

MEETING OF THE STATE BUDGET AND CONTROL BOARD

APRIL 25, 1961

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The State Budget and Control Board met in the Hearing Room of the State Tax Commission at 3:00 P. M., on April 25, 1961. All members of the Board were present at this meeting, and the meeting was also attended by all members of the State Ports Authority, except Mr. C. C. Pearce.

This meeting was called at the request of Mr. Means, Chairman of the State Ports Authority, because of a controversy which had arisen between him and other members of the Authority, resulting in the removal of Mr. Means as General Manager of the Authority.

The meeting was open to the press and to the public.

Governor Hollings briefly stated the purpose of the meeting and presented Mr. Means, who read the attached statement outlining his position in the controversy and making certain requests of the State Budget and Control Board concerning the operations of the State Ports Authority.

After Mr. Means had concluded his statement Mr. Thomas H. Pope, as spokesman for the other members of the Authority, reviewed the statement made by Mr. Means and explained in detail the position and action of the other members of the Authority on the matters referred to in Mr. Means' statement.

Mr. Means again spoke to the Board and outlined his recommendations in connection with the matter which were as follows: .

1. That the entire membership of the South Carolina State Ports Authority be suspended from supervision and operation of the State Ports System for a period of 90 days.
2. That during this period of time (or longer if necessary), the State Budget and Control Board conduct an impartial and exhaustive inquiry into the fiscal matters pertinent to this discussion.
3. That this study be conducted with the goal of establishing a sound, orderly pattern of administration for the Ports System of South Carolina.

At the conclusion of the above statements Governor Hollings, with the concurrence of the remaining Board members, stated that the Board would not suspend the members as requested by Mr. Means because this would appear to be crisis action, and that there was no evidence that a crisis existed. He stated further, however, that the Board would look into the matter of subsidization of certain Charleston interest^s in connection with the operation of the Ports, as charged by Mr. Means, and that a further study would be conducted as to the ability of the Authority to participate substantially in the payment of the Port bonds.

The hearing having thus been concluded the Board adjourned.

Statement By Mr. McCall
April 25-1961

I. INTRODUCTION

For many years, the South Carolina State Ports Authority has been faced with a single, all-important problem: Raising its annual revenue to a level which would be sufficient to finance its operations and provide for new and expanded facilities as they became necessary through increased activity and normal depreciation.

In spite of the \$21,000,000 in construction funds expended for capital improvements at Charleston, Georgetown and Port Royal, this over-riding problem is still with us. In fact, it can be justly stated that the problem has increased in intensity because of this sweeping expansion of properties, plants and other physical facilities.

Every business organization recognizes this elementary economic problem: Production and income must be sufficient to amortize capital expenditures if the business expects to remain in operation. If the business in question happens to be one which is growing, then it must also make provision for additional capital expenditures in the future.

With this primary rule of thumb in mind, take a look at the operating statements of the South Carolina State Ports Authority. Two conclusions are immediately evident: 1. The Authority's current income is NOT sufficient to defray even the minimum capital amortization projected for it in the Cresap, McCormick and Paget Report; 2. By devoting almost all of its depreciation and maintenance reserve to bond retirement, the Authority is making no provision for necessary future expansion.

As an immediate illustration of these conclusions, reference is made to the nine-month operating statement submitted early this month by the Authority's Financial Division. This report shows a net operating margin of \$4,915.87 for the first nine months of the current fiscal year, after provision for depreciation and maintenance. No provision for bond retirement is made in this calculation so that amortization of bonds must be made by digging deeply into the depreciation reserve.

The records will show, however, that even if all of our depreciation reserve were committed to bond retirement, we would still fall substantially short of satisfying the bond retirement pledge made to the General Assembly when the \$21,000,000 issue was approved in 1957.

These real and present problems, we realize, may come as a shock to you. They are not new to the management and staff of the Authority, which has foreseen their existence for the better part of 10 years.

