

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.

16 February 1959

MEMORANDUM FOR THE PRESIDENT

Subj: Chartering of a Navy Hospital Ship to People to People Health Foundation, Inc.

1. Purpose of Memorandum. The memorandum discusses the cost and time required for placing a Navy hospital ship in operating condition, and the terms upon which such ship can be chartered to the Foundation.

2. Placing Ship in Operating Condition.

(a) Cost. \$1,780,000 as follows:

(i) \$1,280,000 is the Navy's best estimate to activate the ship and place it in operating condition for use by a civilian crew. This amount has been discussed with Dr. Walsh and includes \$40,000 for advance planning costs and preparation of specifications. The \$1,280,000 includes all outfitting required for the operation of the ship but not for outfitting the hospital. It does not include any cost for altering the ship to accommodate any medical or other special equipment and supplies which Dr. Walsh expects to be donated to the Project.

(ii) \$500,000 allowed to cover any necessary alteration to the ship to accommodate medical equipment and supplies which are not presently on the ship. Any balance of these funds not needed for this purpose could be used for the outfitting of any needed medical equipment and supplies, or for restoration and inactivation of the ship upon its return to the Navy.

(b) Time required.

To meet the Foundation's target sailing date of 15 September 1959, it would be necessary to have the ship placed in operating condition by 15 August 1959. To assure that this is done economically, the work must commence by 1 May 1959 and the planning and preparation of the specifications for the work should begin by 1 March 1959.

3. Chartering the Ship. The Navy will lease the ship under the authority of 10USC2667, which authorizes the Secretary of a military department to lease property such as here involved, "upon such terms as he considers will promote the national defense or will be in the public interest". The principal terms of the lease will be as follows:

(a) Rental. No cash rental will be required. The Navy will accept the "maintenance, protection, repair, or restoration, by the lessee, of the property leased ... as ... all of the considerations for the lease", as expressly authorized by 10USC2667.



(b) Duration of Charter. Two years with option to renew, subject to the right of the Navy to terminate at any time. The charter would commence upon the placing of the ship in operating condition.

(c) Operation. I understand that American President Lines will operate the ship for the Foundation at cost without profit.

(d) Maintenance. As an operating cost, the Foundation will have the ship maintained in accordance with minimum standards prescribed by the Navy and satisfactory to the Foundation.

(e) Insurance. As an operating cost, the Foundation will provide the minimum insurance necessary to protect the interests of the Foundation and the Navy.

(f) Performance Bond. None will be required.

4. Restoration and Inactivation of the Ship. Upon return of the ship to the Navy following completion of the charter, it will be necessary to reconvert the ship for operation by Navy crew and to inactivate the ship. The estimated cost of this work is \$300,000. Funds in this amount can either be made available now or at such time as reconversion and inactivation becomes necessary. Navy appropriations would not be available for such use. Consequently, unless a commitment of Government funds is made, it will be necessary that the Foundation agree in the charter to pay for the performance of this work.

5. Recommendations.

(a) That \$40,000 be made available to the Navy by 1 March 1959 for advance planning costs and preparation of specifications.

(b) That the balance of the \$1,780,000 be made available to the Navy when the Foundation is otherwise prepared to proceed with the project.

(c) That commitment be made in respect to the funds to be used by the Navy for the reconversion and inactivation of the ship upon completion of the project.

W. B. Franke

