



CROUCHING OVER CONTROLS, Hugh Entrop pilots outboard motorboat to new world's record of 307.821 miles an hour on Lake Washington, Seattle. (UPI Telephoto)

New Type of Ship Mortgage Bonds Brought Out by Ventures

By Elmer C. Walker
UPI Financial Editor

New York (UPI)—American shipyards should hum with activity in the next decade while the nation's subsidized shipping lines replace some 300 to 350 obsolete ships at a cost of around \$2 billion.

And the financing of these ventures will bring out a new type of security—federally-insured ship mortgage bonds.

The Grace Line is expected to be the first to offer such bonds publicly for the construction of two ships—the Santa Rosa and the Santa Paula.

The Santa Rosa already is nearing the time for its first cruise set for June 26. The Santa Paula will be completed later in the year. Each replaced vessel of similar names in the Grace fleet.

A group of big name investors

will underwrite the new bonds for the Grace Line. It is headed by Merrill Lynch, Pierce, Fenner & Smith and includes Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White Weld & Co.; and F. Eberstadt & Co.

The bonds will run for around 20 years and will be paid off serially. Insurance rates will be paid by the shipping line.

According to the current issue of investor's reader, published by Merrill Lynch, the yield probably will be considerable below the going 5 per cent. These bonds will have better marketability than privately placed mortgages which also are 100 per cent insured.

maintain a regular scheduled service; must agree to the replacement after a service life of 20 years; and must be replaced by vessels built in U.S. yards by U. S. labor, using U. S. materials.

Vessels so built are subsidized to the extent that American costs are higher than foreign. If the operator receiving a subsidy earns more than 10 per cent on his capital, half of this excess must be returned to the government and the other half deposited in a special reserve fund.

The net result will be a new investment medium making possible a big shipbuilding program in U. S. shipyards, and providing the nation with an efficient merchant marine.

Elmer Walker

Tigard Incorporation Hangs on Single Vote

Tigard, Ore. (UPI)—The attempt by the 100-year-old community of Tigard to incorporate as a city hangs on the balance of a single vote.

The vote was 220 to 227 against incorporation in Tuesday's voting, representing a vote by 10 per cent of the registered voters. A canvass was in progress Wednesday and members of the Chamber of Commerce said a new vote would be demanded in 30 days if the incorporation move failed.

Tigard is located on Portland's southwest fringe.

Unlike Public Housing Authority bonds these will not be tax exempt. And since they are insured by the government they will not have to be registered with the Securities & Exchange Commission.

The Grace firm believes the bonds which it will offer with their safety features will be attractive for individuals as well as colleges, pension funds and similar institutional investors.

The securities are expected to be issued as vessels are completed. Debt securities issued by the subsidized companies would be limited to 75 per cent of the operating company's net cost of construction, with the remainder provided by equity investment.

The provisions of the new ruling specify that the ships must be documented under the laws of the U.S.; be manned in general by U. S. citizens; insured with U. S. underwriters; must unless impractical, have all repairs performed in U. S. yards; must

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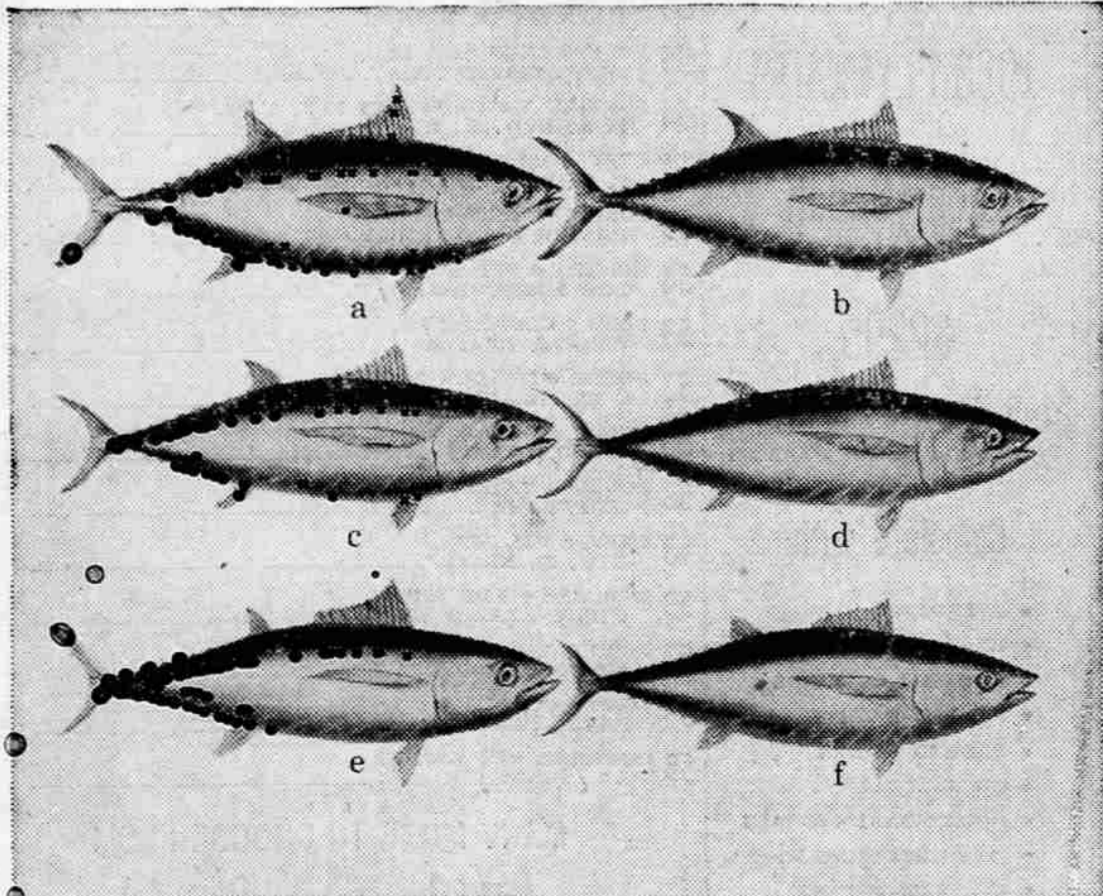
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