In citing the record of this recognition, I am not trying to set myself up as an oracle. These simple facts of economic life would be evident to any general manager or operating director who possessed a moderate amount of business sense and was interested in doing a good job for his Board of Directors and Stockholders.

On June 18, 1958, I delivered a written report to the full Authority in which it was stated:

"Under no concept, other than realization of 100 per cent of the total proceeds of every imaginable source of revenue, can we hope to approach--even remotely--the schedule of debt retirement payments set up in the records."

This particular report was delivered to the Authority at a time when one of the major national stevedore firms had expressed interest in leasing certain of our facilities or entering into a joint operating agreement with the Authority. Such an arrangement held promise of a great profit potential for the ports.

Discussing this overture, I commented in my report:

"I do not advocate that we contract with this firm, or with any other, except after receiving bids from all interested parties, but I do respectfully submit that the firm in question is the type of institution with which we should deal. It is absolutely essential to our growth and success that we select associates whose attitude towards our program is constructive; whose methods, reputation and record we can trust and respect; whose tariff schedules we can police and control; and with whom we can confidently share the burden of expanding our maritime commerce to the terrifically high level necessary for carrying out the solemn trust we have imposed upon ourselves."

Since this report was submitted, the Authority has been offered the opportunity to enter into lease agreements or operating contracts with other firms for the use of other facilities. These overtures have been consistently turned down by the majority of our board without due consideration or investigation. These opportunities, in fact, have been thrown away over the considered recommendations and protests of myself as general manager and the entire Authority staff.

As early as 1953, the Authority's management was deeply concerned with the problem of finding new and more productive sources of legitimate revenue. On September 29, 1953--several years before the Legislature voted full faith and credit bonds for port expansion--I sent a memorandum to Charleston ship agents and stevedore firms, requesting their cooperation in our search for new revenue.

In this memo, I observed: "The only possible way for the Authority to operate profitably is to secure just and reasonable returns for its services and facilities. We have found--after thorough investigation and accurate analysis--that many of our charges are inadequate and outmoded by modern standards. In order to justify requests to the state for, (a) continuation of our present annual appropriation; and (b) a cash grant of funds for new construction; and also to provide a basis for floating revenue bonds for financing the remainder of the program, it is now necessary to revise our tariff charges, and to add new items based upon value received."

We failed to receive the cooperation sought at this time and, instead, the Authority and its management was subjected to a concerted campaign of criticism and abuse aimed largely at making it appear that I had some devious, personal reason for persecuting the waterfront's private operators. This campaign, in fact, persists and is to some degree responsible for the financial difficulties which now confront us.

Our only interest now--as it has always been in the past--is to insure an orderly, well managed growth of our ports operation; to at least keep faith with promises made to the General Assembly in the matter of bond retirement; and to provide adequate funds for the inevitable expansion of our facilities in the future.

I have cited briefly these records quoted in the foregoing portions of this introduction for only one reason: To show to what goals our interest has constantly been directed.

At this point in the development of the seaports of the state, we have entered a time of transition. In the beginning we were concerned most immediately with the promotion of our seaports and the solicitation of new business. Promotion and solicitation continue to be important components of our operations. With the acquisition of millions of dollars of new physical plants and equipment, however, we must also be aware of the need for careful, effective administration and management. And we must constantly look to the future, to be aware of our further needs and to provide for them in our current operations. Otherwise, the ports and their administrative Authority will soon find themselves in the embarrassing and wrongful position of again calling upon the Legislature and the people of South Carolina for millions of dollars more in construction money.

It is my firm belief that the Authority over the years has built a competent and dedicated working force headed up by division chiefs of unquestioned integrity and ability.

Within the framework of operating policy established by the Authority membership, they possess the knowledge and talent to operate an efficient, self-financing system of state ports. If the fiscal and operating policies of the governing board are misdirected, however, there is nothing which these men can do to forestall inevitable failure--nothing, perhaps, except take the blame for it when the moment of truth arrives.

