                                             |                                             | <u>4,223,000</u>      | <u>\$633,450,000.</u>              |
| <u>From \$151 to \$160 a ton</u> |                                             |                                             |                       |                                    |
| <u>From \$161 to \$170 a ton</u> |                                             |                                             |                       |                                    |
| <u>From \$171 to \$180 a ton</u> |                                             |                                             |                       |                                    |
| Rice \$175                       | 145,000                                     | 215,000                                     | 360,000               | \$63,000,000.                      |
| <u>From \$191 to \$200 a ton</u> |                                             |                                             |                       |                                    |
| Vegetable oil \$200              | 116,000                                     | 34,000                                      | 150,000               | \$ 30,000,000.                     |
| RR materials \$200               | 30,000                                      |                                             | 30,000                | 6,000,000.                         |
| Refrig. foods \$200              |                                             | 950,000                                     | 950,000               | 190,000,000.                       |
| Hemp \$200                       |                                             | 20,000                                      | 20,000                | 4,000,000.                         |
|                                  |                                             |                                             | <u>1,150,000</u>      | <u>\$230,000,000.</u>              |
| <u>From \$210 to \$220 a ton</u> |                                             |                                             |                       |                                    |

| <u>VALUE</u><br><u>CLASSIFICATION</u> |       | <u>TONS</u><br><u>ATLANTIC</u><br><u>TO</u><br><u>PACIFIC</u> | <u>TONS</u><br><u>PACIFIC</u><br><u>TO</u><br><u>ATLANTIC</u> | <u>TOTAL</u><br><u>TONS</u> | <u>APPROX.</u><br><u>TOTAL</u><br><u>VALUE</u> |
|---------------------------------------|-------|---------------------------------------------------------------|---------------------------------------------------------------|-----------------------------|------------------------------------------------|
| <u>From \$221 to \$230 a ton</u>      |       |                                                               |                                                               |                             |                                                |
| Copra                                 | \$220 |                                                               | 195,000                                                       | 195,000                     | \$42,900,000.                                  |
| Jute                                  | \$220 |                                                               | 29,000                                                        | <u>29,000</u>               | <u>6,380,000.</u>                              |
|                                       |       |                                                               |                                                               | 224,000                     | \$49,280,000.                                  |

From \$231 to \$240 a ton

From \$241 to \$250 a ton

|          |       |         |         |                |                    |
|----------|-------|---------|---------|----------------|--------------------|
| Tinplate | \$250 | 182,000 |         | 182,000        | \$45,500,000.      |
| Fish Oil | \$250 |         | 177,000 | <u>177,000</u> | <u>44,250,000.</u> |
|          |       |         |         | 359,000        | \$89,750,000.      |

From \$251 to \$260 a ton

From \$261 to \$270 a ton

From \$271 to \$280 a ton

From \$281 to \$290 a ton

From \$291 to \$300 a ton

|           |       |  |        |        |               |
|-----------|-------|--|--------|--------|---------------|
| Whale Oil | \$300 |  | 34,000 | 34,000 | \$10,200,000. |
|-----------|-------|--|--------|--------|---------------|

From here on, price classification headings are omitted when no cargo is shown in a ten-dollar price span.

From \$341 to \$350 a ton

|             |       |  |         |         |               |
|-------------|-------|--|---------|---------|---------------|
| Cocomut Oil | \$350 |  | 142,000 | 142,000 | \$49,700,000. |
|-------------|-------|--|---------|---------|---------------|

| <u>VALUE</u><br><u>CLASSIFICATION</u> | <u>TONS</u><br><u>ATLANTIC</u><br><u>TO</u><br><u>PACIFIC</u> | <u>TONS</u><br><u>PACIFIC</u><br><u>TO</u><br><u>ATLANTIC</u> | <u>TOTAL</u><br><u>TONS</u> | <u>APPROX.</u><br><u>TOTAL</u><br><u>VALUE</u> |
|---------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|-----------------------------|------------------------------------------------|
| <u>From \$391 to \$400 a ton</u>      |                                                               |                                                               |                             |                                                |
| Hides & Skins \$400                   | 25,000                                                        | 49,000                                                        | 74,000                      | \$29,600,000.                                  |
| Cocoa & Cacao \$400                   | 23,000                                                        | 34,000                                                        | 57,000                      | 22,800,000.                                    |
|                                       |                                                               |                                                               | 131,000                     | \$52,400,000.                                  |
| <u>From \$491 to \$500 a ton</u>      |                                                               |                                                               |                             |                                                |
| Iron & Steel m/grs. \$500             | 1,282,000                                                     | 856,000                                                       | 2,138,000                   | \$1,069,000,000.                               |
| Coffee \$500                          | 91,000                                                        | 432,000                                                       | 523,000                     | 261,500,000.                                   |
| Paints & Varnish \$500                | 22,000                                                        |                                                               | 22,000                      | 11,000,000.                                    |
| Floor Coverings \$500                 | 20,000                                                        |                                                               | 20,000                      | 10,000,000.                                    |
|                                       |                                                               |                                                               | 2,703,000                   | \$1,351,500,000.                               |
| <u>From \$541 to \$550 a ton</u>      |                                                               |                                                               |                             |                                                |
| Crude Rubber \$550                    | 101,000                                                       |                                                               | 101,000                     | \$55,550,000.                                  |
| <u>From \$591 to \$600 a ton</u>      |                                                               |                                                               |                             |                                                |
| Glass & Glassware \$600               | 106,000                                                       | 22,000                                                        | 128,000                     | \$76,800,000.                                  |
| Resin \$600                           | 85,000                                                        |                                                               | 85,000                      | 51,000,000.                                    |
| Agri. Implements \$600                | 58,000                                                        |                                                               | 58,000                      | 34,800,000.                                    |
| Porcelainware \$600                   | 83,000                                                        |                                                               | 83,000                      | 49,800,000.                                    |
|                                       |                                                               |                                                               | 354,000                     | \$212,400,000.                                 |
| <u>From \$691 to \$700 a ton</u>      |                                                               |                                                               |                             |                                                |
| Raw Cotton \$700                      | 341,000                                                       | 366,000                                                       | 707,000                     | \$494,900,000.                                 |
| <u>From \$791 to \$800 a ton</u>      |                                                               |                                                               |                             |                                                |
| Wool \$800                            |                                                               | 281,000                                                       | 281,000                     | \$224,800,000.                                 |
| <u>From \$991 to \$1000 a ton</u>     |                                                               |                                                               |                             |                                                |
| Machinery \$1000                      | 422,000                                                       | 57,000                                                        | 479,000                     | \$ 479,000,000.                                |
| Mfd. Rubber \$1000                    | 97,000                                                        | 39,000                                                        | 136,000                     | 136,000,000.                                   |
| Wines & Liquors \$1000                | 91,000                                                        | 73,000                                                        | 164,000                     | 164,000,000.                                   |
| Electrical Machinery \$1000           | 77,000                                                        | 35,000                                                        | 112,000                     | 112,000,000.                                   |
| Textiles \$1000                       | 67,000                                                        | 130,000                                                       | 197,000                     | 197,000,000.                                   |
| Tobacco & Mfgs. \$1000                | 41,000                                                        |                                                               | 41,000                      | 41,000,000.                                    |
|                                       |                                                               |                                                               | 1,129,000                   | \$1,129,000,000.                               |
| <u>Above \$1000 a ton</u>             |                                                               |                                                               |                             |                                                |
| Automobiles \$2000                    | 309,000                                                       |                                                               | 309,000                     | \$618,000,000.                                 |

