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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 16

Time: 830pm

FOR ACTION:

Judy Hope
Max Friedersdorf
Bobbie Kilberg *AK*
Robert Hartmann *AK*
Bill Seidman

cc (for information):

Jack Marsh
Ed Schmultz
~~Mike DeLoach~~

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 1100am

SUBJECT:

Signing Statement - S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

_____ For Necessary Action

_____ For Your Recommendations

_____ Prepare Agenda and Brief

_____ Draft Reply

x

_____ For Your Comments

_____ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President





THE SECRETARY OF THE TREASURY

WASHINGTON 20220

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Recommendation for Veto of the Rail Transportation Improvement Act, S.3131

We strongly believe that the captioned legislation should not receive your signature for a number of reasons. First is that the legislation would significantly increase the exposure of the government in indemnifying creditors of the bankrupt Northeast railroad beyond reasonable levels. Secondly, the manner in which the bill commits the government's funds for the rehabilitation of the railroad industry is contrary to prudent fiscal management. Thirdly, we are opposed to that provision in S.3131 which eliminates the ability of the Secretaries of Treasury and Transportation to designate officers other than the Deputy Secretaries of their Departments to represent them on the United States Railway Association Board of Directors.

The bill, which was passed in the waning hours of the 94th Congress, increases the funding under Section 211(h) of the Regional Rail Reorganization Act by \$120 million (or 52 percent) from its current level of \$230 million to \$350 million. This program authorizes Federal loans to ConRail to pay off certain kinds of outstanding pre-conveyance debts of the bankrupt Northeastern railroads. The loans to ConRail are to be forgiven at the end of three years and the government is to succeed to ConRail's claims for repayment against the trustees of the bankrupt estates. It is probable that a significant portion of these claims will not be honored. There is grave question whether any increase in this program is advisable. Secretary Coleman in his memorandum of September 29th to the Senate and House conferees stated that the government has provided more than \$680 million over the past few years to the bankrupt railroads in addition to the 211(h) funds, much of it on a grant basis. Secretary Coleman noted that an increase of \$70 million is "minimally acceptable in an otherwise satisfactory bill. Any higher figure will not be acceptable . . ."

Even more troublesome than the increase in the ceiling is the provision in S.3131 which creates a mechanism to circumvent the ceiling. This is accomplished by

establishing a revolving fund, whereby additional loans are to be extended as outstanding loans are repaid.. The effect of this will be to retire those loans which are extended to the more viable estates, and replace those commitments with new loans to other estates which have little hope of becoming liquid. This provision not only excessively increases the government's potential involvement beyond the \$350 million ceiling, but also reduces its chances of recovering the taxpayer funds committed to the 211(h) program.

The initial statutory premise of 211(h) was to allow money to be loaned by the government to ConRail to "avoid disruptions in [its] ordinary business relationships." Adequate funding is already committed under the program to obtain that result. If, for unforeseen reasons, further funds are required they can be authorized next year. There is no need to raise the government stake by making "loans" to ConRail (which will be forgiven with the government succeeding to ConRail's claims against the estates) and thus further expose the taxpayer to the possibility that the bankruptcy courts may determine that the estates do not have to reimburse the government in cash to the full extent of the sums paid out under 211(h).

The second serious fiscal objection with respect to S.3131 is that it provides funds to the railroad industry to rehabilitate certain facilities at a cost that is well below the cost of capital to the government. Funds used for deferred maintenance projects will be advanced to the industry in the form of preference shares which would carry an interest rate of no less than approximately 3 percent and no greater than the borrower's current rate of return on total capital. Since many railroads earn little, if any, return on capital, the majority of loans can be expected to carry the minimum interest rate. This provision would remove the Secretary of Transportation's broad discretion in setting a realistic interest rate on these instruments. Currently, the government's costs of borrowing capital is well in excess of the projected interest rate on the preference shares under the proposed amendment. Moreover, since the government's cost of capital is not a fixed rate and the interest rate on these preference shares is to be set, the government will be forced to absorb a higher cost if the cost of capital further increases.

An amendment to Section 511 contained in S.3131 provides that the Secretary of Transportation can no longer consider the financial viability of a railroad in guaranteeing obligations under Section 511 as long as sufficient assets exist to back the government claim. This could require the Secretary to make loans to financially distressed railroads with some unencumbered assets and result in the government's claim being delayed, and even compromised, as a result of a bankruptcy proceeding.

The following additional aspects of S.3131 are also objectionable to the Treasury Department:

(1) The Amtrak authorizations for capital and operating purposes are \$72 million over the level the Administration has requested for FY 1977 and \$90 million over our suggested level for FY 1978. If the bill is vetoed, Amtrak can continue to operate comfortably since it already has the \$350 million originally appropriated for its use during FY 1977. DOT can seek a supplemental appropriation next year if more funds are required.

(2) Funding to Amtrak must be advanced at the beginning of a quarter, rather than as needed, and Amtrak thus will be indirectly subsidized at the cost of an unnecessary interest expense to the taxpayer.

(3) The Federal share of operating costs for State and local passenger service is increased relative to that of State and local governments.

(4) The provision which equates highest priority with the concept of "essential freight services" undercuts the power of the Secretary of Transportation to provide funding for Section 505 rail rehabilitation projects which he feels are of the highest priority. The terminology "essential freight services" already has a rather broad technical definition and Congress can be expected to legislate coverage for specific rail lines in order to include them under the definition for political reasons.

(5) Another section of S.3131 relating to the 211(h) program concerns the "reimbursement procedures agreement" that the Finance Committee of USRA and ConRail must enter pursuant to the Regional Rail Act. S.3131 requires that the agreement, which the parties are in the process of negotiating, spell out the "exact procedures" that ConRail should undertake in trying to recover funds from the bankrupt estates and requires a "due diligence" finding, entitling ConRail to forgiveness of the loans if these procedures are met.

This provision undercuts the USRA Finance Committee's negotiating position of requiring ConRail to exercise the same prudence with the taxpayer's money under the 211(h) program as it would were its own funds involved. We do not believe it good law to attempt to spell out what procedures ConRail should follow under every eventuality. "Due diligence" is a broad term and the test of whether it was exercised should be properly applied after the fact.

