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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

November 24, 1975

MEMORANDUM FOR ECONOMIC POLICY BOARD - EXECUTIVE COMMITTEE

FROM: Paul W. MacAvoy *Paul MacAvoy*
SUBJECT: Food Deputies Report No. 33

1. Supply and Demand Situation for Grain

The November crop production estimates show an increase over the October estimate of 1.6 million metric tons of feed grains and 1.3 million metric tons of soybeans. The current estimates are for a 1975-76 supply of wheat 19 percent above a year earlier, a supply of feed grains up 17 percent, and a supply of soybeans up 21 percent. These data are given more fully in Table 1.

At the same time, the USDA's cattle on feed report shows a 12 percent increase over a year earlier in inventories of cattle on feed in seven leading states as of November 1. Increased feeding, together with larger export sales compared to a year earlier, provide the demand side counterpart to the crop supply increases.

The net result is a substantially larger increase in supply than in prospective demand. Therefore, it is expected that prices will tend to be lower in 1975-76 than in 1974-75. As of November 19, near futures prices of wheat were down about 28 percent, corn about 25 percent, and soybeans about 38 percent from a year earlier.

The October and November increases in estimated feed grain supply have been influencing wholesale prices in the past several weeks. With an elasticity of demand for feed grains between $-.25$ and $-.50$, these supply increases should have reduced corn prices 5 to 10 percent since early October. In fact, the price of Chicago corn has declined about 12 percent.



Table 1. Crops in 1975/76 compared to 1974/75
(million metric tons)

	<u>1974/75</u>	<u>1975/76*</u>	<u>Percentage change</u>
		<u>Wheat</u>	
Supply:**	55.6	66.9	+20
Demand:			
Domestic use:	18.6	19.3	+ 4
Exports:	28.3	36.8	+30
Carryover:	8.7	11.0	+26
		<u>Feed Grains</u>	
Supply:**	170.4	200.0	+17
Demand:			
Domestic use:	120.6	133.2	+10
Exports:	35.5	45.3	+28
Carryover:	14.3	21.6	+51
		<u>Soybeans</u>	
Supply:**	38.3	46.5	+21
Demand:			
Domestic use:	21.7	23.3	+ 7
Exports:	11.5	12.9	+12
Carryover:	5.1	10.3	+102

*USDA estimates as of November 11, 1975.

**Includes production, carry-in stocks, and imports.

The 15 to 20 percent decline in the price of wheat since mid-October is more difficult to explain since estimated supply has been stable. The main potentially price-influencing event was the resumption of sales to the Soviets. Because it was announced that 7 million tons of additional grain could be sold in 1975-76, while the trade was reported to be anticipating 5 to 6 million tons, the announcement itself should not have been bearish. However, the failure of the Soviets to make any wheat purchases since that time, while they have bought 2.7 million additional tons of U.S. corn, has probably reduced anticipated foreign demand for wheat in 1975-76.

These factors suggest that the current lower cash and futures grain prices, as compared to early October, may not be just a transitory dip, but reflect the supply-demand situation most likely to prevail until evidence begins to accumulate about 1976-77 crop prospects.

Cash and futures prices of livestock, especially hogs, have also declined rapidly since early October. This probably reflects both lower expected feed prices and accumulating evidence of increased meat supplies for 1976. Passing these through to retail prices, they could reduce earlier estimates of food CPI change to the 6 to 7 percent range.

2. ICC Regulation of Grain Shipment by Rail

This fall the ICC has issued a service order concerning the allocation of covered hopper cars for grain shipment. It limits the use of cars in unit trains -- shipments of 20 or more cars from one origin to one destination -- to 20 percent of a railroad's jumbo covered hopper cars. Only two railroads have been affected by the 20 percent limitation -- the Penn Central and the Norfolk and Western -- but these two are important grain haulers. The service order also originally limited the repetitive use of cars in unit trains, although this limitation has now been removed. A related service order, requiring priority allocation of cars to elevators where grain is on the ground, has had negligible effects. Only 15 elevators had taken advantage of the order when it expired on November 14.