Had I not brought this matter to your attention now, you would undoubtedly have had to deal with a much more vexing and appalling problem of ports finance within the next three years. The deterioration of our fiscal position, if present policy trends are permitted to continue, is as inevitable as the tide which washes our docks.

In this report to you, I wish to make one thing abundantly clear from the beginning: I am not appealing for my job, either as general manager of the Authority or as a member of the governing board. Instead, I am respectfully requesting that you carefully consider the real financial dangers which lie within the Authority's operations. I ask that you study these questions and make some definite determination for the sake of the ports, the General Assembly, and the Taxpayers of the state.

In the succeeding pages of this report, I shall try to make as clear as possible what our economic problems are; how these problems have come about; and what can be done to remedy them.

II. THE FINANCIAL PROBLEMS

This report will touch upon the highlights of the Authority's income, disbursements, committed obligations and consequent financial problems. It will attempt to give you a general picture of our position. For additional specific information I would suggest that you consult with Mr. Smith, who has worked closely with the Authority and is intimately familiar with its financial position.

At this time, it is true that our operations are "in the black" insofar as current expenses are concerned. Through March of the current fiscal year, our operating margin after depreciation and maintenance reserves of \$513,141.40 amounts to \$4,915.87.

The total bonded debt reserve deposited with the State Treasurer amounts to \$750,000.00, a figure which falls substantially short of the retirement schedule laid down for the Authority by Cresap, McCormick and Paget. Through this period, you will note by the accompanying schedule of bond retirement, the Authority should have been able to contribute approximately \$1,500,000.00 to this retirement fund.

As of this writing, the Authority is putting aside \$50,000.00 each month toward bond retirement, and these funds are being taken out of money which would normally be reserved for depreciation and maintenance. Even if we are able to continue this monthly commitment, we will fall short of our obligated bond retirement contribution by approximately \$300,000 a year. Projecting this deficiency over the next 16 years, the Authority will fall short by \$4,800,000.00 of the obligation it has to bond retirement. As a consequence, the state will have to defray this amount of default with tax revenues.

Foreseeable, also, is the projected expenditure of additional capital funds for port improvements. Our engineering department has long had blueprints for needed new facilities which would cost in the neighborhood of \$6,000,000.00. These plans were prepared on the basis of business projections and increased traffic.

Here, I would like to make an observation about increased port activity in the future. Under proper management the ports will continue to grow, and there will be a definite need for new docks, warehouses and equipment in the immediate future. Unless we reserve adequate funds today for further expansion, the Authority will soon find itself in the same position it occupied when the bond issue was proposed in 1956--with facilities inadequate to handle traffic and no funds with which to make improvements.

Added to all of these considerations is the definite possibility that the Authority may not be able to continue reserving as much as \$50,000.00 a month for bond retirement.

Three of our major facilities--Georgetown, Port Royal and the bulk dock at North Charleston--are deficit operations and will continue as such unless sounder operating policies are adopted. Our other dock, warehouse and handling operations must not only support themselves and show a surplus but carry these deficit operations, as well.

Proposed Financing

Alternative Methods For Financing Needed Facilities

There are a number of methods which could be used by the State for providing its portion of the capital costs involved. Two of the most common methods are illustrated below.

- The first method, which is recommended by the Port Planning Committee, is shown in table form on the facing page.

- This financing plan involves an equal payment by the State of \$602,000 each year throughout the 20 year financing period.
- While this plan results in higher financing costs because of slower retirement of the bonds than the next illustrated plan, it does have the advantage of calling on the State for an equal amount each year, without the need for very large payments in the early years of the financing.

