In my judgment, the questions raised by analysts about reducing the savings deduction by the amount of tax-exempt income can be resolved when the actual writing of tax reform legislation occurs in the future. It is my intention during those deliberations to make sure that municipal bonds retain a preference.

It is important to recognize that if the USA tax plan were to be enacted it would include significant incentives for savings and investment—the unlimited savings allowance—which defers Federal income taxes on any income saved or invested. As individuals change their behavior to save and invest more, the national savings pool will increase. In addition, the USA tax removes the bias for companies to use debt financing instead of equity financing. More companies may choose equity financing. These changes in the business Tax Code may lower the demand for borrowing. Increasing the savings pool will lower interest rates and the cost of capital. Lower interest rates will benefit all Americans who have to borrow. Since States and municipalities are big borrowers because they issue large quantities of bonds, lower interest rates should significantly benefit them, separate and apart from the specific USA tax provisions dealing with the tax treatment of municipal bonds.

I hope that this statement clarifies matters for participants in the municipal bond market who may fear that either the USA tax plan would penalize them, or will make issuance of municipal bonds for legitimate governmental purpose more expensive in the future. Neither of those outcomes is the intent of this Senator and I will do all I can to insure that neither occurs.

Mr. NUNN. Mr. President, I would like join my good friend from New Mexico in trying to alleviate the fears of those concerned about the USA tax proposal's treatment of municipal bonds. In crafting our proposal, we explicitly elected to retain a preference for investments in municipal bonds, and we did so primarily to preserve the ability of State and local governments to obtain capital for needed infrastructure improvements. It was never our intention to undermine our country's municipal bond market.

As Senator DOMENICI pointed out, some analysts believe the manner in which our proposal is crafted could erode substantially the current tax preference for municipal bond investments. Others, including an editorial at the Bond buyer, take a much more optimistic view and equate our proposal as being far too generous in its treatment of municipal bonds. I believe the truth falls somewhere in between these two analyses.

In the USA proposal, we have essentially equalized the tax treatment of all investments, including those investments in municipal bonds. All investments under the USA proposal are tax-deferred. However, the USA proposal makes an important distinction about the tax treatment of the returns from these investments. The returns from investments other than municipal bonds would not be tax exempt unless the returns are reinvested in their entirety. On the other hand, returns from municipal bonds would be tax exempt and could be spent or reinvested without future income tax consequences. I believe this is an equitable outcome regarding the tax treatment of municipal bonds. If another approach, consistent with the overall goals of the USA proposal, especially revenue neutrality, can be found in this area, I am more than willing to consider such proposals.

Mr. President, before yielding the floor, I would like to raise a final point. I find it very interesting about the absence of any concern about the elimination of any, I repeat any, preference for municipal bonds under either the flat tax or the national sales tax proposals. I do not mind the criticism of our proposal. Constructive criticism is useful and can work to improve our proposal, but it would be refreshing to have an informed, factual comparison of all the tax replacement proposals and their tax treatment of municipal bonds, rather than a Chicken Little approach often evident today.

MATCHING AWARDS FOR EDUCATION GRANTS TO AMERICORPS GRADUATES

Mr. PELL. Mr. President, I want to share with my colleagues an extremely exciting and momentous development in regard to the AmeriCorps Program. Today, eight of Rhode Island's colleges and universities are announcing that they have each agreed to match the $4,725 education grant for every Rhode Island AmeriCorps participant who successfully completes AmeriCorps service and attends one of the participating Rhode Island institutions. As a result of this commitment, the education benefit for successful AmeriCorps participation will be at least $9,450.

As one of the first proponents of national service and of linking successful completion of service to an education benefit, I believe this is a remarkable and praiseworthy commitment to the concept of community service.

I take special pride in commending each of those institutions for this superb commitment. They include: the University of Rhode Island, the Community College of Rhode Island, Brown University, Bryant College, Johnson and Wales University, Salve Regina University, the Rhode Island School of Design, and Providence College. I might add that several other institutions in Rhode Island are currently exploring this idea, and the number may well grow.

I also want to pay special tribute to Mr. Lawrence Fish, chief executive officer of Citizens Financial Group in Providence, RI, who, as chair of the Rhode Island Commission on National Service, spearheaded the effort that resulted in this truly historic achievement.

FEDERAL EXPRESS HUB AT SUBIC BAY

Mr. PRESSLER. Mr. President, I rise today to congratulate Federal Express Corp. on the opening last week of its new cargo hub at Subic Bay in the Philippines. This is a very favorable development for consumers of shipping services on both sides of the Pacific.

As many will remember, Federal Express had intended that its Subic Bay hub be fully operational in July. Unfortunately, even though the United States/Japan bilateral aviation agreement clearly authorized Federal Express to do so, the Government of Japan refused to permit Federal Express to operate several flights from Japan which were integral to its hub operation. In late July, Japan reversed its position and thereby enabled the Subic Bay hub, the cornerstone of Federal Express' intra-Asian network, to become fully operational.

As a result of the Subic Bay hub operation, consumers will be able to rely on expanded intra-Asian and trans-Pacific service. However, consumer choice will not be the only benefit. A recent article from the Journal of Commerce predicts this expanded service will come at a reduced cost to consumers. One economist estimates the price of intra-Asian shipping may drop by as much as 25 percent as a result of competition from Federal Express' intra-Asian network. I am confident the Federal Express experience in Subic Bay will again prove U.S. air carriers can compete effectively in any international market they have a chance to serve.

With respect to the widespread benefits of the Subic Bay hub, the Journal of Commerce article points out a very interesting irony. By violating the United States/Japan bilateral aviation agreement, the Government of Japan tried to prevent the Subic Bay hub from opening. Yet, Japanese companies are among the first flocking to the Subic Bay area to set up operations so they can benefit from Federal Express' superior air delivery services. For example, the Japan International Development Organization is planning a 450-acre industrial park in the area which will serve as a research and manufacturing center for 10 Japanese companies.

I ask unanimous consent that the article from the Journal of Commerce to which I have referred be printed in the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PRESSLER. Mr. President, on several occasions during the pendency of the United States/Japan cargo aviation dispute I cautioned that the economic stakes in that dispute were very