The intent of the limitation on use of cars in unit trains is to make more cars available for smaller grain shippers who cannot use unit trains. However, this regulation causes inefficiency in grain movement. Grain can be moved more quickly and at lower cost in unit trains. Therefore, forcing a reduction in cars used in unit trains increases the time and cost of transporting grain. This was discussed with the ICC representative and his response was renewed determination to help the little fellow.

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WASHINGTON, D.C. 20506

November 24, 1975

MEMORANDUM FOR ECONOMIC POLICY BOARD - EXECUTIVE COMMITTEE

FROM: Paul W. MacAvoy^{PM} and Bruce Gardner

SUBJECT: Winter Wheat Crop Prospects

USDA and private analysts (from Continental and Cook) agree that winter wheat prospects are not currently endangered by drought. Exceptionally good weather has prevailed in the Northwest and East Central wheat growing areas. Last week's blizzard, which put several inches of snow on several dry areas, and widespread showers of 3/4 to 1 inch in parts of Texas, Oklahoma, Kansas, and Colorado, have further enhanced prospects for 1976 winter wheat. Great Plains wheat, Inc., attributes the 1976 wheat futures price decline last week to this news. The only substantial remaining problem areas are in Western Kansas and the Oklahoma panhandle. The Eastern two-thirds of Kansas, which is the main wheat growing area, has now had adequate rainfall. It is true that fall wheat pasture prospects in the hard winter wheat areas are much below normal, but this is not seen as important for next year's grain yields.

The USDA has done a preliminary analysis of 1976 wheat prospects by region. Their main projections are:



<u>Region</u>	<u>Acreage Planted</u>		<u>Yield per Harvested Acre</u>		<u>Production</u>	
	<u>1974/75*</u>	<u>1975/76</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1974/75</u>	<u>1975/76</u>
	(mil. acres)				(mil. bu.)	
Southern Plains (includes drought area)	33.1	32.2	26.6	26.0	796	745
Northern Plains	21.7	21.8	28.0	28.8	582	610
Northwest	7.6	7.7	49.2	50.0	353	362
Cornbelt	8.9	9.2	39.4	40.5	335	355
Other	3.1	3.0	29.8	30.4	71	71
<hr/>						
U.S. Total	74.4	74.0	31.0	31.4	2,138	2,144

*Year beginning July 1

Although production in the Southern Plains is now projected to decline about 6-1/2 percent in 1975-76 compared to 1974-75, this is offset by increased projections of acreage and yields in other areas, so that the USDA's production outlook currently is for a slightly higher harvest in 1976. The 2.14 billion projection would be a new record and would be up 25 percent from 1972-73 and 20 percent from 1973-74.

The USDA's first official report on U.S. winter wheat production will be released on December 22.



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

November 24, 1975

MEMORANDUM FOR THE DIRECTOR OF THE
OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: Omnibus Rail Legislation

The Omnibus Rail Legislation, as presently drafted in the Congress, presents serious financial and public policy questions. While the House bill is completely unacceptable in several respects, it is closer to the Administration's position than is the Senate bill.

HOUSE OF REPRESENTATIVES

The Subcommittee on Transportation and Commerce of the House Interstate and Foreign Commerce Committee adjourned on November 19 without completing action on its bill, H.R. 9802. Chairman Rooney (D-Pa.) wanted to report the bill on the 19th but Congressman Skubitz (R-Kan.) prevented it after two important Administration-proposed amendments were defeated. The subcommittee will reconvene on December 1. The present status of the bill is as follows.

Implementation of the Final System Plan. The House bill follows the USRA and Administration proposals for the level of Federal funding of ConRail and for the establishment and delegation of powers to a Government Investment Committee (although the name has been changed to Government Banking Committee). However, the bill prohibits the payment of preferred stock in lieu of interest and dividends when cash is not available to ConRail. Congressman Skubitz will introduce an amendment to reduce the USRA obligational authority in Section 210(b) of the RRR Act from \$500 million to \$25 million. While providing for Supplementary Transactions, the House bill would allow ConRail to veto such a transaction. The Certificates of Value issued to the creditors would be pegged at "Constitutional Minimum" as set by the Special Court. Finally, deficiency protection is accorded to all carriers who purchase rail property pursuant to the Final System Plan.