S.3131 would also require the government to pay ConRail's costs of seeking reimbursement from the trustees. Our position is that since the loans are made to ConRail for its benefit, i.e. to avoid business disruptions, ConRail and not the taxpayer should incur ConRail's administrative costs.

The non-fiscal issue of concern to the Department involves my right as Secretary of the Treasury to name a designee to represent me as a director of the United States Railway Association. A floor amendment introduced by Senator Hartke, without benefit of Committee hearing or an opportunity for the Administration to comment, requires that the Secretaries of the Treasury and Transportation can only authorize their Deputy Secretaries, and no one else, as their USRA representatives.

This is contrary to the practice the Treasury Department and DOT has followed since the inception of USRA. This amendment could result in Treasury and the DOT, because of the press of business, not being represented at a board meeting with the Administration losing its two votes as to how a \$2 billion Federal investment is administered.

There is strong evidence, and this is supported by the press (see attached articles), that the Hartke Amendment was initiated to silence Treasury Under Secretary Jerry Thomas as a critic of the waste and self-dealing that has evidenced itself in regard to certain of the activities undertaken by the management of the United States Railway Association--outside of the knowledge of the board of directors.

Examples of questionable activities include the expenditure of public funds to finance memberships for USRA officers in country and dinner clubs, the awarding of consulting contracts to former officers, payment of unusual commuting expenses and living expenses in Washington for top officials.

Congressman Broyhill of North Carolina properly questioned the issue of the Hartke Amendment on the floor of the House. A proponent of the bill agreed that the Hartke Amendment was improper, but stated because of the late hour, it would be corrected in legislation next year. It is uncertain whether the Hartke Amendment would be repealed by a new Congress.

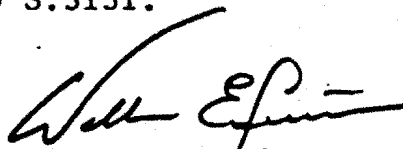
The inconceivable attempt to replace a director who speaks out against excessive spending and improvident use of tax dollars, runs counter to everything your Administration has attempted to do in curbing excessive waste in Washington. The unwarranted expenditure of the taxpayers' money for the social pleasures of USRA officers involves an important issue of principle.

If the Hartke Amendment prevails, then it will be a further frustration and discouragement to those of us in your Administration who take pride in assisting you in eliminating unnecessary and unprincipled waste in government.

Finally, Mr. President, you must also weigh the provisions of the legislation that have merit. In doing so, it is my hope that you will arrive at our conclusion: the undesirable provisions outweigh the argument for signing the measure.

It seems appropriate to veto the bill with a message to Congress that the American taxpayer deserves a more responsible fiscal solution to the problems of the railroad industry and that you will resubmit to the 95th Congress in January those few provisions of the bill which are favorable for their early action.

For these reasons, I recommend that you exercise your power of veto with respect to S.3131.


William E. Simon

Attachment

Rail Official Whose Audit Stirred Anger Is Bill Target

By Stephen M. Aug
Washington Star Staff Writer

A director of the U.S. Railway Association who exposed questionable financial arrangements involving top USRA officers is about to be forced off the USRA board as the result of a little-noticed piece of legislation.

The legislation, in the form of an amendment to a railroad financial aid bill, was introduced by Sen. Vance Hartke, D-Ind.

Hartke, chairman of the Senate Commerce surface transportation subcommittee, which has jurisdiction over the railway association, also was a principal author of a letter to the General Accounting Office complaining about the director's audit of USRA that exposed the questionable practices.

Hartke also sought unsuccessfully last winter to raise the salary (from \$60,000 to \$85,000 a year) of the chairman of the board of directors of USRA, who was one of those criticized by the audit. Ironically, the increase was proposed at about the time USRA had substantially completed its work and was phasing down its activities.

THE DIRECTOR who soon may be forced off the board is Jerry Thomas, a Treasury undersecretary who has represented Treasury Secretary William E. Simon on the USRA board since April. Thomas had a Treasury auditing team examine some of USRA's financial records shortly after he joined the board.

The audit showed that the association — a federally financed corporation formed to restructure and help rehabilitate the bankrupt Northeastern railroads — had used taxpayer funds to finance memberships for its top executives at luncheon and country clubs (including a \$5,000 initiation fee for USRA Chairman Arthur D. Lewis at Burning Tree Country Club).

The audit also disclosed that the association had given lucrative consulting contracts to USRA officers as they left the company, had paid commuting expenses for some top officials who didn't want to move to Washington, and had kept sloppy records that didn't show on whom about \$35,000 in entertainment expenses was spent during the first nine months of this year.

IMMEDIATELY after the audit was presented to the USRA board at its July 29 meeting, the directors

voted to censure Thomas because he had the audit conducted. At the same meeting, according to minutes made available to The Star, the directors refused to adopt a proposal by Thomas that would have required internal association records to include documentation on the names of individuals, other than association employees, on whom entertainment funds had been expended.

At the same meeting, the minutes show, substantially all of the reform measures Thomas proposed died for the lack of a second. Substitute proposals, essentially weaker versions of Thomas' recommendations, were adopted largely by 7-2 votes. The only two dissenting votes were cast by Thomas and the other Ford administration representative on the board, representing the Transportation Department.

In May, Thomas persuaded the directors to stop paying club dues for USRA officers. But at the July meeting, when Thomas sought to have the association seek a return of fees paid in advance for dues beyond May, and to recoup the \$5,000 Burning Tree initiation fee for Lewis, the directors voted it down.

IN AN INTERVIEW last night, Thomas said that at the meeting he requested that the minutes reflect the names of the individuals casting votes on his proposals. "The reason for my insistence on the votes is I may seek judicial remedy," Thomas said, explaining that if a GAO audit of USRA does not back his position on returning more than \$6,000 in club fees and dues, he will hire a lawyer at his own expense and file suit to have the money returned to the association.

Although the meeting was held at the end of July, nearly two months passed before Thomas received a draft set of minutes. The draft confirmed his recollection of the 7-2 votes.

Thomas recalled that Lewis, in answer to questions by a House Government Operations subcommittee this month, denied having voted on any of the resolutions resulting from the Treasury audit report.