HYPOTHETICAL TOLLS SYSTEM NO. 1

GRADUATED SCALE OF FIXED TOLLS PER TON

| <u>VALUE PER TON</u>     | <u>TOLL<br/>RATE IN<br/>DOLLARS</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS AS<br/>PERCENTAGE<br/>OF VALUE</u> |
|--------------------------|-------------------------------------|-----------------------------------|---------------------------------------|------------------------|---------------------------------------------|
| BALLAST                  | \$0.40                              | 9,262,096                         |                                       | \$ 3,704,838.          |                                             |
| \$0 to \$10              | 0.50                                | 4,858,000                         | \$ 48,580,000.                        | 2,429,000.             | 5.0%                                        |
| \$11 to \$20             | 0.60                                | 19,780,000                        | 359,885,000.                          | 11,868,000.            | 3.0%                                        |
| \$21 to \$30             | 0.70                                | 3,755,000                         | 103,465,000.                          | 2,628,500.             | 2.54%                                       |
| \$31 to \$40             | 0.80                                | 2,389,000                         | 92,275,000.                           | 1,911,200.             | 2.07%                                       |
| \$41 to \$50             | 0.90                                | 4,197,000                         | 196,591,000.                          | 3,777,300.             | 1.92%                                       |
| \$51 to \$60             | 1.00                                | 157,000                           | 9,420,000.                            | 157,000.               | 1.66%                                       |
| \$61 to \$70             | 1.10                                | 1,083,000                         | 71,478,000.                           | 1,191,300.             | 1.57%                                       |
| \$71 to \$80             | 1.25                                | 1,294,000                         | 93,309,000.                           | 1,617,500.             | 1.56%                                       |
| \$81 to \$90             | 1.40                                | 92,000                            | 8,096,000.                            | 128,800.               | 1.55%                                       |
| \$91 to \$100            | 1.55                                | 8,269,000                         | 809,500,000.                          | 12,816,950.            | 1.55%                                       |
| \$101 to \$110           | 1.70                                |                                   |                                       |                        | 1.54%                                       |
| \$111 to \$120           | 1.85                                | 125,000                           | 15,000,000.                           | 231,250.               | 1.54%                                       |
| \$121 to \$130           | 2.00                                | 921,000                           | 117,250,000.                          | 1,842,000.             | 1.53%                                       |
| \$131 to \$140           | 2.15                                | 2,960,000                         | 390,720,000.                          | 6,364,000.             | 1.53%                                       |
| \$141 to \$150           | 2.30                                | 4,223,000                         | 633,450,000.                          | 9,712,900.             | 1.53%                                       |
| \$151 to \$160           | 2.45                                |                                   |                                       |                        | 1.53%                                       |
| \$161 to \$170           | 2.60                                |                                   |                                       |                        | 1.52%                                       |
| \$171 to \$180           | 2.75                                | 360,000                           | 63,000,000.                           | 990,000.               | 1.52%                                       |
| \$181 to \$190           | 2.90                                |                                   |                                       |                        | 1.52%                                       |
| \$191 to \$200           | 3.05                                | 1,150,000                         | 230,000,000.                          | 3,507,500.             | 1.52%                                       |
| \$201 to \$210           | 3.20                                |                                   |                                       |                        | 1.52%                                       |
| \$211 to \$220           | 3.35                                | 224,000                           | 49,280,000.                           | 784,000.               | 1.52%                                       |
| \$221 to \$230           | 3.50                                |                                   |                                       |                        | 1.52%                                       |
| \$231 to \$240           | 3.65                                |                                   |                                       |                        | 1.52%                                       |
| \$241 to \$250           | 3.80                                | 359,000                           | 89,750,000                            | 1,364,200.             | 1.52%                                       |
| \$251 to \$260           | 3.95                                |                                   |                                       |                        | 1.51%                                       |
| \$261 to \$270           | 4.10                                |                                   |                                       |                        | 1.51%                                       |
| \$271 to \$280           | 4.25                                |                                   |                                       |                        | 1.51%                                       |
| \$281 to \$290           | 4.40                                |                                   |                                       |                        | 1.51%                                       |
| \$291 to \$300           | 4.55                                | 34,000                            | 10,200,000.                           | 154,700.               | 1.51%                                       |
| \$301 to \$310           | 4.70                                |                                   |                                       |                        | 1.51%                                       |
| \$311 to \$320           | 4.85                                |                                   |                                       |                        | 1.51%                                       |
| \$321 to \$330           | 5.00                                |                                   |                                       |                        | 1.51%                                       |
| Everything<br>over \$330 | 5.00                                |                                   |                                       |                        |                                             |
| \$350                    | "                                   | 142,000                           | 49,700,000.                           | 710,000.               | 1.42%                                       |
| \$400                    | "                                   | 131,000                           | 52,400,000.                           | 655,000.               | 1.25%                                       |
| \$500                    | "                                   | 2,703,000                         | 1,351,500,000.                        | 13,515,000.            | 1.00%                                       |
| \$550                    | "                                   | 101,000                           | 55,550,000.                           | 505,000.               | 0.90%                                       |
| \$600                    | "                                   | 354,000                           | 212,400,000.                          | 1,707,000.             | 0.83%                                       |
| \$700                    | "                                   | 707,000                           | 494,900,000.                          | 3,535,000.             | 0.71%                                       |
| \$800                    | "                                   | 281,000                           | 224,800,000.                          | 1,405,000.             | 0.62%                                       |
| \$1000                   | "                                   | 1,129,000                         | 1,129,000,000.                        | 5,645,000.             | 0.50%                                       |
| \$2000                   | "                                   | 309,000                           | 618,000,000.                          | 1,545,000.             | 0.25%                                       |
| Totals & Avg.            | \$1.33                              | 71,349,096                        | \$7,579,499,000.                      | \$96,402,938.          | * 1.25%                                     |

Items from \$350 a ton to \$2000 a ton are the only price classifications in which there was cargo, in accordance with my rough approximations. Prices were established conservatively and probably considerably higher, in many instances.

\* Total tolls actually received in 1963 were \$56,368,073.

1/ Correction of the placement of this line, by putting it opposite the category \$221 to \$230, which would require a large amount of retyping on the six charts of Tab C, has been left undone because the error has the effect only of making the estimates of hypothetical tolls in all instances more conservative.

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HYPOTHETICAL TOLLS SYSTEM NO. 2