Northeast Corridor. Currently, the House bill contains the Administration's proposal for the Northeast Corridor with the exception that the Federal share of the project is \$1.4 billion rather than \$1.08 billion. However, Congressman Florio (D-N.J.) is trying to delete, even before the bill leaves subcommittee, the requirement of a State financial share in the project. There is not as much enthusiasm for the Corridor in the House as in the Senate, and a thorough lobbying effort for our position might produce substantial results.

Overall Funding. In addition to the \$2.1 billion for ConRail, the House bill provides for \$2 billion in loan guarantees for the Nation's railroads, as does the Administration program. The House bill also has an account for Consolidation, Mergers, Supplementary Transactions, and Improvement of Facilities containing \$2.25 billion in either grants, loans, or interest subsidies, or any combination thereof, at the discretion of the Secretary of Transportation. Only \$400 million of this, for Supplementary Transactions, has been approved by the Administration. (This item could be changed substantially even before the bill comes out of subcommittee, with the dollar level possibly being reduced.) There is currently \$180 million in the bill for light density line subsidies in the Northeast. When the Northeast Corridor funding is added, the total comes to \$7.9 billion. The Administration has proposed spending \$5.7 billion.

DOT-USRA-Amtrak. As currently written, the House bill gives all new planning and funding authority to the Department of Transportation. Nevertheless, Amtrak is lobbying to be given control of the Northeast Corridor. USRA appears to have signalled that it really doesn't want accumulation of preferred stock or Supplementary Transactions and that it is flexible on the issue of Certificates of Value. In addition, Mr. Jordan, former President of USRA and now Chief Executive Officer of ConRail, has apparently begun to lobby against Supplementary Transactions.

Rail Service Continuation Subsidies. Because the subcommittee, just prior to adjournment, struck Title IV of the bill, temporarily there are no subsidy provisions to contradict those proposed by USRA. This will surely change, however, once the House reconvenes. There is a good possibility that there will be a 100 percent subsidy for the first six months or year in the Northeast; there is a substantial likelihood that there will be no subsidy for abandonments outside the region.



Regulatory Reform. The House bill does contain substantial regulatory reform. There is both upward and downward pricing flexibility and a rate bureau provision prohibits agreement and voting on single line rates and on any joint or interline rate in which a carrier is not a participant. However, the bill would still allow collective action on general rate increases. The section on nationwide abandonment of light density lines, however, will actually weaken the present law and frustrate the abandonment of light density lines. With regard to mergers, the House bill currently provides for an expedited procedure through certification by the Secretary of Transportation that a proposed merger is in the public interest as measured by a new test which places a premium on economic viability and efficiency. The Secretary's certification creates a presumption in favor of the proposal, and the ICC must render final action within two years. Organized labor, however, is exerting great pressure to water down the merger procedure, and it is possible that such action will take place even before the bill leaves the subcommittee. The bill provides that the ICC's budget must be submitted concurrently to the President and the Congress. RSPO is continued and its powers are expanded to allow it to assist and advise generally the ICC in the development of an efficient regulatory policy for each mode of transportation under the ICC's jurisdiction. The Office of Public Counsel is given the power to become a participant in all proceedings before the Commission involving rail transportation. It should also be noted that Congressman Adams (D-Wash.) has tried in subcommittee to weaken the regulatory reform in the bill and may continue his efforts in full committee.

SENATE

The Senate Commerce Committee ordered its bill reported on November 19. Senate floor action is scheduled to begin December 2. Senator Pearson (R-Kan.) has agreed to offer at least some Administration amendments from the floor. The present status of the bill is as follows.

Implementation of the Final System Plan. USRA is authorized to purchase up to \$3 billion of ConRail debentures and preferred stock and has the power to turn the entire investment into grants. There is no Government Investment Committee to oversee the flow of Federal funds into ConRail. Interest and dividends on the Federal investment are noncumulative and payable only when ConRail has retained earnings in excess of \$500 million. The base value of USRA's Certificates of Value is established at whatever Special Court decides is the "Constitutional Minimum". Supplementary Transactions can only be effectuated within four years

following the effective date of the Final System Plan, rather than the six recommended by USRA, and either the ICC or USRA can completely block any proposed transaction. \$500 million in USRA obligational authority is retained in Section 210(b) of the RRR Act despite the need for only \$25 million to cover the single loan outstanding under this section as well as ConRail's cash needs prior to conveyance. The bill extends the labor protection provisions of Title V of the RRR Act to any rail employees affected by Amtrak's takeover of rail properties. Finally, deficiency protection is accorded to all carriers who purchase rail property pursuant to the Final System Plan.