The draft minutes showed only 7-2 votes, with no indication as to the names of those who voted. Thomas complained, and a final set of minutes showed Lewis abstaining in several instances in which a 7-2 vote was recorded.

BETWEEN THE July and Sep-

tember meetings, Hartke introduced legislation that would limit the ability of the Treasury secretary to delegate his representative on the USRA board. The secretary would be limited only to delegating this responsibility to his second in command, the deputy secretary. This would exclude Thomas, who is one of two undersecretaries.

The measure was introduced as one short paragraph in a lengthy bill that includes substantial funding for Amtrak, as well as \$350 million in loans for creditors of certain bankrupt Northeastern railroads.

No similar provision was included in a House bill on Amtrak funding.

House and Senate conferees yesterday adopted the overall bill, including Hartke's amendment, which by this time had been broadened to include similar limitations on the Transportation secretary's power to name his own representative on the USRA board.

Lewis was out of town and could not be reached for comment on the matter, and a USRA spokesman said, "I'd take Mr. Thomas' claims with a grain of salt. The legislation was something put together in the Congress."

Jack Anderson and Les Whitten

Full Steam Ahead on Squandering

The government overseers who administer the billions that Congress appropriated to rehabilitate bankrupt railroads are squandering the taxpayers' money on themselves.

They voted themselves so many fringe benefits that one overseer, Treasury Under secretary Jerry Thomas, raised a howl in the back rooms of the U.S. Railway Association. He shamed his colleagues into revoking permission to bill the government for their country club memberships. But they refused to repay the membership fees that the taxpayers had already shelled out.

The outraged Thomas, meanwhile, conducted a Treasury Department audit of the extravagances of the USRA administrators. Last week he confronted them behind closed doors with seven resolutions which would cut back their elaborate fringe benefits. All seven were defeated; four were never even seconded.

Then the offended board members passed a resolution, incredibly, chastising Thomas for trying to save the taxpayers' money. The resolution, adopted by a 7-2 vote, sharply rejected "the under secretary of treasury's allegation of 'carte blanche use of the taxpayers' money' or a 'cavalier attitude with the public's tax dollars.'"

The board also took action to prevent Thomas from ever auditing their extravagances again. They voted that "no member of the board of directors is to undertake an independent audit of the Association without the approval of the board."

Congress established the U.S. Railway Association in 1973 to revitalize

the ailing railroads in the 17 Northeastern states. This is being accomplished with financial transfusions from the Treasury. But an excessive amount of money has been spent to maintain the lavish lifestyle of the administrators.

One of Chairman Arthur Lewis' first moves, for example, was to decree that the USRA's top brass should belong to "a private dining club in the Washington area." He also ruled, according to a May 21, 1974, confidential memo that USRA would pick up the membership fees and dues.

Lewis then set the example by enrolling in the exclusive Burning Tree Club. This set the taxpayers back \$5,000 for initiation fees and \$1,000 a year for dues. Seven other USRA officers happily joined the clubs of their choice to the tune of \$13,550.

When Thomas joined the board in April, he was appalled at this misuse of taxpayers' money. He persuaded the board to rescind the club memberships. But when he followed up last week with a resolution requiring Lewis to pay back \$5,000 for his Burning Tree membership, Thomas couldn't get anyone on the board to second the motion.

He also tried to cut back other extravagances that the Treasury Department audit had uncovered. The audit, written in the dull, factual language of the Treasury accountants, was circulated only to USRA bigwigs. But here are the highlights:

Representation Expenses—During the first nine months of the 1976 fiscal year, USRA's top executives collected more than \$35,000 for wining, dining and entertaining VIPs. After citing six

pages of abuses, the auditors recommended reconsidering "whether funds could continue to be spent for official reception and representation purposes."

One of the biggest spenders again was Chairman Lewis, who didn't even bother to explain 69 of the 79 charges he submitted. He spent \$728.71, for example, on dinners for 12 on two consecutive nights at Washington's prestigious Metropolitan Club. No explanations were given for the dinners.

But he threw another \$778.55 party at the same club, according to his voucher, to "honor a number of USRA employees who had worked a considerable amount of overtime."

Relocation Allowances—Lewis also authorized extravagant living expenses for USRA personnel who wanted to work in Washington, without giving up their homes elsewhere. These allowances were higher than it would have cost them to resettle in Washington.

As usual, Lewis was one of the first to take advantage of his own policy. He has collected \$26,800 to cover the high cost of living in Washington. This was added to the \$63,000 salary he is already drawing—the maximum, incidentally, allowed by Congress.

The living allowances are so lavish that 13 other USRA officers have also chosen to live in Washington at the taxpayers' expense and maintain separate homes elsewhere. This practice "would not have been allowed," the auditors noted, in other federal establishments. But Congress exempted USRA from the usual federal restrictions.

Derailing a director

In the happy comedy of government, cause and effect often avoid being seen together in public. Intimate friends may know about the relationship but, well, it's not the sort of thing that everybody needs to be gabbing about.

The fascinating case, for instance, of Jerry Thomas, an undersecretary of the Treasury: Mr. Thomas wears a second hat, as a member of the U.S. Railway Association board of directors. Since last April he has represented Treasury Secretary Simon on the board of the government-financed corporation, formed to restructure and to help rehabilitate the bankrupt Northeastern railroads.

Shortly after Mr. Thomas became a board member, he saw some things that bothered him; he had an auditing team from Treasury come in and look around. The audit showed the association had used tax money to finance memberships for its top executives at lunching and country clubs, including a \$5,000 initiation fee for USRA chairman Arthur D. Lewis at Burning Tree Country Club. And the audit disclosed also that the association had given lucrative consulting contracts to USRA officers after they left the corporation and had paid commuting expenses for some high-horsepowered officials who preferred not to live in Washington. Record-keeping was so sloppy that the auditors couldn't tell on whom some \$35,000 in entertainment expenses had been spent during the first nine months of this year.

Mr. Thomas's initiative did not draw rave reviews. At the first board meeting after the audit, Mr. Thomas's fellow directors voted to censure him and, as well, refused to adopt his proposals for association documentation of who spent what on whom. In May, he was able to persuade the directors to stop paying club dues for USRA officers but since has gotten nowhere in urging that the association try to recoup the \$5,000 paid Burning Tree on behalf of Mr. Lewis.