GRADUATED SCALE OF FIXED TOLLS PER TON

| <u>VALUE PER TON</u>     | <u>TOLL<br/>RATE IN<br/>DOLLARS</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS AS<br/>PERCENTAGE<br/>OF VALUE</u> |
|--------------------------|-------------------------------------|-----------------------------------|---------------------------------------|------------------------|---------------------------------------------|
| BALLAST                  | \$0.40                              | 9,262,096                         |                                       | \$ 3,704,838.          |                                             |
| \$0 to \$10              | 0.50                                | 4,858,000                         | \$ 48,580,000.                        | 2,429,000.             | 5.0%                                        |
| \$11 to \$20             | 0.60                                | 19,780,000                        | 359,885,000.                          | 11,868,000.            | 3.0%                                        |
| \$21 to \$30             | 0.70                                | 3,755,000                         | 103,465,000.                          | 2,628,500.             | 2.54%                                       |
| \$31 to \$40             | 0.80                                | 2,389,000                         | 92,275,000.                           | 1,911,200.             | 2.07%                                       |
| \$41 to \$50             | 0.90                                | 4,197,000                         | 196,591,000.                          | 3,777,300.             | 1.92%                                       |
| \$51 to \$60             | 1.00                                | 157,000                           | 9,420,000.                            | 157,000.               | 1.66%                                       |
| \$61 to \$70             | 1.10                                | 1,083,000                         | 71,478,000.                           | 1,191,300.             | 1.57%                                       |
| \$71 to \$80             | 1.20                                | 1,294,000                         | 93,309,000.                           | 1,552,800.             | 1.50%                                       |
| \$81 to \$90             | 1.30                                | 92,000                            | 8,096,000.                            | 119,600.               | 1.44%                                       |
| \$91 to \$100            | 1.40                                | 8,269,000                         | 809,500,000.                          | 11,576,600.            | 1.40%                                       |
| \$101 to \$110           | 1.50                                |                                   |                                       |                        | 1.36%                                       |
| \$111 to \$120           | 1.60                                | 125,000                           | 15,000,000.                           | 200,000.               | 1.33%                                       |
| \$121 to \$130           | 1.70                                | 921,000                           | 117,250,000.                          | 1,565,700.             | 1.30%                                       |
| \$131 to \$140           | 1.80                                | 2,960,000                         | 390,720,000.                          | 5,328,000.             | 1.28%                                       |
| \$141 to \$150           | 1.90                                | 4,223,000                         | 633,450,000.                          | 8,023,700.             | 1.26%                                       |
| \$151 to \$160           | 2.00                                |                                   |                                       |                        | 1.25%                                       |
| \$161 to \$170           | 2.10                                |                                   |                                       |                        | 1.23%                                       |
| \$171 to \$180           | 2.20                                | 360,000                           | 63,000,000.                           | 792,000.               | 1.22%                                       |
| \$181 to \$190           | 2.30                                |                                   |                                       |                        | 1.21%                                       |
| \$191 to \$200           | 2.40                                | 1,150,000                         | 230,000,000.                          | 2,760,000.             | 1.20%                                       |
| \$201 to \$210           | 2.50                                |                                   |                                       |                        | 1.19%                                       |
| \$211 to \$220           | 2.60                                | 224,000                           | 49,280,000.                           | 582,400.               | 1.18%                                       |
| \$221 to \$230           | 2.70                                |                                   |                                       |                        | 1.17%                                       |
| \$231 to \$240           | 2.80                                |                                   |                                       |                        | 1.16%                                       |
| \$241 to \$250           | 2.90                                | 359,000                           | 89,750,000.                           | 1,041,100.             | 1.16%                                       |
| \$251 to \$260           | 3.00                                |                                   |                                       |                        | 1.15%                                       |
| \$261 to \$270           | 3.10                                |                                   |                                       |                        | 1.14%                                       |
| \$271 to \$280           | 3.20                                |                                   |                                       |                        | 1.14%                                       |
| \$281 to \$290           | 3.30                                |                                   |                                       |                        | 1.13%                                       |
| \$291 to \$300           | 3.40                                | 34,000                            | 10,200,000.                           | 115,000.               | 1.13%                                       |
| \$301 to \$310           | 3.50                                |                                   |                                       |                        | 1.12%                                       |
| \$311 to \$320           | 3.60                                |                                   |                                       |                        | 1.12%                                       |
| \$321 to \$330           | 3.70                                |                                   |                                       |                        | 1.12%                                       |
| \$331 to \$340           | 3.80                                |                                   |                                       |                        | 1.11%                                       |
| \$341 to \$350           | 3.90                                | 142,000                           | 49,700,000.                           | 553,800.               | 1.11%                                       |
| \$351 to \$360           | 4.00                                |                                   |                                       |                        | 1.11%                                       |
| \$361 to \$370           | 4.10                                |                                   |                                       |                        | 1.10%                                       |
| \$371 to \$380           | 4.20                                |                                   |                                       |                        | 1.10%                                       |
| \$381 to \$390           | 4.30                                |                                   |                                       |                        | 1.10%                                       |
| \$391 to \$400           | 4.40                                | 131,000                           | 52,400,000.                           | 576,400.               | 1.10%                                       |
| \$401 to \$410           | 4.50                                |                                   |                                       |                        | 1.09%                                       |
| \$411 to \$420           | 4.60                                |                                   |                                       |                        | 1.09%                                       |
| \$421 to \$430           | 4.70                                |                                   |                                       |                        | 1.09%                                       |
| \$431 to \$440           | 4.80                                |                                   |                                       |                        | 1.09%                                       |
| \$441 to \$450           | 4.90                                |                                   |                                       |                        | 1.08%                                       |
| \$451 to \$460           | 5.00                                |                                   |                                       |                        | 1.08%                                       |
| Everything<br>over \$460 | 5.00                                |                                   |                                       |                        |                                             |

Hypothetical Tolls System No. 2 (Cont.)

| <u>VALUE PER TON</u> | <u>TOLL<br/>RATE IN<br/>DOLLARS</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS AS<br/>PERCENTAGE<br/>OF VALUE</u> |
|----------------------|-------------------------------------|-----------------------------------|---------------------------------------|------------------------|---------------------------------------------|
| \$500                | \$5.00                              | 2,703,000                         | \$1,351,500,000.                      | \$13,515,000.          | 1.00%                                       |
| \$550                | 5.00                                | 101,000                           | 55,550,000.                           | 505,000.               | 0.90%                                       |
| \$600                | 5.00                                | 354,000                           | 212,400,000.                          | 1,770,000.             | 0.83%                                       |
| \$700                | 5.00                                | 707,000                           | 494,900,000.                          | 3,535,000.             | 0.71%                                       |
| \$800                | 5.00                                | 281,000                           | 224,800,000.                          | 1,405,000.             | 0.62%                                       |
| \$1000               | 5.00                                | 1,129,000                         | 1,129,000,000.                        | 5,645,000.             | 0.50%                                       |
| \$2000               | 5.00                                | 309,000                           | 618,000,000.                          | 1,545,000.             | 0.25%                                       |
| Totals & Averages    | \$1.21                              | 71,349,096                        | \$7,579,499,000.                      | \$90,374,238. *        | 1.14%                                       |

\*Total tolls actually received in 1963 were \$56,368,073.

HYPOTHETICAL TOLL SYSTEM NO. 3

GRADUATED SCALE OF FIXED TOLLS BY VALUE CLASSIFICATION

| <u>VALUE PER TON</u> | <u>TOLL<br/>PER<br/>TON</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u>              | <u>TOLLS AS<br/>% OF VALUE</u> |
|----------------------|-----------------------------|-----------------------------------|---------------------------------------|-------------------------------------|--------------------------------|
| BALLAST              | \$ .50                      | 9,262,096                         |                                       | \$ 4,631,048                        |                                |
|                      |                             |                                   |                                       | <u>In no case over 5% of value.</u> |                                |
| \$0 to \$10          | .60                         | 4,858,000                         | \$ 48,580,000.                        | 2,429,000.                          | 5%                             |
| \$11 to \$20         | .70                         | 19,780,000                        | 359,885,000.                          | 13,846,000.                         | 3 8/10%                        |
| \$21 to \$30         | .80                         | 3,755,000                         | 103,465,000.                          | 3,004,000.                          | 2 9/10%                        |
| \$31 to \$40         | .90                         | 2,389,000                         | 92,275,000.                           | 2,150,100.                          | 2 3/10%                        |
| \$41 to \$50         | 1.00                        | 4,197,000                         | 196,591,000.                          | 4,197,000.                          | 2 1/10%                        |
| \$51 to \$75         | 1.10                        | 2,534,000                         | 174,207,000.                          | 2,787,400.                          | 1 6/10%                        |
| \$76 to \$100        | 1.20                        | 8,361,000                         | 817,596,000.                          | 10,033,200.                         | 1 22/100 of 1%                 |
| \$101 to \$125       | 1.30                        | 496,000                           | 62,000,000.                           | 644,800.                            | 1 4/100 of 1%                  |
| \$126 to \$150       | 1.40                        | 7,733,000                         | 1,094,420,000.                        | 10,826,200.                         | 98/100 of 1%                   |
| \$151 to \$175       | 1.50                        | 360,000                           | 63,000,000.                           | 540,000.                            | 85/100 of 1%                   |
| \$176 to \$200       | 1.60                        | 1,150,000                         | 230,000,000.                          | 1,840,000.                          | 70/100 of 1%                   |
| \$201 to \$225       | 1.70                        | 224,000                           | 49,280,000.                           | 380,800.                            | 70/100 of 1%                   |
| \$226 to \$250       | 1.80                        | 359,000                           | 89,750,000.                           | 646,200.                            | 71/100 of 1%                   |
| \$251 to \$275       | 1.90                        |                                   |                                       |                                     |                                |
| \$276 to \$300       | 2.00                        | 39,000                            | 10,200,000.                           | 68,000.                             | 66/100 of 1%                   |
| \$301 to \$325       | 2.10                        |                                   |                                       |                                     |                                |
| \$326 to \$350       | 2.20                        | 142,000                           | 49,700,000.                           | 312,400.                            | 62/100 of 1%                   |
| \$351 to \$375       | 2.30                        |                                   |                                       |                                     |                                |
| \$376 to \$400       | 2.40                        | 131,000                           | 52,400,000.                           | 314,400.                            | 60/100 of 1%                   |
| \$401 to \$425       | 2.50                        |                                   |                                       |                                     |                                |
| \$426 to \$450       | 2.60                        |                                   |                                       |                                     |                                |
| \$451 to \$475       | 2.70                        |                                   |                                       |                                     |                                |
| \$476 to \$500       | 2.80                        | 2,703,000                         | 1,351,500,000.                        | 7,568,400.                          | 56/100 of 1%                   |
| \$501 to \$550       | 2.90                        |                                   |                                       |                                     |                                |
| \$551 to \$600       | 3.00                        | 455,000                           | 267,950,000.                          | 1,365,000.                          | 50/100 of 1%                   |
| 1/2 of 1%            |                             | 2,426,000                         | 2,466,700,000.                        | 12,333,500.                         | 50/100 of 1%                   |
| TOTALS               | \$1.12                      | 71,349,096                        | \$7,579,499,000.                      | \$79,917,448.                       | * 1 05/100%                    |

\* Total tolls actually received in 1963 were \$56,368,073.