Northeast Corridor. The bill authorizes USRA to provide up to \$3 billion in non-interest-bearing loans to Amtrak (with no specified repayment period) to upgrade rail service in the Northeast Corridor to achieve (within four years) the trip times specified in DOT's 1971 report. A new Northeast Corridor Improvement Corporation with its own board of directors is established to carry out the improvement program. This Corporation can, at its option, extend the upgrading to include Harrisburg, Albany, and Springfield. \$255 million in grants is provided to Amtrak to acquire the Northeast Corridor properties and other properties outside of the Northeast Corridor used in providing intercity rail passenger service.

Overall Funding. The bill sets up a \$4.4 billion "trust fund" and gives USRA the authority to use the "trust fund" to finance ConRail (up to \$3 billion) and railroad rehabilitation throughout the country. USRA is also authorized to forgive any or all of the \$4.4 billion in Federal financial assistance. The "trust fund" has no user charges, and is simply fed by general revenues. In addition to the \$4.4 billion in the "trust fund", USRA is authorized to provide another \$1 billion in loan guarantee assistance to the Nation's railroads. The bill also provides open-ended "authorizations... of such additional sums as may be required" to the "trust fund" to allow USRA to further assist the railroads. The bill provides for \$960 million for rail service continuation subsidies, both freight and passenger. When the Northeast Corridor funding is added, plus the authorizations to USRA and the Department of the Interior, the total comes to \$9.7 billion. The Administration has proposed spending \$5.7 billion.

DOT-USRA-Amtrak. It appears that USRA has exerted substantial influence in the Senate Commerce Committee; this is reflected in the fact that the Senate bill awards Mr. Lewis, the Chairman of USRA, a \$25,000 annual salary raise and in the fact that the Senate bill authorizes \$67 million for USRA's administrative expenses through

FY-77. USRA completely controls the flow of funds to both ConRail and the railroads in the rest of the country. A Northeast Corridor Improvement Corporation (a subsidiary of Amtrak) is given responsibility for NEC upgrading, with the money coming from USRA.

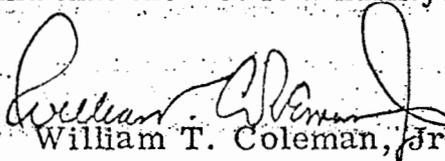
Rail Service Continuation Subsidies. The bill extends the rail branch line continuation subsidy program throughout the nation and authorizes a total of \$655 million in new subsidy funds through FY-83 (over and above the \$180 million now authorized in Title IV of the RRR Act). The Federal share is increased from 70 percent to 100 percent in the Northeast Region during the first year of the program and held at 90 percent thereafter for both the Region and the rest of the nation. The bill also provides a new authorization to UMTA of \$125 million for operating subsidies to assist the states in the Region to maintain rail commuter service through FY-78. The Federal share of this assistance is 100 percent during the first 180 days after conveyance, 90 percent through FY-77, and 50 percent through FY-78. Finally, the bill authorizes \$25 million for each of three fiscal years beginning in FY-76 to provide information on, and implementation of, conversion of abandoned rail rights-of-way to recreational and conservational uses. At least four-fifths of the total authorization goes to the Secretary of the Interior.

Regulatory Reform. There is substantial reform in the regulatory system with regard to both pricing flexibility and rate bureaus. The bill provides substantial upward and downward pricing flexibility. With respect to rate bureaus, discussions, agreements, and voting on rates are prohibited for single and joint line rates. However, the bill would still allow collective action on general rate increases. The bill provides for a modified merger procedure that allows proposals to take effect if the ICC has not rendered a decision within two years of submission of an application. The Administration's restructuring proposal which would provide a new test for approving mergers and allow the Secretary of Transportation to condition Federal loan guarantees upon restructuring is not included. The bill provides that the ICC's budget request must be submitted concurrently to the President and the Congress. RSPO (called Transportation Services Planning Office) and the Office of Public Counsel are given powers similar to those in the House bill.