Well, clearly, an obstreperous fellow, this Thomas. Not at all good company on a tax-financed board of directors.

A funny thing happened after all this. An amendment was inserted in a railroad financial aid bill; it was introduced by Senator Vance

Hartke, D-Ind., who is chairman of the Commerce Committee's surface transportation subcommittee which has jurisdiction over USRA. The unobtrusive amendment would disqualify Mr. Thomas as a member of the board of the U.S. Railway Association. The House-passed version of the legislation contained no such provision. On Wednesday, a House-Senate conference committee adopted the over-all bill, including the Hartke amendment.

Under this amendment, Secretary Simon could delegate his representation on the USRA board only to his second in command. This would include Undersecretary Thomas out.

Senator Hartke's role in the maneuvering is puzzling. An aide told *The Star's* Stephen M. Aug that Mr. Hartke didn't even know Mr. Thomas and introduced his amendment because Treasury's seat on the board has been filled by several officials and the senator wanted to be sure the Treasury board seat would be occupied only by the highest official below the secretary.

There are a couple of loose ends, however. Mr. Hartke last winter attempted, unsuccessfully, to raise the salary of the chairman of the board of USRA, Mr. Lewis, from \$60,000 to \$85,000 a year — at least Senator Hartke's name was on the bill. The Hartke aide said the pay raise was in the context of increasing USRA's responsibilities, but the association's responsibilities were not broadened and thus the salary was not increased. Whatever that means. It was also Senator Hartke who was principal author of a letter to the General Accounting Office complaining about Mr. Thomas's Treasury auditors peering at USRA.

The pattern that strikes a layman's eye in all this may be, of course, merely circumstantial. Perhaps Mr. Thomas and the other board members just don't get along; one of your institutional personality clashes. It has been implied that Mr. Thomas is politically motivated, for whatever light that casts. Perhaps, though, Mr. Thomas was merely offended at seeing taxpayers picking up \$35,000 worth of anonymous entertainment tabs and paying for unusual executive perks.

Cause and effect? Coincidence? Curious.

SIGNING STATEMENT

I have today signed into law the Rail Transportation Improvement Act of 1976 (S. 3131) which makes several important amendments to the laws that affect our nation's railroads. First, it enacts several provisions that are necessary to assure that the public's \$1.75 billion investment in improving the Northeast Corridor (Boston to Washington) rail passenger system can be fully protected. (This protection is a necessary and critical step to undertaking the entire program and will permit the improvement program with its emphasis on providing efficient high-speed and reliable surface passenger transportation between the great urban centers located in the densely populated Northeast Corridor, to commence forthwith.) This program will also have the effect of stimulating needed and useful employment in this region.

Second, the Act makes important amendments to the loan guarantee program established by section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210) which I signed this February. This program, which will provide \$1 billion of guaranteed loans to enable the rail industry to acquire and rehabilitate facilities and equipment, is essential to assisting the railroads in obtaining the capital necessary to restore the national rail system to first class condition. The amendments correct a number of deficiencies in the existing statute and will enable the program to be used to its fullest potential.

Third, the Act makes several amendments to the Regional Rail Reorganization Act of 1973 (P.L. 93-236) concerning the transfer of rail service from seven bankrupt carriers to the newly-formed Consolidated

THIS SENTENCE IS BOTH
CONFUSING + EXCESSIVELY
LEGALISTIC.

Date: October 16

OCT 18 RECD

Time:

830pm

FOR ACTION:

Judy Hope
Max Friedersdorf
Bobbie Kilberg
Robert Hartmann
Bill Seidman

cc (for information):

Jack Marsh
Ed Schmults
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

Signing Statement - S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply

x

☐ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

APPROVE
RBP

see first H

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
For the President

Date: October 16

Time: 830pm

10/18/76 - 9:45 am
n

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10/18/76 - copy sent for researching. nm



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Second, the Act makes important amendments to the loan guarantee program established by section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210) which I signed this February. This program, which will provide \$1 billion of guaranteed loans to enable the rail industry to acquire and rehabilitate facilities and equipment, is essential to assisting the railroads in obtaining the capital necessary to restore the national rail system to first class condition. The amendments correct a number of deficiencies in the existing statute and will enable the program to be used to its fullest potential.

Third, the Act makes several amendments to the Regional Rail Reorganization Act of 1973 (P.L. 93-236) concerning the transfer of rail service from seven bankrupt carriers to the newly-formed Consolidated

Rail Corporation. These amendments, among other things, will assure that all who continued to provide services and materials to, or continued to utilize the services of, the bankrupt carriers in the days immediately preceding transfer to ConRail will be paid for their services or materials or have their claims processed promptly and equitably. In particular, it assures that all employee claims--whether for wages or benefits or on account of personal injuries--can be paid promptly and equitably so as to avoid any hardship. In matters as complex as a massive railroad reorganization of this type, it is essential that we not lose sight of the needs of all of the men and women whose lives are inextricably bound to the affairs of these companies.

Notwithstanding the clear benefits of this legislation, there are several provisions that give me great concern and that, I feel, must be redressed immediately in the next Congress. Among these, the following are most important.

First, the bill provides authorizations for operating grants for Amtrak in the 1978 fiscal year that I believe are unreasonably high and are not warranted by the limited ridership Amtrak has been able to obtain. This excessive authorization will be addressed in the FY 78 budget. However, I would like to emphasize my concern as to the uncontrolled growth of the subsidy provided to Amtrak and my strong feeling that this growth must be stemmed if we are to have a responsible budget.

Second, there is a provision in the bill, added as a floor amendment to the Senate bill, which requires that only the Secretaries or

Deputy Secretaries of the Treasury and Transportation respectively and the Chairman or Vice Chairman of the Interstate Commerce Commission can serve as members of the Board of Directors of the United States Railway Association or, for the Secretaries, of its Finance Committee. This is a change from existing law which provides that such service can be rendered by the two Secretaries and the Chairman or their "duly authorized representatives." Such a delegation is common for responsibilities of this type so as to permit top government officials to use their time effectively and flexibly to meet many competing demands. Indeed, in the case of USRA Board membership, both Secretary Simon and Secretary Coleman have delegated at particular times their respective responsibilities to other high Department officials who have performed with remarkable effectiveness and provided vigilant oversight of the use of public funds.