HYPOTHETICAL TOLL SYSTEM NO. 4

GRADUATED SCALE OF FIXED TOLLS BY VALUE CLASSIFICATIONS

| <u>VALUE PER TON</u> | <u>TOLL<br/>PER<br/>TON</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS AS<br/>% OF VALUE</u> |
|----------------------|-----------------------------|-----------------------------------|---------------------------------------|------------------------|--------------------------------|
| BALLAST              | \$ .50                      | 9,262,096                         |                                       | \$ 4,631,048.          |                                |
| \$0 to \$10          | .70                         | 4,858,000                         | \$ 48,580,000.                        | 3,400,600.             | 7%                             |
| \$11 to \$20         | .80                         | 19,780,000                        | 359,885,000.                          | 15,824,000.            | 4 39/100%                      |
| \$21 to \$30         | .90                         | 3,755,000                         | 103,465,000.                          | 3,179,500.             | 3 7/100%                       |
| \$31 to \$40         | 1.00                        | 2,389,000                         | 92,275,000.                           | 2,389,000.             | 2 58/100%                      |
| \$41 to \$50         | 1.10                        | 4,197,000                         | 196,591,000.                          | 4,616,700.             | 2 34/100%                      |
| \$51 to \$75         | 1.20                        | 2,534,000                         | 174,207,000.                          | 3,040,800.             | 1 74/100%                      |
| \$76 to \$100        | 1.30                        | 8,361,000                         | 817,596,000.                          | 10,869,300.            | 1 32/100%                      |
| \$101 to \$125       | 1.40                        | 496,000                           | 62,000,000.                           | 694,400.               | 1 12/100%                      |
| \$126 to \$150       | 1.50                        | 7,733,000                         | 1,094,420,000.                        | 11,599,500.            | 1 5/100%                       |
| \$151 to \$175       | 1.60                        | 360,000                           | 63,000,000.                           | 576,000.               | 91/100 of 1%                   |
| \$176 to \$200       | 1.70                        | 1,150,000                         | 230,000,000.                          | 1,955,000.             | 85/100 of 1%                   |
| \$201 to \$225       | 1.80                        | 224,000                           | 49,280,000.                           | 403,200.               | 81/100 of 1%                   |
| \$226 to \$250       | 1.90                        | 359,000                           | 89,750,000.                           | 682,100.               | 76/100 of 1%                   |
| \$251 to \$275       | 2.00                        |                                   |                                       |                        |                                |
| \$276 to \$300       | 2.10                        | 39,000                            | 10,200,000.                           | 71,400.                | 70/100 of 1%                   |
| \$301 to \$325       | 2.20                        |                                   |                                       |                        |                                |
| \$326 to \$350       | 2.30                        | 142,000                           | 49,700,000.                           | 326,600.               | 65/100 of 1%                   |
| \$351 to \$375       | 2.40                        |                                   |                                       |                        |                                |
| \$376 to \$400       | 2.50                        | 131,000                           | 52,400,000.                           | 327,500.               | 62/100 of 1%                   |
| \$401 to \$425       | 2.60                        |                                   |                                       |                        |                                |
| \$426 to \$450       | 2.70                        |                                   |                                       |                        |                                |
| \$451 to \$500       | 2.80                        | 2,703,000                         | 1,351,500,000.                        | 7,568,400.             | 56/100 of 1%                   |
| \$501 to \$550       | 2.90                        |                                   |                                       |                        |                                |
| \$551 to \$600       | 3.00                        | 455,000                           | 267,950,000.                          | 1,365,000.             | 51/100 of 1%                   |
| 1/2 of 1%            | 5.08                        | 2,426,000                         | 2,466,700,000.                        | 12,333,500.            | 50/100 of 1%                   |
| TOTALS               | \$1.20                      | 71,349,096                        | \$7,579,499,000.                      | \$85,853,548.*         | 1 13/100                       |

\* Total tolls actually received in 1963 were \$56,368,073.

HYPOTHETICAL TOLL SYSTEM NO. 5 - BY % OF VALUE

GRADUATED SCALE OF TOLLS AS PERCENTAGES-OF-VALUE PER TON

| <u>VALUE PER TON</u> | <u>PERCENTAGE<br/>OF TOLL</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>TOTAL VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS IN<br/>DOLLARS<br/>PER TON</u> |
|----------------------|-------------------------------|-----------------------------------|---------------------------------------------|------------------------|-----------------------------------------|
| BALLAST              | \$ .50                        | 9,262,096                         |                                             | \$ 4,631,048.          | \$0.50                                  |
| \$0 to \$10          | Not                           | 4,858,000                         | \$ 48,580,000.                              | 2,429,000.             | 0.50                                    |
| \$11 to \$20         | Over 5%                       | 19,780,000                        | 359,885,000.                                | 17,992,275.            | 0.90                                    |
| \$21 to \$30         | 4.9%                          | 3,755,000                         | 103,465,000.                                | 5,069,785.             | 1.35                                    |
| \$31 to \$40         | 4.8%                          | 2,389,000                         | 92,275,000.                                 | 4,429,200.             | 1.85                                    |
| \$41 to \$50         | 4.7%                          | 4,197,000                         | 196,591,000.                                | 9,239,777.             | 2.20                                    |
| \$51 to \$60         | 4.6%                          | 157,000                           | 9,420,000.                                  | 415,320.               | 2.64                                    |
| \$61 to \$70         | 4.5%                          | 1,083,000                         | 71,478,000.                                 | 3,216,510.             | 2.97                                    |
| \$71 to \$80         | 4.4%                          | 1,294,000                         | 93,309,000.                                 | 4,105,596.             | 3.17                                    |
| \$81 to \$90         | 4.3%                          | 92,000                            | 8,096,000.                                  | 3,481,280.             | 3.78                                    |
| \$91 to \$100        | 4.2%                          | 8,269,000                         | 809,500,000.                                | 33,999,000.            | 4.11                                    |
| \$101 to \$110       | 4.1%                          |                                   |                                             |                        |                                         |
| \$111 to \$120       | 4.0%                          | 125,000                           | 15,000,000.                                 | 600,000                | 4.80                                    |
| \$121 to \$130       | 3.9%                          | 921,000                           | 117,250,000.                                | 4,572,750.             | 4.96                                    |
| \$131 to \$140       | 3.8%                          | 2,960,000                         | 390,720,000.                                | 14,847,360.            | 5.01                                    |
| \$141 to \$150       | 3.7%                          | 4,223,000                         | 633,450,000.                                | 23,437,650.            | 5.55                                    |
| \$151 to \$160       | 3.6%                          |                                   |                                             |                        |                                         |
| \$161 to \$170       | 3.5%                          |                                   |                                             |                        |                                         |
| \$171 to \$180       | 3.4%                          | 360,000                           | 63,000,000.                                 | 2,142,000.             | 5.95                                    |
| \$181 to \$190       | 3.3%                          |                                   |                                             |                        |                                         |
| \$191 to \$200       | 3.2%                          | 1,150,000                         | 230,000,000.                                | 7,360,000.             | 6.40                                    |
| \$201 to \$210       | 3.1%                          |                                   |                                             |                        |                                         |
| \$211 to \$220       | 3.0%                          | 224,000                           | 49,280,000.                                 | 1,478,400.             | 6.60                                    |
| \$221 to \$230       | 2.9%                          |                                   |                                             |                        |                                         |
| \$231 to \$240       | 2.8%                          |                                   |                                             |                        |                                         |
| \$241 to \$250       | 2.7%                          | 359,000                           | 89,750,000.                                 | 2,423,250.             | 6.75                                    |
| \$251 to \$260       | 2.6%                          |                                   |                                             |                        |                                         |
| \$261 to \$270       | 2.5%                          |                                   |                                             |                        |                                         |
| \$271 to \$280       | 2.4%                          |                                   |                                             |                        |                                         |
| \$281 to \$290       | 2.3%                          |                                   |                                             |                        |                                         |
| \$291 to \$300       | 2.2%                          | 34,000                            | 10,200,000.                                 | 224,400.               | 7.17                                    |
| \$301 to \$310       | 2.1%                          |                                   |                                             |                        |                                         |
| \$311 to \$320       | 2.0%                          |                                   |                                             |                        |                                         |
| \$321 to \$330       | 1.9%                          |                                   |                                             |                        |                                         |
| \$331 to \$340       | 1.8%                          |                                   |                                             |                        |                                         |
| \$341 to \$350       | 1.7%                          | 142,000                           | 49,700,000.                                 | 836,400.               | 5.89                                    |
| \$351 to \$360       | 1.6%                          |                                   |                                             |                        |                                         |
| \$361 to \$370       | 1.5%                          |                                   |                                             |                        |                                         |
| \$371 to \$380       | 1.4%                          |                                   |                                             |                        |                                         |
| \$381 to \$390       | 1.3%                          |                                   |                                             |                        |                                         |
| \$391 to \$400       | 1.2%                          | 131,000                           | 52,400,000.                                 | 6,288,000.             | 4.80                                    |
| \$401 to \$410       | 1.1%                          |                                   |                                             |                        |                                         |
| \$411 to \$420       | 1.0%                          |                                   |                                             |                        |                                         |
| \$421 to \$430       | 0.9%                          |                                   |                                             |                        |                                         |
| \$431 to \$440       | 0.8%                          |                                   |                                             |                        |                                         |
| \$441 to \$450       | 0.7%                          |                                   |                                             |                        |                                         |
| \$451 to \$460       | 0.6%                          |                                   |                                             |                        |                                         |
| \$461 to \$470       | 0.5%                          |                                   |                                             |                        |                                         |
| Everything           |                               |                                   |                                             |                        |                                         |
| Over \$470           | 0.5%                          | 5,584,000                         | 4,086,150,000.                              | 20,430,750.            | 3.65                                    |
| TOTALS               | 2.29%                         | 71,349,096                        | \$7,579,499,000.                            | \$173,649,751          | 2.43                                    |