CONCLUSION

The current status of the legislation raises the distinct possibility of the necessity of a Presidential veto. A veto, if sustained, would have important consequences with regard to the reorganization of the bankrupt

railroads in the Northeast and Midwest. The Final System Plan went into effect on November 9. Under current law, within ninety days of that date, USRA is required to certify to the Special Court that the exchange of ConRail securities and other benefits for the properties of the bankrupts is fair and equitable. Unless new legislation containing provision for \$2.1 billion in Federal investment in ConRail is passed, USRA will be unable to make the required certification to the Special Court, and the Court will not order conveyance. At the least, Congress would then have to postpone the conveyance date and provide additional interim financial assistance to the bankrupt railroads. At the worst, the creditors could successfully petition the reorganization courts to allow termination of service and liquidation of the properties on the ground that the Act is a nullity.

A handwritten signature in black ink, appearing to read "William T. Coleman, Jr.", is written over the typed name. The signature is fluid and cursive, with a large initial "W" and "C".

William T. Coleman, Jr.

THE WHITE HOUSE

WASHINGTON

November 25, 1975

FOR EPB EXECUTIVE COMMITTEE MEMBERS

The Food Deputies Report and the Policy Statement on Grain Arrangements with Foreign Countries will be discussed at an EPB Executive Committee meeting during the week of December 1.

EYES ONLY

MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

November 25, 1975

ATTENDEES: Messrs. Simon, Seidman, Greenspan, Lynn, Dunn, Baker, Zarb, Malkiel, Gorog, Cavanaugh, Walker, Jones, Porter, Hormats, Kasputys, Hinton, Penner, Areena

1. Review of New York City Situation

The Executive Committee briefly reviewed recent developments in the New York City situation. The discussion focused on probable actions by New York State, City, union, and financial community officials, and the format, timing, and substance of a Presidential announcement on New York City.

Decision

Mr. Seidman will meet with White House Legislative Liaison, Press Office, and Speech Writing Department representatives to get their views regarding the timing, format, and substance of a Presidential announcement on New York.

2. State of the Union Preparation

A memorandum outlining procedures for State of the Union preparation was distributed to Executive Committee members. Any questions on the proposed procedures will be discussed at the Wednesday, November 26 Executive Committee meeting.

3. Withholding Rate Strategy

The Executive Committee discussed an options memorandum on withholding rate strategy.

Decision

The Executive Committee approved Option 2 recommending Treasury issue of a press release alerting employers and the public that unless Congress acts increased rates will take effect January 1 and a simultaneous statement to the public and to the Congress warning of the consequences of inaction and reiterating the need for a spending ceiling.

The memorandum and recommendation were approved for submission to the President.

EYES ONLY
RBP



THE WHITE HOUSE

WASHINGTON

November 25, 1975

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEMBERS

FROM: L. WILLIAM SEIDMAN

SUBJECT: Railroad Legislation

The attached materials, just received from the Department of Transportation, are a revision of the materials from Secretary Coleman distributed earlier today.

Secretary Coleman has requested a discussion of the Senate and House Omnibus Rail Bills at tomorrow's Executive Committee meeting.



November 25, 1975

The attached compares the Senate Omnibus Rail Bill as reported by the Full Committee and the House Omnibus Bill (H.R. 9802) as Amended to date by the Subcommittee.

Some provisions remain unclear because of drafting ambiguities.

All provisions of the House Bill remain open to further amendment by the Subcommittee.

ISSUE

Regional Rail
Reorganization
Implementation

SENATE

Funding - USRA authorized to purchase up to \$3 billion in ConRail debentures and preferred stock. Amount for supplementary transactions is not clear.

Oversight of ConRail Progress--
USRA controls.
USRA can forgive payment of principal and interest on any securities issued by ConRail.

Interest and dividends non-cumulative and payable only when ConRail has retained earnings in excess of \$500 million.

Base value of certificates of value hinged on Special Court's decision as to constitutional minimum.

HOUSE

Funding - USRA authorized to purchase up to \$2.1 billion in ConRail debentures and preferred stock.

Oversight of ConRail Progress--
Government Banking Committee consists of USRA Board Chairman and the Secretaries of DOT and Treasury. The Committee can waive any payment relative to any ConRail securities.