I know of no sound justification for this amendment. The provision was never considered at any public hearing and the House of Representatives at best recognized the improper nature of this amendment while considering the Conference Report but did not act to change it because of the pressure to adjourn the 94th Congress. Because I believe the Congress will redress this unwarranted and ill-considered charge, I have signed this bill rather than veto it in order to allow important responsibilities to be carried out immediately. However, I intend to submit corrective legislation to the Congress immediately upon its convention in January and I trust the Congress will act with similar dispatch.

* * *

Dat October 16

Time: 830pm

FOI TION: Judy Hope
Max Friedersdorf
Bobbie Kilberg ✓
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please return to judy johnston, ground floor west wing

Good Statement
[Signature]
10/18/76 at 10:30 AM

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James M. Cannon
For the President



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

October 15, 1976

MEMORANDUM FOR Honorable James T. Lynn
Director
Office of Management and Budget

Attached is the proposed signing statement that I promised in my letter to you of October 9. I believe this statement shows both the President's reasons for signing the bill as well as his grave concerns regarding some of its provisions and how he intends to address them.

A handwritten signature in cursive script, appearing to read "Bill", is positioned above the printed name.

William T. Coleman, Jr.

SIGNING STATEMENT

I have today signed into law the Rail Transportation Improvement Act of 1976 (S. 3131) which makes several important amendments to the laws that affect our nation's railroads. First, it enacts several provisions that are necessary to assure that the public's \$1.75 billion investment in improving the Northeast Corridor (Boston to Washington) rail passenger system can be fully protected. This protection is a necessary and critical step to undertaking the entire program and will permit the improvement program with its emphasis on providing efficient high-speed and reliable surface passenger transportation between the great urban centers located in the densely populated Northeast Corridor, to commence forthwith. This program will also have the effect of stimulating needed and useful employment in this region.

Second, the Act makes important amendments to the loan guarantee program established by section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210) which I signed this February. This program, which will provide \$1 billion of guaranteed loans to enable the rail industry to acquire and rehabilitate facilities and equipment, is essential to assisting the railroads in obtaining the capital necessary to restore the national rail system to first class condition. The amendments correct a number of deficiencies in the existing statute and will enable the program to be used to its fullest potential.

Third, the Act makes several amendments to the Regional Rail Reorganization Act of 1973 (P.L. 93-236) concerning the transfer of rail service from seven bankrupt carriers to the newly-formed Consolidated

Rail Corporation. These amendments, among other things, will assure that all who continued to provide services and materials to, or continued to utilize the services of, the bankrupt carriers in the days immediately preceding transfer to ConRail will be paid for their services or materials or have their claims processed promptly and equitably. In particular, it assures that all employee claims--whether for wages or benefits or on account of personal injuries--can be paid promptly and equitably so as to avoid any hardship. In matters as complex as a massive railroad reorganization of this type, it is essential that we not lose sight of the needs of all of the men and women whose lives are inextricably bound to the affairs of these companies.

Notwithstanding the clear benefits of this legislation, there are several provisions that give me great concern and that, I feel, must be redressed immediately in the next Congress. Among these, the following are most important.

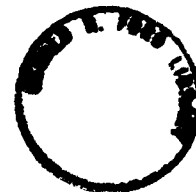
First, the bill provides authorizations for operating grants for Amtrak in the 1978 fiscal year that I believe are unreasonably high and are not warranted by the limited ridership Amtrak has been able to obtain. This excessive authorization will be addressed in the FY 78 budget. However, I would like to emphasize my concern as to the uncontrolled growth of the subsidy provided to Amtrak and my strong feeling that this growth must be stemmed if we are to have a responsible budget.

Second, there is a provision in the bill, added as a floor amendment to the Senate bill, which requires that only the Secretaries or

Deputy Secretaries of the Treasury and Transportation respectively and the Chairman or Vice Chairman of the Interstate Commerce Commission can serve as members of the Board of Directors of the United States Railway Association or, for the Secretaries, of its Finance Committee. This is a change from existing law which provides that such service can be rendered by the two Secretaries and the Chairman or their "duly authorized representatives." Such a delegation is common for responsibilities of this type so as to permit top government officials to use their time effectively and flexibly to meet many competing demands. Indeed, in the case of USRA Board membership, both Secretary Simon and Secretary Coleman have delegated at particular times their respective responsibilities to other high Department officials who have performed with remarkable effectiveness and provided vigilant oversight of the use of public funds.

I know of no sound justification for this amendment. The provision was never considered at any public hearing and the House of Representatives at best recognized the improper nature of this amendment while considering the Conference Report but did not act to change it because of the pressure to adjourn the 94th Congress. Because I believe the Congress will redress this unwarranted and ill-considered charge, I have signed this bill rather than veto it in order to allow important responsibilities to be carried out immediately. However, I intend to submit corrective legislation to the Congress immediately upon its convention in January and I trust the Congress will act with similar dispatch.

* * *



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: **October 15**Time: **1230pm**

FOR ACTION:

Judy Hope *S-11*
Bill Seidman *01911*
Max Friedersdorf *S-11*
Bobbie Kilberg *in*

cc (for information):

Jack Marsh
Ed Schmultz
Steve McConahy *Ma*
Mike Duval *Ma*

FROM THE STAFF SECRETARY

DUE: Date: **Monday October 18 1966**Time: **noon**

SUBJECT:

S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒☐ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

October 7, 1976



Mr. James M. Frey
Assistant Director
for Legislative Reference
Office of Management and Budget
Washington, D.C.

Dear Mr. Frey:

Amtrak recommends that the Act, S. 3131, be signed
into law.

Sincerely,

A handwritten signature in cursive script that reads "Bruce Pike". The signature is fluid and written in dark ink.

Bruce Pike
Vice President
Government Affairs

BP/rlm

Department of Justice
Washington, D.C. 20530

October 8, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill S. 3131, "Rail Transportation Improvement Act."

