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### Congressional Record S. 17313 - Time for a New Reconstruction Finance Corporation?

Mike Mansfield 1903-2001

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# TIME FOR A NEW RECONSTRUCTION FINANCE CORPORATION?

Mr. MANSFIELD. Mr. President, in recent weeks, there has been a good deal of talk about either the subsidization or the lending of money on the part of the Government to various corporations in distress. As the Senate is aware, Congress has passed legislation extending loans to Penn Central and Lockheed, and the Senate turned down an application not too many weeks ago on the part of Grumman Aircraft Corp. for a similar loan.

In recent weeks, there has been a certain amount of talk about the position of two airlines in particular: Pan American, which has carried the flag for many decades overseas, and TWA, which has performed in similar fashion, the only difference being that TWA has some domestic routes while Pan America has none.

These two giants of the airline industry find themselves in a position dissimilar from that of other American airlines, which, if my information and recollection are correct, seem to be operating on the basis of at least a reasonable profit return.

Some days ago, I received a letter from Mr. William T. Seawell, chairman of the board, Pan American World Airways. Under date of September 13 I made the following reply:

Mr. WILLIAM T. SEAWELL,  
Chairman of the Board, Pan American World Airways, Pan Am Building, New York, N.Y. 10007.

DEAR Mr. SEAWELL: This will acknowledge receipt of your letter of the fifth which has just reached my desk and which I have read with much interest. I want to thank you for your courtesy in giving me the benefit of your views and making comment on what I have had to say.

It appears to me that it is not a good thing for Congress to undertake responsibilities such as those which it did in the cases of Penn Central and Lockheed. This could well become a habit and I do not think it is the right way to face up to a situation which might confront other companies in somewhat similar cases.

It appears to me that what we ought to do is reconstitute the Reconstruction Finance Corporation and that way, companies in distress should then be able to turn to it for the needed assistance. On that basis, we would have a permanent corporation, properly staffed, knowledgeable enough, and capable of facing up to the needs of companies in distress and, on the basis of the events and all factors involved, be prepared to do something beneficial.

May I say, Mr. President, that I am introducing today a bill seeking the reestablishment of the Reconstruction Finance Corporation, which, as the Senate will recall, was formed, I believe, during Hoover's administration in 1931, and stayed in operation until 3 or 4 years after the end of the Second World War; that is, in active operation; it took a few more years to finally liquidate all its



assets. But that was a profitmaking corporation, and it performed a needed job. It is the type of institution which ought to face up to the needs of distressed companies, rather than have those companies come before Congress for rescue on an ad hoc basis. I believe the bill I introduce today can form the basis for a most worthwhile agency so vitally needed in these economic times.

I continue with my letter to the chairman of the board of Pan American:

In response to the question, "What do you think of subsidizing Pan American?"

This had been asked of me several weeks previously—

I stated, in effect, "Let me answer it this way: I was opposed to the legislation covering Penn Central and Lockheed. It is my belief that what the Government ought to do is to look into the question of these overlapping, duplicative flights, giving consideration to possible mergers and then see what must need to be done." In other words, the initial activity lies, I believe, with the pertinent Federal agencies in the one instance, and with the airlines in the other, though even there, the Federal agencies would have to be taken into consideration.

I appreciated your letter; I want to thank you for your thoughtfulness in giving me the benefit of your views, and with best personal wishes, I am

Sincerely yours,

MIKE MANSFIELD.

Later, Mr. President, I met with the chairman of the board of Pan Am, Mr. Seawell, and he brought to my attention some factors which he said would be beneficial to the company if the U.S. Government took the needed action. I have in my hand "An open letter to the American people from the employees of the World's Most Experienced Airline," under date of Sunday, September 22, carried in the Washington Post, and representing the 32,500 employees of Pan Am.

In that advertisement, they raised some of the arguments which Mr. Seawell raised with me. I think they are pertinent, and I think the Government ought to give consideration to these pleas on the part of the employees of Pan Am because to me they sound most reasonable, and I should think the Government would be in a position to give the deepest and the most serious consideration, at the earliest time, to what is suggested. I shall read that part; these are the Pan Am employees speaking:

First:

Ask our own government, first of all, why the Postal Department pays the foreign airlines as much as five times what it pays Pan Am for hauling the same U.S. mail. Not receiving the same pay for the same work costs Pan Am thirty-five million dollars a year.

Second:

Ask our own government, why nothing is ever done about overseas airports that charge Americans exorbitant landing fees. Quantas Airlines, for example, pays under three hundred dollars to land in Sydney, Australia. Not paying foreign governments the same user fees that their airlines pay in America costs Pan Am twelve million dollars a year.

Third:

Ask our own government, why the U.S. Export-Import Bank loans money to airlines of "underdeveloped" nations, like France,

Japan and Saudi Arabia, at six percent interest while Pan Am pays twelve percent. Their low interest loans are used to buy airplanes that they use to compete against Pan Am. Not allowing Pan American access to these same interest rates means that we pay seven million dollars more than the foreign airlines for the same Jumbo jet.

Fourth:

Ask our own government, why it is opposed to letting Pan Am fly passengers within our country . . . it just doesn't make sense. The domestic airlines now have rights to the international routes that we pioneered, and the foreign airlines now serve more cities in the United States than we do. The right to compete freely at home, the most elemental privilege of a free enterprise society, has always been denied Pan Am.

You see, when it comes right down to it, Pan Am does a lot more than compete with other airlines. We compete with whole countries, sometimes even our own. The men and women of Pan Am are just not the type who enjoy asking for a handout. The only subsidy that we have ever needed was fair treatment . . . From our own government.

If Pan Am were allowed domestic routes within the United States . . . or to borrow from the Export-Import Bank . . . or to pay reasonable landing fees overseas . . . or to receive equal postal rates from our own government, we wouldn't need any subsidy at all!

In fact we wouldn't need to have taken up a collection to run this ad."

So I think that it is up to administration to pay proper attention to these suggestions by Pan American employees, and to see what can be done legitimately to bring about equity in this particular instance, and very likely in the instance of TWA as well.

I ask unanimous consent that the portions of the open letter which I have read be printed in the RECORD, as well as the letter to Mr. William T. Seawell, chairman of the board of Pan American World Airways, and the text of the bill I introduce today at the conclusion of my remarks.

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

#### AN OPEN LETTER

Ask our own government, first of all, why the Postal Department pays the foreign airlines as much as five times what it pays Pan Am for hauling the same U.S. mail. Not receiving the same pay for the same work costs Pan Am thirty-five million dollars a year.

Ask our own government, why nothing is ever done about overseas airports that charge Americans exorbitant landing fees. Quantas Airlines, for example, pays under three hundred dollars to land their Jumbo 747 in San Francisco. Pan Am pays forty two hundred dollars to land in Sydney, Australia. Not paying foreign governments the same user fees that their airlines pay in America costs Pan Am twelve million dollars a year.

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SEPTEMBER 13, 1974.

MR. WILLIAM T. SEAWELL,  
Chairman of the Board, Pan American World Airways, Pan Am Building, New York, N.Y.

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