Hypothetical Toll System No. 5 (Cont.)

| <u>VALUE PER TON</u>                        | <u>PERCENTAGE<br/>OF TOLL</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>TOTAL VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS IN<br/>DOLLARS<br/>PER TON</u> |
|---------------------------------------------|-------------------------------|-----------------------------------|---------------------------------------------|------------------------|-----------------------------------------|
| Alternate Change in this System as Follows: |                               |                                   |                                             |                        |                                         |
| \$471 to \$480                              | 0.4%                          |                                   |                                             |                        |                                         |
| \$481 to \$490                              | 0.3%                          |                                   |                                             |                        |                                         |
| \$491 to \$500                              | 0.2%                          |                                   |                                             |                        |                                         |
| Everything over                             |                               |                                   |                                             |                        |                                         |
| \$500                                       | 0.2%                          | <u>5,584,000</u>                  | <u>\$4,086,150,000.</u>                     | <u>\$ 8,172,300.</u>   |                                         |
|                                             | 2.12%                         | <u>71,349,096</u>                 | <u>\$7,579,499,000</u>                      | <u>\$161,391,301.*</u> | <u>\$2.26</u>                           |

\* Total tolls actually received in 1963 were \$56,368,073.

HYPOTHETICAL TOLLS SYSTEM NO. 6

GRADUATED SCALE OF TOLLS AS PERCENTAGES OF VALUE PER TON

| <u>VALUE PER TON</u>      | <u>PERCENTAGE<br/>TOLL</u> | <u>1963<br/>TOTAL<br/>TONNAGE</u> | <u>1963<br/>APPROXIMATE<br/>VALUE</u> | <u>TOTAL<br/>TOLLS</u> | <u>TOLLS IN<br/>DOLLARS<br/>PER TON</u> |
|---------------------------|----------------------------|-----------------------------------|---------------------------------------|------------------------|-----------------------------------------|
| BALLAST                   | <u>[\$0.40]</u>            | 9,262,096                         |                                       | \$ 3,704,838.          | \$0.40                                  |
| \$0 to \$10               | 4.0%                       | 4,858,000                         | \$ 48,580,000.                        | 1,943,200.             | 0.40                                    |
| \$11 to \$20              | 3.9%                       | 19,780,000                        | 359,885,000.                          | 14,034,345.            | 0.71                                    |
| \$21 to \$30              | 3.8%                       | 3,755,000                         | 103,465,000.                          | 3,931,670.             | 1.04                                    |
| \$31 to \$40              | 3.7%                       | 2,389,000                         | 92,275,000.                           | 3,414,175.             | 1.42                                    |
| \$41 to \$50              | 3.6%                       | 4,197,000                         | 196,591,000.                          | 7,077,276.             | 1.68                                    |
| \$51 to \$60              | 3.5%                       | 157,000                           | 9,420,000.                            | 329,700.               | 2.10                                    |
| \$61 to \$70              | 3.4%                       | 1,083,000                         | 71,478,000.                           | 2,430,252.             | 2.24                                    |
| \$71 to \$80              | 3.3%                       | 1,294,000                         | 93,309,000.                           | 3,079,197.             | 2.37                                    |
| \$81 to \$90              | 3.2%                       | 92,000                            | 8,096,000.                            | 259,072.               | 2.81                                    |
| \$91 to \$100             | 3.1%                       | 8,269,000                         | 809,500,000.                          | 25,094,500.            | 3.03                                    |
| \$101 to \$110            | 3.0%                       |                                   |                                       |                        |                                         |
| \$111 to \$120            | 2.9%                       | 125,000                           | 15,000,000.                           | 435,000.               | 3.48                                    |
| \$121 to \$130            | 2.8%                       | 921,000                           | 117,250,000.                          | 3,283,000.             | 3.56                                    |
| \$131 to \$140            | 2.7%                       | 2,960,000                         | 390,720,000.                          | 10,549,440.            | 3.56                                    |
| \$141 to \$150            | 2.6%                       | 4,223,000                         | 633,450,000.                          | 16,469,700.            | 3.90                                    |
| \$151 to \$160            | 2.5%                       |                                   |                                       |                        |                                         |
| \$161 to \$170            | 2.4%                       |                                   |                                       |                        |                                         |
| \$171 to \$180            | 2.3%                       | 360,000                           | 63,000,000.                           | 1,449,000.             | 4.02                                    |
| \$181 to \$190            | 2.2%                       |                                   |                                       |                        |                                         |
| \$191 to \$200            | 2.1%                       | 1,150,000                         | 230,000,000.                          | 4,830,000.             | 4.20                                    |
| \$201 to \$210            | 2.0%                       |                                   |                                       |                        |                                         |
| \$211 to \$220            | 1.9%                       | 224,000                           | 49,280,000.                           | 936,320.               | 4.18                                    |
| \$221 to \$230            | 1.8%                       |                                   |                                       |                        |                                         |
| \$231 to \$240            | 1.7%                       |                                   |                                       |                        |                                         |
| \$241 to \$250            | 1.6%                       | 359,000                           | 89,750,000.                           | 1,436,000.             | 4.00                                    |
| \$251 to \$260            | 1.5%                       |                                   |                                       |                        |                                         |
| \$261 to \$270            | 1.4%                       |                                   |                                       |                        |                                         |
| \$271 to \$280            | 1.3%                       |                                   |                                       |                        |                                         |
| \$281 to \$290            | 1.2%                       |                                   |                                       |                        |                                         |
| \$291 to \$300            | 1.1%                       | 34,000                            | 10,200,000.                           | 1,122,000              | 3.30                                    |
| \$301 to \$310            | 1.0%                       |                                   |                                       |                        |                                         |
| \$311 to \$320            | 0.9%                       |                                   |                                       |                        |                                         |
| \$321 to \$330            | 0.8%                       |                                   |                                       |                        |                                         |
| \$331 to \$340            | 0.7%                       |                                   |                                       |                        |                                         |
| \$341 to \$350            | 0.6%                       | 142,000                           | 49,700,000.                           | 295,200.               | 2.07                                    |
| \$351 to \$360            | 0.5%                       |                                   |                                       |                        |                                         |
| \$361 to \$370            | 0.4%                       |                                   |                                       |                        |                                         |
| \$371 to \$380            | 0.3%                       |                                   |                                       |                        |                                         |
| \$381 to \$390            | 0.2%                       |                                   |                                       |                        |                                         |
| Everything above \$390    | 0.2%                       | 5,715,000                         | \$4,135,350,000.                      | \$ 8,270,700.          | \$1.44                                  |
| Total                     | 1.50%                      | 71,349,096                        | \$7,579,499,000.                      | \$114,374,585.         | \$1.60                                  |
| <u>Alternative No. 6A</u> |                            |                                   |                                       |                        |                                         |
| Everything above \$380    | 0.3%                       | 5,715,000                         | \$4,135,350,000.                      | \$ 12,406,050.         | \$2.17                                  |
| Total                     | 1.56%                      | 71,349,096                        | \$7,579,499,000.                      | \$118,509,935.         | \$1.66                                  |
| <u>Alternative No. 6B</u> |                            |                                   |                                       |                        |                                         |
| Everything above \$370    | 0.4%                       | 5,715,000                         | \$4,135,350,000.                      | \$ 16,541,400.         | \$2.89                                  |
| Total                     | 1.61%                      | 71,349,096                        | \$7,579,499,000.                      | \$122,645,285.         | \$1.71                                  |
| <u>Alternative No. 6C</u> |                            |                                   |                                       |                        |                                         |
| Everything above \$360    | 0.5%                       | 5,715,000                         | \$4,135,350,000.                      | \$ 20,676,750          | \$3.61                                  |
|                           | 1.67%                      | 71,349,096                        | \$7,579,499,000.                      | \$126,780,635.*        | \$1.77                                  |

\*Total tolls actually received in 1963 were \$56,368,073.