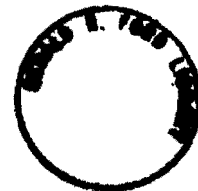
Enrolled bill S. 3131 authorizes funds through fiscal year 1978 for continued operation and maintenance of the National Railroad Passenger Corporation, increasing the amount of loan authority under section 211(h)(1) of the Regional Rail Reorganization Act of 1973, and other purposes.

The Department of Justice defers to those agencies more directly concerned with the subject matter of the bill as to whether it should receive Executive approval.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General



United States Railway Association

2100 Second Street, S.W.
Washington, D.C. 20595
(202) 426-1991

Arthur D. Lewis
Chairman

October 7, 1976

Mr. James M. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C.

Dear Mr. Frey:

In accordance with your request of October 5, 1976 for the views and recommendations of the United States Railway Association on S.3131, the Association offers the following:

The "Rail Transportation Improvement Act," S.3131, includes amendments to several statutes but it is only the amendments to the Regional Rail Reorganization Act of 1973 that fall within the purview of the Association.

The major amendment to the Regional Rail Reorganization Act of 1973 involves the increase from \$230 million to \$350 million for Section 211(h) loans by the Association to ConRail for the payment of obligations of railroads in reorganization incurred prior to the date of conveyance of properties to ConRail. In addition, the list of obligations eligible for 211(h) loans is expanded. When the Association testified before Congress on the issue of increasing the 211(h) program to a total of \$450 million, we did not take a position because of our belief that the issue was one of policy more appropriately addressed by others.

While the Association questions the wisdom of including some additional types of obligations in the 211(h) program, the central issue continues to be whether the 211(h) program should be increased by \$120 million. While we note that this figure is \$100 million less than the original proposal and another amendment may limit the reorganization court's discretion to apply to other purposes escrowed funds that are found by the appellate courts to be available for 211(h) purposes, the Association has no recommendation as to whether S.3131 should be signed into law.

Sincerely,





THE SECRETARY OF THE TREASURY

WASHINGTON 20220

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Recommendation for Veto of the Rail Transportation Improvement Act, S.3131

We strongly believe that the captioned legislation should not receive your signature for a number of reasons. First is that the legislation would significantly increase the exposure of the government in indemnifying creditors of the bankrupt Northeast railroad beyond reasonable levels. Secondly, the manner in which the bill commits the government's funds for the rehabilitation of the railroad industry is contrary to prudent fiscal management. Thirdly, we are opposed to that provision in S.3131 which eliminates the ability of the Secretaries of Treasury and Transportation to designate officers other than the Deputy Secretaries of their Departments to represent them on the United States Railway Association Board of Directors.

The bill, which was passed in the waning hours of the 94th Congress, increases the funding under Section 211(h) of the Regional Rail Reorganization Act by \$120 million (or 52 percent) from its current level of \$230 million to \$350 million. This program authorizes Federal loans to ConRail to pay off certain kinds of outstanding pre-conveyance debts of the bankrupt Northeastern railroads. The loans to ConRail are to be forgiven at the end of three years and the government is to succeed to ConRail's claims for repayment against the trustees of the bankrupt estates. It is probable that a significant portion of these claims will not be honored. There is grave question whether any increase in this program is advisable. Secretary Coleman in his memorandum of September 29th to the Senate and House conferees stated that the government has provided more than \$680 million over the past few years to the bankrupt railroads in addition to the 211(h) funds, much of it on a grant basis. Secretary Coleman noted that an increase of \$70 million is "minimally acceptable in an otherwise satisfactory bill. Any higher figure will not be acceptable . . ."

Even more troublesome than the increase in the ceiling is the provision in S.3131 which creates a mechanism to circumvent the ceiling. This is accomplished by

establishing a revolving fund, whereby additional loans are to be extended as outstanding loans are repaid. The effect of this will be to retire those loans which are extended to the more viable estates, and replace those commitments with new loans to other estates which have little hope of becoming liquid. This provision not only excessively increases the government's potential involvement beyond the \$350 million ceiling, but also reduces its chances of recovering the taxpayer funds committed to the 211(h) program.

The initial statutory premise of 211(h) was to allow money to be loaned by the government to ConRail to "avoid disruptions in [its] ordinary business relationships." Adequate funding is already committed under the program to obtain that result. If, for unforeseen reasons, further funds are required they can be authorized next year. There is no need to raise the government stake by making "loans" to ConRail (which will be forgiven with the government succeeding to ConRail's claims against the estates) and thus further expose the taxpayer to the possibility that the bankruptcy courts may determine that the estates do not have to reimburse the government in cash to the full extent of the sums paid out under 211(h).

The second serious fiscal objection with respect to S.3131 is that it provides funds to the railroad industry to rehabilitate certain facilities at a cost that is well below the cost of capital to the government. Funds used for deferred maintenance projects will be advanced to the industry in the form of preference shares which would carry an interest rate of no less than approximately 3 percent and no greater than the borrower's current rate of return on total capital. Since many railroads earn little, if any, return on capital, the majority of loans can be expected to carry the minimum interest rate. This provision would remove the Secretary of Transportation's broad discretion in setting a realistic interest rate on these instruments. Currently, the government's costs of borrowing capital is well in excess of the projected interest rate on the preference shares under the proposed amendment. Moreover, since the government's cost of capital is not a fixed rate and the interest rate on these preference shares is to be set, the government will be forced to absorb a higher cost if the cost of capital further increases.

An amendment to Section 511 contained in S.3131 provides that the Secretary of Transportation can no longer consider the financial viability of a railroad in guaranteeing obligations under Section 511 as long as sufficient assets exist to back the government claim. This could require the Secretary to make loans to financially distressed railroads with some unencumbered assets and result in the government's claim being delayed, and even compromised, as a result of a bankruptcy proceeding.

The following additional aspects of S.3131 are also objectionable to the Treasury Department:

(1) The Amtrak authorizations for capital and operating purposes are \$72 million over the level the Administration has requested for FY 1977 and \$90 million over our suggested level for FY 1978. If the bill is vetoed, Amtrak can continue to operate comfortably since it already has the \$350 million originally appropriated for its use during FY 1977. DOT can seek a supplemental appropriation next year if more funds are required.

(2) Funding to Amtrak must be advanced at the beginning of a quarter, rather than as needed, and Amtrak thus will be indirectly subsidized at the cost of an unnecessary interest expense to the taxpayer.