Proposed Financing

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FINANCING PLAN NUMBER ONE PORT FACILITY FINANCING BY EQUAL YEARLY STATE PAYMENTS

YEAR	AMORTIZATION SCHEDULE OF 20 YEAR 3 PER CENT SERIAL BONDS			PAYMENT BY	
	PRINCIPAL	INTEREST	TOTAL	PORTS AUTHORITY NET INCOME	STATE AP- PROPRIATION
1957-58	\$ 57,000	\$ 630,000	\$ 687,000	\$ 85,500	\$ 602,000
1958-59	263,000	628,290	891,290	289,000	602,000
1959-60	595,000	620,400	1,215,400	614,000	602,000
1960-61	923,000	620,550	1,525,550	923,500	602,000
1961-62	951,000	574,860	1,525,860	923,500	602,000
1962-63	979,000	546,330	1,525,330	923,500	602,000
1963-64	1,009,000	516,960	1,525,960	923,500	602,000
1964-65	1,038,000	486,690	1,524,690	923,500	602,000
1965-66	1,070,000	455,550	1,525,550	923,500	602,000
1966-67	1,102,000	423,450	1,525,450	923,500	602,000
1967-68	1,136,000	390,390	1,526,390	923,500	602,000
1968-69	1,169,000	356,310	1,525,310	923,500	602,000
1969-70	1,204,000	321,240	1,525,240	923,500	602,000
1970-71	1,240,000	285,120	1,525,120	923,500	602,000
1971-72	1,278,000	247,920	1,525,920	923,500	602,000
1972-73	1,316,000	209,580	1,525,580	923,500	602,000
1973-74	1,355,000	170,100	1,525,100	923,500	602,000
1974-75	1,396,000	129,450	1,525,450	923,500	602,000
1975-76	1,438,000	87,570	1,525,570	923,500	602,000
1976-77	1,481,000	44,430	1,525,430	923,500	602,000
TOTALS	\$21,000,000	\$7,727,190	\$28,727,190	\$16,688,000	\$12,040,000

In recent months--despite the opposition of some of the soundest fiscal minds in the Legislature--the General Assembly has added to this burden another facility which will definitely fall into the deficit category. This is in no way to be construed as further argument against the grain elevator, but only to point out that its operation will entail the expenditure of a substantial amount of additional money. It was conceived and presented as a subsidy for the grain farmers of the state, and we have no information to contradict this impression. It will mean a further drain on our already heavily burdened revenues.

In addition to all this, we are now facing heavy increases in our operating costs as a result of the pending enactment of national legislation covering higher minimum wages.

Among all of our operations in the state's three ports, we have some facilities which show an excellent operating profit and others which show substantial losses. Among our most profitable facilities are those which are leased to private operators or are managed by us under a joint operating agreement. To illustrate this picture, the following excerpts are offered from the Authority's March operating statement. The figures represent gains or losses for the first nine months of the 1960-61 fiscal year.

<u>FACILITIES OPERATED BY AUTHORITY</u>	<u>After Depreciation</u>	<u>Before Depreciation</u>
State Pier 15 (North Charleston)	\$379,690.74	\$495,071.48
State Pier 2 (Union Pier)	(36,822.48)	(3,547.50)
State Pier 8 (Columbus Street)	193,343.36	280,309.83
State Pier 16 (Bulk Dock)	(14,520.16)	14,572.37
State Pier 21 (Port Royal)	(29,572.11)	(6,793.74)
State Pier 31 (Georgetown)*	(18,718.09)	(49.34)

* Profit-loss picture colored by two vessels calling during month of March of total of five vessels during entire nine months.

<u>FACILITIES LEASED BY AUTHORITY</u>	<u>After Depreciation</u>	<u>Before Depreciation</u>
State Pier 4 (United Fruit)	\$ 25,210.89	\$ 37,085.85
State Pier 9 (Standard Fruit)	36,007.18	56,168.54
Dow Chemical (Caustic)	7,268.77	47,245.29
Dow Chemical (Drumming)	3,084.84	3,805.00
Rental of Property	25,307.36	75,757.46