SAMPLE OCEAN FREIGHT RATES, PER TON, ON CARGO

TRANSITTING PANAMA CANAL

FROM U.S. ATLANTIC PORTS TO FAR EAST (KOBE, YOKOHAMA, HONG KONG, MANILA)



| <u>Product</u>            | <u>Conference rates from<br/>U.S. Atlantic Ports to<br/>Far Eastern Ports (Kobe,<br/>Yokohama, Hong Kong,<br/>and Manila)</u> |                 | <u>Vice versa, From<br/>Far Eastern Ports<br/>to U.S. Atlantic<br/>Coast Ports</u> |                 |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------|-----------------|
|                           | <u>Non-Contract</u>                                                                                                           | <u>Contract</u> | <u>Non-Contract</u>                                                                | <u>Contract</u> |
| Coal in bags              | \$63.25                                                                                                                       | \$55.00         | \$43.00                                                                            | \$39.25         |
| Lumber (Thousand Bd. ft.) | 58.65                                                                                                                         | 51.00           | 39.50                                                                              | 36.00           |
| Canned Foods              | 64.10                                                                                                                         | 55.75           | 34.75                                                                              | 31.75           |
| Cocoanut and palm oil     | 60.65                                                                                                                         | 52.75           | 25.25                                                                              | 23.00           |
| Various iron and steel    | 60.65                                                                                                                         | 52.75           | 46.00                                                                              | 40.00           |
|                           | 39.65 to                                                                                                                      | 34.50           | 20.75 to                                                                           | 19.00           |
| Television receivers      | 73.85                                                                                                                         | 64.25           | 47.75                                                                              | 43.50           |
| Scotch whiskey            | 96.85                                                                                                                         | 84.25           | 58.25                                                                              | 53.25           |
| Scrap rubber              | 80.20                                                                                                                         | 69.75           |                                                                                    |                 |
| Soybeans                  | 39.65                                                                                                                         | 34.50           |                                                                                    |                 |
| Scrap metal, viz aluminum | 49.70                                                                                                                         | 43.25           |                                                                                    |                 |
| Brass or copper 1396      | 65.25                                                                                                                         | 56.75           |                                                                                    |                 |
| Lard                      | 49.45                                                                                                                         | 43.00           |                                                                                    |                 |

In general, lowest conference rates on bulk cargo are about \$19 (woodpulp) a ton to Far East; highest for dry cargo about \$85 (cigarettes); highest for wet cargo, \$130 (chlorine). Most classes of cargo are from \$35 to \$55 a ton.

Non-Conference Bulk Carriers

Coal, as low as \$8.25.  
-----

All cargo to Manila, pays extra port charge of \$5 a ton.

All cargo to Cebu, without transshipment, about \$4 additional a ton.

All cargo transshipped to smaller ports, \$8 to \$13 a ton additional.

Heavy lift charges \$1.25 to \$15.00 a ton, depending on weight of individual pieces from 2 to 17 tons.

Regular port charges vary from \$3 to \$7 a ton.

FROM U.S. ATLANTIC AND GULF PORTS TO WEST COAST SOUTH AMERICA

### CONFERENCE RATES

| <u>Product</u>                                                                      | <u>Contract Rate</u><br><u>(For non-contract,</u><br><u>add 15%)</u> |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------|
|                                                                                     | <u>Colombia, Ecuador</u> <u>Chile, Peru</u>                          |
| Agricultural machinery .... boxed.....                                              | \$33.00                  \$36.00                                     |
| unboxed.....                                                                        | 37.00                  40.00                                         |
| Wheat, bulk or bags .....                                                           | 23.00                  26.00                                         |
| Coal, bulk (demurrage \$0.20 a ton for<br>24-hour day) .....                        | 19.00                  19.00                                         |
| Coke .....                                                                          | 31.00                                                                |
| Phosphate, value up to \$100 a ton .....                                            | 28.00                  28.00                                         |
| from \$100 to \$300 a ton .....                                                     | 41.00                  41.00                                         |
| over \$300 a ton .....                                                              | 58.00                  58.00                                         |
| Wheat flour .....                                                                   | 25.00                  28.00                                         |
| Iron and steel manufactures (These rates cover<br>a large typical assortment) ..... | 29.00                  29.00                                         |
| Machinery (These rates cover a large typical<br>assortment) .....                   | 50.00                  50.00                                         |
| Lubricating oil .....                                                               | 57.00                  63.00                                         |
| Automobiles, boxed .....                                                            | 39.00                  41.00                                         |
| unboxed .....                                                                       | 27.00                  29.00                                         |
| Household goods .....                                                               | 31.00                  33.00                                         |
| Sugar, refined in bags .....                                                        | 80.00                  92.00                                         |
|                                                                                     | 27.00                  27.00                                         |

Port charges, per ton, vary from \$1.00 to \$10.00, and at Chilean ports are 3% of the total ocean freight.

Heavy lift charges vary, per ton, from \$2.40 on 3-ton pieces up to \$22.50 on 65-ton pieces.

Freight brokerage charge is, in all cases 1 1/4% of freight charge.  
Freight forwarder's commission is also 1 1/4% of freight charge.

## TRAMP BULK CARRIERS

|                   |        |
|-------------------|--------|
| Coal, as low as   | \$7.50 |
| Grains, as low as | \$7.50 |

FROM WEST COAST SOUTH AMERICA PORTS TO U.S. ATLANTIC AND GULF PORTS

|                                                                      |                        |
|----------------------------------------------------------------------|------------------------|
| Port charges, per ton .....                                          | From \$1.50 to \$7.00  |
| Heavy lift charges, per ton .....                                    | From \$1.00 to \$25.00 |
|                                                                      | (2 tons) (30 tons)     |
| Handling charges, per ton .....                                      | From \$2.00 to \$5.00  |
| Freight brokerage charge is, in all cases, 1 1/4% of freight charge. |                        |
| Freight forwarder's commission is also 1 1/4% of freight charge.     |                        |

| <u>Product</u> | <u>Contract Rate</u><br>(For Non-contract, add 15%) |
|----------------|-----------------------------------------------------|
|----------------|-----------------------------------------------------|

|                                                                                        |                                                                                       |         |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------|
| Manganese ore ('berth terms' - i.e. shipping line handles loading and unloading) ..... | over 300 tons .....                                                                   | \$11.75 |
|                                                                                        | 200 to 300 tons .....                                                                 | 13.25   |
|                                                                                        | Over 1000 tons and 'free in and out' i.e. shipper handles loading and unloading ..... | 8.25    |
| Tin concentrate in bags - up to 35% tin content .....                                  |                                                                                       | 20.00   |
|                                                                                        | 35% to 50% tin content .....                                                          | 22.00   |
|                                                                                        | over 50% tin content .....                                                            | 24.00   |
| Zinc ore in bulk - over 1500 tons 'free in and out' .....                              |                                                                                       | 7.50    |
| Antimony - valued at less than \$375 a ton .....                                       |                                                                                       | 22.00   |
|                                                                                        | From \$375 to \$1000 a ton .....                                                      | 24.00   |
|                                                                                        | From \$1000 to \$1900 a ton .....                                                     | 32.00   |
|                                                                                        | Over \$1900 a ton .....                                                               | 34.00   |

or 1 1/2% ad valorem, whichever is higher.