(3) The Federal share of operating costs for State and local passenger service is increased relative to that of State and local governments.

(4) The provision which equates highest priority with the concept of "essential freight services" undercuts the power of the Secretary of Transportation to provide funding for Section 505 rail rehabilitation projects which he feels are of the highest priority. The terminology "essential freight services" already has a rather broad technical definition and Congress can be expected to legislate coverage for specific rail lines in order to include them under the definition for political reasons.

(5) Another section of S.3131 relating to the 211(h) program concerns the "reimbursement procedures agreement" that the Finance Committee of USRA and ConRail must enter pursuant to the Regional Rail Act. S.3131 requires that the agreement, which the parties are in the process of negotiating, spell out the "exact procedures" that ConRail should undertake in trying to recover funds from the bankrupt estates and requires a "due diligence" finding, entitling ConRail to forgiveness of the loans if these procedures are met.

This provision undercuts the USRA Finance Committee's negotiating position of requiring ConRail to exercise the same prudence with the taxpayer's money under the 211(h) program as it would were its own funds involved. We do not believe it good law to attempt to spell out what procedures ConRail should follow under every eventuality. "Due diligence" is a broad term and the test of whether it was exercised should be properly applied after the fact.

S.3131 would also require the government to pay ConRail's costs of seeking reimbursement from the trustees. Our position is that since the loans are made to ConRail for its benefit, i.e. to avoid business disruptions, ConRail and not the taxpayer should incur ConRail's administrative costs.

The non-fiscal issue of concern to the Department involves my right as Secretary of the Treasury to name a designee to represent me as a director of the United States Railway Association. A floor amendment introduced by Senator Hartke, without benefit of Committee hearing or an opportunity for the Administration to comment, requires that the Secretaries of the Treasury and Transportation can only authorize their Deputy Secretaries, and no one else, as their USRA representatives.

This is contrary to the practice the Treasury Department and DOT has followed since the inception of USRA. This amendment could result in Treasury and the DOT, because of the press of business, not being represented at a board meeting with the Administration losing its two votes as to how a \$2 billion Federal investment is administered.

There is strong evidence, and this is supported by the press (see attached articles), that the Hartke Amendment was initiated to silence Treasury Under Secretary Jerry Thomas as a critic of the waste and self-dealing that has evidenced itself in regard to certain of the activities undertaken by the management of the United States Railway Association--outside of the knowledge of the board of directors.

Examples of questionable activities include the expenditure of public funds to finance memberships for USRA officers in country and dinner clubs, the awarding of consulting contracts to former officers, payment of unusual commuting expenses and living expenses in Washington for top officials.

Congressman Broyhill of North Carolina properly questioned the issue of the Hartke Amendment on the floor of the House. A proponent of the bill agreed that the Hartke Amendment was improper, but stated because of the late hour, it would be corrected in legislation next year. It is uncertain whether the Hartke Amendment would be repealed by a new Congress.

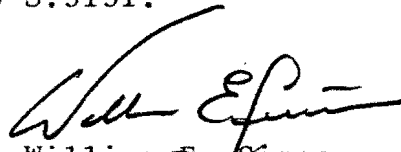
The inconceivable attempt to replace a director who speaks out against excessive spending and improvident use of tax dollars, runs counter to everything your Administration has attempted to do in curbing excessive waste in Washington. The unwarranted expenditure of the taxpayers' money for the social pleasures of USRA officers involves an important issue of principle.

If the Hartke Amendment prevails, then it will be a further frustration and discouragement to those of us in your Administration who take pride in assisting you in eliminating unnecessary and unprincipled waste in government.

Finally, Mr. President, you must also weigh the provisions of the legislation that have merit. In doing so, it is my hope that you will arrive at our conclusion: the undesirable provisions outweigh the argument for signing the measure.

It seems appropriate to veto the bill with a message to Congress that the American taxpayer deserves a more responsible fiscal solution to the problems of the railroad industry and that you will resubmit to the 95th Congress in January those few provisions of the bill which are favorable for their early action.

For these reasons, I recommend that you exercise your power of veto with respect to S.3131.


William F. Simon

Attachment

THE WHITE HOUSE

ACTION IORANDUM

WASHINGTON

LOG NO.: 9

Date: October 15

Time: 1230pm

FOR ACTION:

Judy Hope
Bill Seidman
Max Friedersdorf
Bobbie Kilberg

cc (for information):

Jack Marsh
Ed Schmults
Steve McConahey
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 16

Time: noon

SUBJECT:

S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 10/15/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon
For the President

THE WHITE HOUSE

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___ Draft Reply

X

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

This bill has good provisions and bad, but on balance the good outweigh the bad. The Amtrak - Northeast Corridor sections are vital to continued service in this area, and our long negotiations on these provisions resulted in a workable solution. I recommend approval. JB/Hope. 10/15/76 at 5pm.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon
For the President

THE WHITE HOUSE

MEMORANDUM

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Time: noon

SUBJECT:

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ACTION REQUESTED:

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___ Draft Reply

x

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Bill is OK. P. should sign.
Jim Cannon should decide
on signing statement Q.

W. Duval

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James M. Cannon
For the President

THE WHITE HOUSE

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WASHINGTON

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Date: October 15

Time: 1230pm

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Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 16

Time: noon

SUBJECT:

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ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Sign

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James M. Cannon
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

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Time: 1230pm

FOR ACTION: Judy Hope
Bill Seidman
Max Friedersdorf
Bobbie Kilberg

cc (for information): Jack Marsh
Ed Schmults
Steve McConahey
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: Saturday, October 16

Time: noon

SUBJECT:

S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

<input type="checkbox"/> For Necessary Action	<input type="checkbox"/> For Your Recommendations
<input type="checkbox"/> Prepare Agenda and Brief	<input type="checkbox"/> Draft Reply
<input checked="" type="checkbox"/> For Your Comments	<input type="checkbox"/> Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Sign
JS

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James M. Cannon
For the President

THE WHITE HOUSE
WASHINGTON

Final statement includes all of Mike Duval's suggested changes except the one on attached 1st page which was rewored by Doug Smith.