Interest and dividends non-cumulative and payable only out of ConRail net profits.

Similar to Senate bill.

ADMINISTRATION

Funding - USRA authorized initially to purchase up to \$1.85 billion in ConRail debentures and preferred stock. An additional \$250 million is provided as a cushion.

Oversight of ConRail Progress--
Government Investment Committee consists of USRA Board Chairman and the Secretaries of DOT and Treasury. The GIC can waive payments relative to ConRail securities.

Interest and dividends are cumulative, but payable only if sufficient cash is available. When cash is not available, additional preferred stock is issued in lieu thereof.

Base value is net liquidation value determined by USRA

ISSUE

SENATE

HOUSE

ADMINISTRATION

Regional Rail
Reorganization
Implementation
(Continued)

Supplementary Transactions
- must occur, if at all,
within 4 years

- either ICC or USRA
can block

Supplementary Transactions -
- six year period

- DOT's presentation of
proposal to Special Court cannot
be blocked by either USRA or
the ICC. However, ConRail can block.

- Funding comes from
\$2.225 billion account
in section 803.

Like House version, except
\$400 million is specifically
authorized to be appropriated
to DOT to facilitate transactions,
and ConRail cannot block
presentation to Special Court.

Indemnification of Profitable
railroads--

Similar to Senate bill.

Indemnification available
only if the conveyance is
of significant importance
to achievement of the FSP
goals.

The Federal Government
indemnifies all profitable
railroads which participate
in the reorganization.

ISSUETotal FundingSENATE

Establishes a \$4.4 billion Railroad Rehabilitation and Improvement "Trust Fund" for purpose of providing capital to USRA and to provide financial assistance to ConRail and to other carriers.

In addition, a \$1 billion obligation Guarantee Fund is available to USRA to finance improvements to rail facilities throughout the country.

\$3 billion in non-interest bearing loans for NEC.

\$255 million to Amtrak for NEC and other activities.

Adds \$655 million to current \$180 million for rail service continuation subsidies nationwide.

\$125 million for commuter service in Region.

\$75 million (?) for conversion of rail rights-of-way to recreation facilities.

A total of \$9.7 billion.

HOUSE

Establishes Rail Transportation Trust Fund within the DOT Budget, containing the following four accounts --

1) Rail Services Continuation Subsidy Account

-(Preserves existing \$180 million for title IV of the RRRRA)

2) Consolidation, merger, supplemental transaction, and Improvement of Facilities Account.

-Authorizes appropriation of \$2.225 billion thru FY 1980.

3) NEC account

-Authorizes appropriation of \$1.4 billion thru FY 1980.

4) Loan Guarantee for Rail Improvement and Service Account

-\$2 billion ceiling placed on guarantees.

In addition, USRA authorized to acquire up to \$2.1 billion in ConRail securities.

A total of \$7.9 billion.

ADMINISTRATION

\$2.1 billion to USRA for ConRail

\$400 million to DOT for supplementary transactions.

\$1.08 billion to DOT for the NEC

\$2 billion loan guarantee program under DOT.

\$180 million for Rail Service continuation subsidies.

A total of \$5.7 billion.

ISSUESENATEHOUSEADMINISTRATIONRegulatory
Reform

1. Pricing Flexibility

a. No-suspend zone

None as such, except there is no suspension of increases if no market dominance.

3-year no-suspend zone of 7% each year.
(Does not apply to export rates).

permanent no-suspend zone, phased-in (7, 12, 15% for first 3 years; 15% up, no limit down thereafter).

b. Minimum Rates

Rates which increase going concern value can't be called too low (there is a presumption that rate above variable cost increases value).

Rates above variable cost cannot be called too low.

Same as House (slightly different from Senate).

c. Umbrella
Ratemaking

Rates of one mode may not be held up to protect another mode as long as rate increases going concern value.

Rates of one mode may not be held up to protect another mode.

Same as House (slightly different from Senate)

d. "Market
Dominance"

Commission loses maximum ratemaking authority except where market dominance.

Commission loses maximum ratemaking authority except where "market dominance".

None

e. Big John

Special procedures for rates involving \$1 million investment.

Same.

Same as House and Senate.

f. Time Limit on
ICC hearing

None

7/10 month time limit.

Same as House.