|                                                 |       |
|-------------------------------------------------|-------|
| Fresh fruit, not otherwise specified, in crates |       |
| AT OWNERS RISK.....                             | 38.00 |
| Sugar, refined, in bags .....                   | 27.00 |
| Copper sulphate .....                           | 33.00 |
| Copper oxide .....                              | 30.00 |
| Copper, blister .....                           | 17.00 |
| Metal plates .....                              | 23.00 |
| Metal tubes .....                               | 33.00 |

SAVINGS OF DISTANCE AND DAYS OF SAILING TIME  
FOR TYPICAL FREIGHT VESSELS BY USING PANAMA CANAL  
ROUTE BETWEEN TYPICAL PORTS

| <u>PRINCIPAL PORTS USING<br/>PANAMA CANAL FOR TRADE<br/>BETWEEN THEM</u> | <u>SAVINGS IN NAUTICAL<br/>MILES AS COMPARED<br/>WITH ROUTE AROUND<br/>CAPE HORN</u> | <u>DAYS OF SAILING<br/>TIME SAVED</u> |                           |                           |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------|---------------------------|---------------------------|
|                                                                          |                                                                                      | <u>12-knot<br/>vessel</u>             | <u>16-knot<br/>vessel</u> | <u>18-knot<br/>vessel</u> |
| Yokohama - New York                                                      | 6876                                                                                 | 23½                                   | 17½                       | 16-                       |
| Yokohama - London                                                        | 5224                                                                                 | 18½                                   | 13½                       | 12                        |
| Valparaiso (Chile) - New York                                            | 3752                                                                                 | 13                                    | 9½                        | 8½                        |
| Valparaiso - London                                                      | 1447                                                                                 | 5                                     | 3½                        | 3½                        |
| Callao (Peru) - New York                                                 | 6237                                                                                 | 21½                                   | 16½                       | 14½                       |
| Callao - London                                                          | 3952                                                                                 | 13½                                   | 10½                       | 9½                        |
| Guayaquil - New York                                                     | 7399                                                                                 | 25½                                   | 19½                       | 17½                       |
| Guayaquil - London                                                       | 5114                                                                                 | 17½                                   | 13½                       | 12-                       |
| Sydney - New York                                                        | 2451                                                                                 | 8½                                    | 6½                        | 5½                        |
| Sydney - London 2/                                                       | 355                                                                                  | 1½                                    | 1-                        | 1-                        |
| Wellington - New York                                                    | 3045                                                                                 | 10½                                   | 8-                        | 7½                        |
| Wellington - London 2/                                                   | 760                                                                                  | 2½                                    | 2-                        | 1½                        |

It can be conservatively estimated on a broad average that savings per day are equivalent to at least \$0.30 USCy. a ton of cargo.

- 1/ 12-knot vessel sails 288 nautical miles in 24 hours.  
16-knot vessel sails 388 nautical miles in 24 hours.  
18-knot vessel sails 432 nautical miles in 24 hours.
- 2/ Weather conditions in low latitudes around Cape Horn are of course also a factor to be considered.

PRINCIPAL USERS OF THE PANAMA CANAL - 1963

2/  
BY TONNAGE OF TOTAL EXPORTS & IMPORTS  
(In parenthesis, percentage of total  
tonnage transitting Canal)

|        |               |              |                      |
|--------|---------------|--------------|----------------------|
| 1.     | United States | - 44,068,602 | <sup>1/</sup> (35.5) |
| 2.     | Japan         | - 15,446,655 | (12.4)               |
| 3.     | Chile         | - 7,712,284  | (6.2)                |
| 4.     | Peru          | - 6,625,165  | (5.3)                |
| 5.     | Venezuela     | - 5,965,412  | (4.8)                |
| 6.     | Canada        | - 5,395,329  | (4.3)                |
| 7.     | West Indies   | - 5,109,871  | (4.1)                |
| 8.     | British Isles | - 4,828,362  | (3.9)                |
| 9.     | Germany       | - 2,578,571  | (2.1)                |
| 10.    | Netherlands   | - 2,513,917  | (2.0)                |
| 11.    | Australia     | - 1,890,838  | (1.5)                |
| 12.    | Philippines   | - 1,779,411  | (1.4)                |
| 13.    | Ecuador       | - 1,513,063  | (1.2)                |
| 14.    | Italy         | - 1,436,055  | (1.1)                |
| 15.    | New Zealand   | - 1,149,779  | (0.9)                |
| 16.    | Belgium       | - 1,416,974  | (1.1)                |
| Others |               |              | (16.5)               |

BY TONNAGE OF TOTAL EXPORTS & IMPORTS  
PER CAPITA OF TOTAL POPULATION  
(In parenthesis, tonnage per capita  
of total population)

|     |                  |               |
|-----|------------------|---------------|
| 1.  | West Indies      | - (1 45/100)  |
| 2.  | Chile per capita | - (1 1/100)   |
| 3.  | Venezuela        | - (81/100)    |
| 4.  | Peru             | - (61/100)    |
| 5.  | New Zealand      | - (45/100)    |
| 6.  | Ecuador          | - (37/100)    |
| 7.  | Canada           | - (28/100)    |
| 8.  | United States    | - (23/100) 1/ |
| 9.  | Netherlands      | - (21/100)    |
| 10. | Japan            | - (17/100)    |
| 11. | Australia        | - (17/100)    |
| 12. | Belgium          | - (15/100)    |
| 13. | British Isles    | - (9/100)     |
| 14. | Philippines      | - (6/100)     |
| 15. | Germany          | - (4/100)     |
| 16. | Italy            | - (3/100)     |

1/ Of which 4,910,776 tons is between U.S. Atlantic and Gulf Ports and U.S. Pacific and Hawaiian Ports.

2/ Since all cargo that is an export for one nation is an import for another nation, the total tonnage for this purpose doubles from 62,087,000 to 124,174,000 tons.



# BY NATIONAL FLAG

BY NUMBER OF TRANSITS BY  
SHIPS OF NATIONAL FLAG  
(In parenthesis, %  
of total number)

BY "PANAMA CANAL NET TONNAGE"  
OF NATIONAL FLAG VESSELS  
(In parenthesis, %  
of total tonnage)

|                |   |        |        |                |   |            |        |
|----------------|---|--------|--------|----------------|---|------------|--------|
| 1. U. S.       | - | 1593   | (14.5) | 1. U. S.       | - | 10,291,756 | (16.0) |
| 2. Norwegian   | - | 1441   | (13.0) | 2. British     | - | 9,997,021  | (15.5) |
| 3. British     | - | 1309   | (11.9) | 3. Norwegian   | - | 8,908,684  | (13.8) |
| 4. German      | - | 1095   | (9.9)  | 4. Liberian    | - | 5,145,331  | (8.0)  |
| 5. Japanese    | - | 846    | (7.7)  | 5. Japanese    | - | 5,024,917  | (7.8)  |
| 6. Liberian    | - | 833    | (7.6)  | 6. German      | - | 4,676,921  | (7.3)  |
| 7. Netherlands | - | 692    | (6.3)  | 7. Greek       | - | 4,363,683  | (6.8)  |
| 8. Greek       | - | 602    | (5.5)  | 8. Netherlands | - | 3,305,816  | (5.1)  |
| 9. Panamanian  | - | 464    | (4.2)  | 9. Swedish     | - | 2,343,045  | (3.6)  |
| 10. Swedish    | - | 364    | (3.3)  | 10. Danish     | - | 1,823,936  | (2.8)  |
| Others         | - | 1777   | (16.1) | Others         | - | 8,557,005  | (13.3) |
| TOTAL          | - | 11,017 |        | TOTAL          | - | 64,438,115 |        |

## BY AMOUNT OF TOLLS PAID FOR CANAL TRANSIT (In parenthesis, % of total tolls)

|                |   |              |        |
|----------------|---|--------------|--------|
| 1. U. S.       | - | \$ 9,142,110 | (16.2) |
| 2. Norwegian   | - | 8,628,467    | (15.3) |
| 3. British     | - | 7,819,456    | (13.9) |
| 4. Japanese    | - | 4,505,560    | (8.0)  |
| 5. Liberian    | - | 4,390,925    | (7.8)  |
| 6. German      | - | 4,058,333    | (7.2)  |
| 7. Greek       | - | 3,790,807    | (6.7)  |
| 8. Netherlands | - | 2,896,274    | (5.1)  |
| 9. Swedish     | - | 2,043,601    | (3.6)  |
| 10. Danish     | - | 1,596,349    | (2.8)  |
| Others         | - | 7,496,191    | (13.4) |
| TOTAL          | - | \$56,368,073 |        |

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NATIONAL SECURITY ACTION MEMORANDUM NO. 323

11

SUBJECT: Policy toward the present and future of the Panama Canal

TO: The Secretary of State  
The Secretary of Defense  
The Director, Central Intelligence Agency  
The Chairman, Atomic Energy Commission  
The Director, Bureau of the Budget  
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaties.