In the instances of at least two of our major dock operations--the bulk dock at North Charleston and the general cargo pier at Port Royal--deficit operations probably could have been prevented from the outset if the Authority had pursued good business policy. In each of these cases, we were approached by substantial firms which expressed interest in either leasing the facilities or making a joint operating agreement. We were, in fact, presented with firm bids to lease the bulk dock by concerns which could have attracted cargo to the port. For reasons which will be discussed later, the Authority ignored these offers in spite of positive recommendations from its management and division staff. Contained in the management report of Cresap, McCormick and Paget is a definite recommendation that the Authority consider leasing all of its specialized handling facilities such as the bulk dock. The result of this disregard of professional and staff advice by the Authority are losses which I personally believe could have been prevented. Certainly this is true in the case of the bulk dock, where the state has invested approximately \$1,200,000.00 and where expensive, high-maintenance equipment stands in all but idle uselessness.

Setting aside for the moment the question of what fraction of the total burden of our obligations the Authority proper should bear, let us take a look at the overall costs of our institution to the taxpayers of the State, and the debt the Authority owes itself to remain in business and provide for future plant expansions:

1. We now own properties valued, on a replacement basis, at some \$50,000,000.00. Less than half of these holdings consist of new concrete and steel structures. The remainder are mostly of wooden, semi-permanent construction, much of which is 30 to 50 years old. A conservative estimate of the cost of repairs needed to place these old properties in good working condition is \$2,000,000.00.

2. Payments already made by the State Treasurer for our account, or due by June 30, will total \$4,207,350.00.

3. Our facilities are already taxed to near capacity. If we receive the usual annual influx of foreign cotton within the next three months, all available space at Charleston will be 100% filled, and the overflow will be transferred to Georgetown and Port Royal at our expense. Additional facilities in excess of \$6,000,000.00 worth will soon be needed.

These three items total more than \$12,000,000.00. Under these conditions the marketing of revenue bond issues is out of the question.

I am not suggesting that the State advance this money. I am merely underscoring the realities of the situation by showing the futility of attempting to spread out our inadequate cash reserves sufficiently to justify the claim that we are not in dire need of additional revenues from every conceivable legitimate source. Even if we beg off, shave down, postpone and disregard our debt to the public by two-thirds, or even by three-fourths, we still do not have enough funds remaining to meet our minimum requirements for normal future growth.

This, in general terms, is the nature of the financial difficulty the Authority faces. It is not a dramatic or crisis problem this year, but unless good judgment and foresight are employed immediately, the financial ills of the ports can become dangerously acute. Under our present operating policies, we are in the position of running away from reality. But reality, especially in money matters, has a terrible way of catching up with you. We are like an individual who lives too far beyond his means and spends his savings on living expenses. It works all right until his savings are depleted. An individual can conceivably cut down on his cost of living, but the ports operation cannot if it expects to continue serving the needs of the state.

III. UNWARRANTED SUBSIDIZATION

If we reach and exploit all of our revenue potentials, it is my sincere belief that we can go even farther than satisfying the recommended bond retirement schedule. I believe the ports of South Carolina can pay off the entire issue. We should accept nothing short of this as our aim and goal, and we should attempt further to provide money for future construction.

I hope to be able to make this clear to you--that the big, gaping hole in the bottom of our revenue ship of state is the unfair and unwarranted subsidization of privately owned interests which profit handsomely by the use of our facilities.

When the Authority was created in 1942 it had no income, and for the first decade it was dependent upon the faith and generosity of the taxpayers for survival. After ten years, however, it began to reach the break-even point in its operational costs. During the formative period the State advanced the Authority some \$3,000,000 to prime the pumps and get the main machinery going. The second decade of our existence has been the time for us to become self-sustaining, like so many of the public port operations in the North Atlantic, the Gulf, and the Pacific Coast. We have never measured up to this test of port maturity.

By way of background information, you should understand the sources from which the Authority now derives its revenue. Our general revenue sources are these:

1. Dockage, mooring and unmooring--paid by the VESSEL.
2. Wharfage, handling, storage and other charges--assessed against the CARGO or CARRIERS.
3. Rail Switching--paid ultimately by the SHIPPER or CARRIER.
4. Rental of equipment.
5. Rental of facilities.