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
2. <u>Rate Bureaus</u>			
a. Single and joint line rates	No discussions, voting or agreements on single and joint line rates after 2 years.	No voting or agreements on single and joint line rates.	Same as Senate except applies immediately.
b. General Rate Increase	Prohibitions do not apply to general rate increases.	Same as Senate.	Prohibitions apply to certain general rate increases after 3 years.
c. Rate Bureau Protests	Rate bureaus may not protest rate of own mode.	Same as Senate.	Same as House, Senate except prohibition applies to all rates regardless of mode.
3. <u>Abandonment</u>			
a. Procedural change	Adopts procedural change similar to Administration.	None	More advance notice to communities of abandonment through listing and notice procedure.
b. Substantive change	None	Abolishes 34-car rule (very vague amendment)	None
c. Financial Assistance	8-year subsidy program of \$835 million	None	None

ISSUE

SENATE

HOUSE

ADMINISTRATION

4. Merger

a. Time limit

2 year time limit

Similar to Senate

Time limit imposed; slightly shorter than House and Senate.

b. Substantive change in standard

None

Similar to Administration provision.

*New standard and procedure.

The new standard weighs the efficiency gains against any adverse competitive aspects to determine if merger is in public interest. Secretary certifies whether transaction is in public interest, and then ICC makes final decision with "presumption" transaction is in public interest if Secretary so certifies. Secretary's determination is accorded less weight in House proposal than in Administration's. Also, if ICC doesn't make decision within time limit imposed, no provision for return to Secretary, as an Administration proposal.

The new standard weighs the efficiency gains against any adverse competitive aspects to determine if it is in public interest. Proposal first goes to Secretary who certifies if it is in the public interest. Then ICC makes final decision with "presumption" it is in the public interest if Secretary so certifies. ICC may not overrule that determination unless it finds "clear and convincing evidence to the contrary". If ICC doesn't make determination within time limits, it goes back to Secretary and Attorney General for final decision.

ISSUE

Northeast
Corridor
Project
Implementation

SENATE

--\$3 billion in non-interest bearing loans to upgrade service.

--USRA furnishes funding.

--\$255 million for Amtrak to acquire, manage, and operate NEC properties and to acquire seven other rail properties outside the Corridor used for intercity passenger service.

--Trip times: 2-1/2 hours Washington-New York; 3 hours New York-Boston

--Establishes new NEC Improvement Corporation to carry out program

--Includes off-Corridor lines

--No State or local cost sharing required.

HOUSE

--\$1.4 billion appropriation through FY 1980.

--DOT receives appropriations.

--Trip times - 3 hrs. Washington-New York; 3 hours, 50 minutes New York-Boston.

--DOT may deal with any appropriate party to effect improvements.

--No off-corridor lines involved.

--States required to contribute--

-\$170 million toward NEC improvements

-\$200 million toward improving elements of stations not essential to intercity service.

ADMINISTRATION

Generally the same as the House bill except--

\$1.08 billion is appropriated to DOT

States contribute only \$120 million toward NEC improvements.

ISSUE

Rail Service
Continuation
Subsidies

SENATE

Funding - \$655 million added to current \$180 million already in title IV of the RRRA. Program lasts for all States through FY 1983.

Federal Cost Sharing-
100% for 1st year in Region
90% thereafter in the Region
90% at all times outside of
the Region.

All Funds allocated under entitlement formula based on State rail mileage.

\$125 million for continuing rail commuter service in Region through FY 1978

\$25 million for each of FY 76, 77, and 78 for conversion of abandoned rail rights-of-way to recreation facilities. Interior gets 4/5 of the funds.

HOUSE

Currently the bill makes no changes in this area. Further amendments may be expected.

ADMINISTRATION

- 2-year program
- 70%-30% cost sharing throughout
- Program restricted to States in the Region
- Continuation of commuter service to be funded out of existing UMTA authorization.

ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

AGENDA

8:30 a.m.

Roosevelt Room

November 26, 1975

- | | |
|--|----------------|
| 1. Discussion of the Senate and House Omnibus Rail Bills | Transportation |
| 2. Proposal for Review of Employment and Unemployment Statistics | Malkiel |
| 3. State of the Union Preparation | Seidman |
| 4. New York City | |