2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in the possible construction of a sea level canal through its territory. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.

3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, at its option, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government, but the door could be left open for it to accept contributions from other sources, both public and private.

4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of

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Authority NSC memo 5/23/78  
By MTE, NARS, Date 6/6/78

users or of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs. We should seek treaty terms which give to the United States the necessary rights and freedom of action to ensure the effective security of the canal regardless of the actions of the other country or countries.

6. The tolls for a sea level canal would be fixed in such a way as to put the canal on a self-sustaining basis, to pay an annuity to the host government, to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the negotiation with Panama, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the existing canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama governing the present lock canal, based on the retention by the United States of all rights necessary to the effective operation and protection of the canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It should recognize Panama's sovereignty. It should provide for a termination date for rights retained by the United States based on

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the operational date of a sea level canal wherever it might be constructed. It should provide for the effective discharge by the United States of its responsibilities for hemispheric defense. The present treaties would, of course, remain in effect until a new agreement is reached.

(3) The new treaty for the existing canal should include adequate provisions to ensure continuation of our military bases and activities in the Canal Zone until the closing of the existing canal, without loss of necessary rights or freedom of action. The treaty should make no distinction between the use of bases for purposes of protection of the canal or for hemispheric security. The agreement should contain appropriate acknowledgment of Panama's contribution to hemispheric security under these arrangements. In addition, arrangements should be included to continue existing U. S. military base rights in the Republic of Panama outside the Canal Zone and to create appropriate status of forces provisions for U. S. servicemen when outside the Zone.

(4) Upon the closing of the existing canal, our military rights under the new treaty as discussed in the preceding paragraph will terminate. Therefore, negotiations should also be started for a base rights and status of forces agreement with Panama, related to hemispheric security, to come into effect upon the closing of the present canal. This new agreement should provide for continuation of U. S. military bases and facilities in the present Zone and outside the Zone in the Republic of Panama, with such changes as are needed. The agreement should also cover whatever new arrangements are needed in connection with the security and defense of the new canal wherever it is located.

(5) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal, but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(6) We will also take every possible step to protect the employment rights and economic security during the transition period of United States citizens now employed in connection with the operation, maintenance, and defense of the present canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

9. In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future:

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period to govern the operation and administration of the present lock canal; and

(3) Agreement on the terms of arrangements for facilities for defense of the existing and sea level canals and for the security of the Hemisphere.

These three problems are intimately interrelated and to the maximum degree practicable, should be addressed simultaneously.

10. NSAM 152 dated April 30, 1962, and NSAM 164 dated June 15, 1962, are rescinded; except paragraph 6 b and c (2) of NSAM 152.

McGeorge Bundy

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THE WHITE HOUSE

WASHINGTON

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January 8, 1965

NATIONAL SECURITY ACTION MEMORANDUM NO. 323

SUBJECT: Policy toward the present and future of the Panama Canal

TO: The Secretary of State  
The Secretary of Defense  
The Director, Central Intelligence Agency  
The Chairman, Atomic Energy Commission  
The Director, Bureau of the Budget  
The Director, U. S. Information Agency

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By

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*McGeorge Bundy*

McGeorge Bundy

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

January 8, 1965

NATIONAL SECURITY ACTION MEMORANDUM NO. 323

SUBJECT: Policy toward the present and future of the Panama Canal

TO: The Secretary of State  
The Secretary of Defense  
The Director, Central Intelligence Agency  
The Chairman, Atomic Energy Commission  
The Director, Bureau of the Budget  
The Director, U. S. Information Agency

1. Basic policy toward the present and future of the Panama Canal has been set forth by the President in a statement on December 18, 1964, of which an authentic copy is attached. This statement makes it U. S. policy to work toward a new sea level canal and to propose renegotiation with Panama of the existing Panama Canal Treaties.

2. The Secretary of State is requested to begin discussions as appropriate with the Governments of Panama, Colombia, Nicaragua, and Costa Rica, with respect to the possibilities of a sea level canal. The Secretary is requested to determine which of these governments would be interested in the possible construction of a sea level canal through its territory. The United States is prepared to begin negotiations with interested governments on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, it is expected that we would proceed with selected site surveys.

3. We have in mind a treaty for a sea level canal in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, at its option, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government, but the door could be left open for it to accept contributions from other sources, both public and private.

4. The United States Government has no final position on the exact form by which interested governments might join in operation of a sea level canal. There are advantages and disadvantages in an international commission which might include representatives of

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users or of financing groups or of the Organization of American States. There are equally advantages and disadvantages in bilateral operation by the United States and the country through which the canal might run. Moreover, it is possible to think in terms of two layers of responsibility, one bilateral and the other broadly international. Final decisions on these matters will be made by the President in the light of further advice and recommendations from the Secretary of State and the Secretary of Defense.

5. It is expected that the defense of the new canal would be the responsibility of the United States and the country or countries through which the canal runs. We should seek treaty terms which give to the United States the necessary rights and freedom of action to ensure the effective security of the canal regardless of the actions of the other country or countries.

6. The tolls for a sea level canal would be fixed in such a way as to put the canal on a self-sustaining basis, to pay an annuity to the host government, to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

7. Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

8. With respect to the negotiation with Panama, the following principles will guide our negotiators:

(1) We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the existing canal by the United States until it is replaced.

(2) We are prepared to negotiate a new treaty with Panama governing the present lock canal, based on the retention by the United States of all rights necessary to the effective operation and protection of the canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It should recognize Panama's sovereignty. It should provide for a termination date for rights retained by the United States based on

the operational date of a sea level canal wherever it might be constructed. It should provide for the effective discharge by the United States of its responsibilities for hemispheric defense. The present treaties would, of course, remain in effect until a new agreement is reached.

(3) The new treaty for the existing canal should include adequate provisions to ensure continuation of our military bases and activities in the Canal Zone until the closing of the existing canal, without loss of necessary rights or freedom of action. The treaty should make no distinction between the use of bases for purposes of protection of the canal or for hemispheric security. The agreement should contain appropriate acknowledgment of Panama's contribution to hemispheric security under these arrangements. In addition, arrangements should be included to continue existing U. S. military base rights in the Republic of Panama outside the Canal Zone and to create appropriate status of forces provisions for U. S. servicemen when outside the Zone.

(4) Upon the closing of the existing canal, our military rights under the new treaty as discussed in the preceding paragraph will terminate. Therefore, negotiations should also be started for a base rights and status of forces agreement with Panama, related to hemispheric security, to come into effect upon the closing of the present canal. This new agreement should provide for continuation of U. S. military bases and facilities in the present Zone and outside the Zone in the Republic of Panama, with such changes as are needed. The agreement should also cover whatever new arrangements are needed in connection with the security and defense of the new canal wherever it is located.

(5) Wherever the new canal is built it will create new opportunities. To be sure, closing of the present canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal, but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.

(6) We will also take every possible step to protect the employment rights and economic security during the transition period of United States citizens now employed in connection with the operation, maintenance, and defense of the present canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

9. In summary, the President's new policy sets three principal tasks before the United States Government, in order to satisfy the requirements of the present and the future:

(1) Working out satisfactory arrangements for the construction and operation of a new sea level canal;

(2) Providing a new treaty framework for the interim period to govern the operation and administration of the present lock canal; and

(3) Agreement on the terms of arrangements for facilities for defense of the existing and sea level canals and for the security of the Hemisphere.

These three problems are intimately interrelated and to the maximum degree practicable, should be addressed simultaneously.

10. NSAM 152 dated April 30, 1962, and NSAM 164 dated June 15, 1962, are rescinded; except paragraph 6 b and c (2) of NSAM 152.

*McGeorge Bundy*

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