From the above recited charges, it is evident that it is the customers, the ships, and the rent-paying users of our ports which provide the great bulk of the Authority's revenue.

Yet, we have a number of privately owned concerns which profit by the daily use of our docks and other facilities and pay no equitable fee or rent for this use. In fact, for the greatest part we have no legal control over their operations upon our property and no established machinery for controlling them or inspecting the tariffs and charges they employ.

Supervision of tariffs is important because ports operations are highly competitive. Because we do not have access to the charges made by stevedores and agents, we have no real way of knowing where our ports stand by comparison with our neighboring competitors.

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Supervision of tariffs is important because ports operations are highly competitive. Because we do not have access to the charges made by stevedores and agents, we have no real way of knowing where our ports stand by comparison with our neighboring competitors.

Our attempts to supervise the rates charged by these various operations and our efforts to discover an equitable means of deriving revenue from them date back almost 10 years.

We have believed for many years that the ports of South Carolina should be operated for the benefit of all of the people and not for the profit of a few private interests in Charleston.

It is an established principle of government that the heaviest user of a government-provided service should bear the highest proportion of its cost. This is, of course, not true of charitable pursuits, but it is certainly true of the highways for which truckers pay a much higher license fee and proportionately contribute greater amounts in gasoline taxes.

At our seaports, on the other hand, we are just completing the construction of \$21,000,000 in state-supported docks for which the heaviest users pay no equitable use charge. Furthermore, they would not be paying anything today had they not been forced into a corner two years ago, only to buy their way out with a pittance.

Of all of the private users of our docks and services, the most consistent and wealthy are the stevedores--not the individual longshoremen, but the companies which provide the service of loading and unloading vessels.

In almost every other port in the United States, except for the South Atlantic, stevedoring firms are independent business organizations which bid for the right to load or unload cargoes reaching the dock. At Charleston, this is not true. At our ports, the stevedoring firms are captive or subsidiary concerns of the ship agents, which act for the shipping lines. This, in itself, is not healthy because it eliminates free competition and may result in rate fixing. In a free competition port, the agent or principal will call for bids from competing stevedoring companies and choose the one which offers the lowest rate. At Charleston, the ship agent simply passes along the business to his own firm.

The inequity of this situation is compounded by the fact that one ship agency-stevedore in Charleston controls more than 75 per cent of the business reaching our docks, which means that a tremendous amount of money is flowing into their hands.

By building new docks and aggressively soliciting business for our ports throughout the Eastern half of the United States, and Western Europe, the Authority has created millions of dollars worth of new business for the agent-stevedores and, in fact, has made them rich.

Yet, these users of our ports have fought bitterly against every attempt on the part of our organization to assess some fair and equitable charge for their use of the docks built by the State of South Carolina.

Back in 1953, the Authority proposed a reasonable use charge of 25 cents per ton of cargo handled by the Stevedoring firms. Such a charge was justified then and is even more justified now. Had we been paid the proceeds of this proposed charge since 1947, the Authority would have realized a total of over \$1,500,000.00.

The stevedores refused to pay anything and commenced a concerted campaign to discredit me and the Authority staff. This fight still goes on.

In 1958, the Authority staff and I saw another channel for additional revenue when the new bulk dock was nearing completion. Several bona fide firms, one of them a major producer and shipper of ores and other bulk materials, expressed definite interest in leasing the bulk pier and operating it on a mutually profitable basis.

I will not go into all of the details of the proposal we made to the Authority because they are contained in the attached staff report delivered at the time.

The substance of the situation was this: The staff and I felt that leasing would produce heavier traffic and higher revenues. We recommended a call for bids. The waterfront interests--principally the stevedores--opposed us largely because they did not want outside competition in the port.

A committee with Authority member Thomas H. Pope as Chairman, was formed to investigate the feasibility of leasing. As far as I can determine, that committee consulted with no one but the waterfront interests, and its report was delivered verbally. Result: I was outvoted six to one, even on the question of calling for bids.

As part of the so-called compromise worked out by the committee, the Stevedores and other port users agreed to make an annual contribution to the port building fund on the following basis:

Stevedores	10 Cents per ton.
Pilots	\$5.00 per vessel--each way.
Tug boats	\$5.00 per vessel--each way.
Agents	\$5.00 per vessel.
Brokers	\$100.00 annually.

This completely unsupervised, gratuitous action resulted last year in a "gift" of \$76,997.53 to the Authority building fund. The Stevedores' portion of this contribution was \$51,687.53.

Had we assessed the Stevedores 25 cents a ton, as we believe is equitable, the return from that source alone in 1960 would have amounted to \$129,171.75.

This, of course, is the result of permitting a user to set his own fee. Consider, for instance, what would happen if taxpayers were permitted to levy what they considered their just and equitable taxes. Wouldn't it be nice if the Federal Government would offer each one of us that opportunity?

Since we have no access to their operating records, we do not have any completely accurate idea of what amount of gross income the Stevedores derive from the use of our port facilities, but, it is well up in the millions of dollars.

I want to say for the record that I have nothing against any of our port users, either as individuals or firms. I simply want them to pay their way like everyone else in the state.

As late as 1956, the other four original members of the Authority felt the same way. I have in my files letters from each one of them, stating emphatically that we were unfairly subsidizing private interests and should stop it. Yet, in the past two years, they have voted consistently against every measure recommended for the solution of this subsidy problem. Their change of heart dates from the expansion of the Authority to seven members and a renewed campaign against me by the waterfront interests.

Whatever the motives and interests and beliefs of those involved, our inability to derive new revenue from legitimate sources--whether it is in the form of leasing, or some fair fee or assessment, or in any of a number of practical working arrangements--is preventing us from meeting our obligations.

It is as simple as that.

IV. SUMMARY AND RECOMMENDATIONS

From the foregoing sections of this report, a number of conclusions are apparent, and I should like to enumerate them in the following order:

1. While the ports of South Carolina currently are operating in "the black" so far as operational expenses are concerned, adequate provision is NOT being made for the retirement of bond obligations.
2. If fiscal policies of the South Carolina State Ports Authority now in force are continued, no adequate reserve will be made for future construction and expansion.
3. The foregoing conclusions tend to cast serious doubt upon the competency of present operating and fiscal policies of the Authority board.
4. There is, at the least, a grave and so far irreconcilable policy difference among not only members of the Authority, itself, but often between the Authority and its professional operating staff.

In consideration of these facts, I would like respectfully to make the following recommendations for procedure and remedy to the honorable members of the State Budget and Control Board.

1. That the entire membership of the South Carolina State Ports Authority be suspended from supervision and operation of the state ports system for a period of Ninety (90) days.
2. That during this period of time (or longer if necessary), the State Budget and Control Board conduct an impartial and exhaustive inquiry into the fiscal matters pertinent to this discussion.
3. That this study be conducted with the goal of establishing a sound, orderly pattern of administration for the ports system of South Carolina.

As the Budget and Control Board or its designated agents pursue these goals, I will stand ready to offer whatever assistance is required. I also stand ready to keep completely away from these proceedings and not to interfere in the prosecution of this study.

Being honorable men, dedicated to the best interests of the state and its ports, I am sure the majority of the members of the Authority will join me in this pledge.

It is unfortunate that a public controversy has arisen from the issues under discussion here. I personally had hoped to avoid such a public airing. I do, however, feel strongly about these matters, because I should like to leave the Authority on sound footing, with its future unjeopardized. It is in jeopardy now, and you gentlemen of the Budget and Control Board are faced with two choices: To ignore these issues and permit the growth of circumstances which will reflect badly upon the state; or to take immediate, decisive steps to implement remedies.

I am deeply grateful for this opportunity to present my views on an issue which means so much to all the people of South Carolina.

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