Judy Johnston 10/18

te: October 16

Time: 830pm

FOR ACTION: Judy Hope
Max Friedersdorf
Bobbie Kilberg
Robert Hartmann
Bill Seidman

cc (for information): Jack Marsh
Ed Schmults
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

Signing Statement - S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

OK
with changes as indicated.

M. Duval

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James M. Cannon
For the President

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Date: October 16

Time: 830pm

10/18/76 - 9:45 am
n

FOR ACTION: Judy Hope
Max Friedersdorf
Bobbie Kilberg
Robert Hartmann
Bill Seidman

cc (for information): Jack Marsh
Ed Schmults
Mike Duval

FROM THE STAFF SECRETARY

408
to Res 12:30
10/18 6Am

Wb/ to DIS
10/18 2:42
6Am

DUE: Date: October 18

Time: 200pm

SUBJECT:

Signing Statement - S.3131-Amtrak and ConRail Amendments

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x

___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

GM/mur

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James M. Cannon
For the President



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

October 15, 1976

SECRET

MEMORANDUM FOR Honorable James T. Lynn
Director
Office of Management and Budget

Attached is the proposed signing statement that I promised in my letter to you of October 9. I believe this statement shows both the President's reasons for signing the bill as well as his grave concerns regarding some of its provisions and how he intends to address them.

A handwritten signature in dark ink, appearing to read "Bill", is positioned above the typed name.

William T. Coleman, Jr.

SIGNING STATEMENT

*Backup
rip
C. Q
Wahy
Oct 9 1976
P7 293*

I have today signed into law the Rail Transportation Improvement Act of 1976 (S. ~~3121~~³¹²¹) which makes several important amendments to the laws that affect our nation's railroads. First, it enacts several provisions that are necessary to assure that the public's \$1.75 billion investment in improving the Northeast Corridor (Boston to Washington) rail passenger system can be fully protected. This protection is a necessary and critical step to undertaking the entire program and will permit the improvement program with its emphasis on providing efficient high-speed and reliable surface passenger transportation between the great urban centers located in the densely populated Northeast Corridor, to commence forthwith. This program will also have the effect of stimulating needed and useful employment in this region.

*Press
Release
Feb. 5, 1976*

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~~can~~
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* * *

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I have today signed into law the Rail Transportation Improvement Act of 1976 (S. 3131) which makes several important amendments to the laws that affect our nation's railroads. First, it enacts several provisions that are necessary to assure that the public's \$1.75 billion investment in improving the Northeast Corridor (Boston to Washington) rail passenger system can be fully protected. This protection is a necessary and critical step to undertaking the entire program and will permit the improvement program with its emphasis on providing efficient high-speed and reliable surface passenger transportation between the great urban centers located in the densely populated Northeast Corridor, to commence forthwith. This program will also have the effect of providing meaningful and much-needed jobs in this region.

Second, the Act makes important amendments to the loan guarantee program established by section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210) which I signed this February. This program, which will provide \$1 billion of guaranteed loans to enable the rail industry to acquire and rehabilitate facilities and equipment, is essential to assisting the railroads in obtaining the capital necessary to restore the national rail system to first-class condition. The amendments correct a number of deficiencies in the existing statute and will enable the program to be used to its fullest potential.

Third, the Act makes several amendments to the Regional Rail Reorganization Act of 1973 (P.L. 93-236) concerning the transfer of rail service from seven bankrupt carriers to the newly-formed Consolidated Rail Corporation. These amendments, among other things, will assure that all who continued to provide services and materials to, or continued to utilize

the services of, the bankrupt carriers in the days immediately preceding transfer to ConRail will be paid for their services or materials or have their claims processed promptly and equitably. In particular, it assures that all employee claims -- whether for wages or benefits or on account of personal injuries -- can be paid promptly and equitably so as to avoid any hardship. In matters as complex as a massive railroad reorganization of this type, it is essential that we not lose sight of the needs of all of the men and women whose lives are inextricably bound to the affairs of these companies.

Notwithstanding the clear benefits of this legislation, there are several provisions that give me great concern and that, I feel, must be redressed immediately in the next Congress. Among these, the following are most important.

First, the bill provides authorizations for operating grants for Amtrak in the 1978 fiscal year that I believe place an unreasonably high burden on the taxpayers. I will address this excessive authorization in my FY 78 budget. However, I would like to emphasize my concern as to the uncontrolled growth of the subsidy provided to Amtrak and my strong feeling that this growth must be stemmed if we are to have a responsible budget.

Second, there is a provision in the bill, added as a floor amendment to the Senate bill, which limits the ability of cabinet officers to designate their representatives to work on Amtrak business.

I know of no sound justification for this amendment. The provision was never considered at any public hearing and the House of Representatives at best recognized the improper nature of this amendment while considering the Conference Report but did not act to change it because of the pressure to adjourn the 94th Congress. Because I believe the

Congress will redress this unwarranted and ill-considered charge, I have signed this bill rather than veto it in order to allow important responsibilities to be carried out immediately. However, I intend to submit corrective legislation to the Congress immediately upon its convention in January and I trust the Congress will act with similar dispatch.

THE WHITE HOUSE
WASHINGTON

October 18, 1976 5:40 p.m.

DJS:

Judy Johnston would like your clearance on the attached changes made by Mike Duval.

She said that you approved the statement already, but that you had not seen Duval's proposed changes.

x2684

Gail

on effort
on page 1 an
unintended
RJ

SIGNING STATEMENT

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~~are not warranted by the limited ridership Amtrak has been able to obtain.~~

~~I will address this~~ ~~This excessive authorization will be addressed in the~~ ^{my} ~~FY 78~~ budget.

However, I would like to emphasize my concern as to the uncontrolled growth of the subsidy provided to Amtrak and my strong feeling that this growth must be stemmed if we are to have a responsible budget.

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*drop
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definition*

~~Deputy Secretaries of the Treasury and Transportation respectively and the Chairman or Vice Chairman of the Interstate Commerce Commission can serve as members of the Board of Directors of the United States Railway Association or, for the Secretaries, of its Finance Committee. This is a change from existing law which provides that such service can be rendered by the two Secretaries and the Chairman or their "duly authorized representatives." Such a delegation is common for responsibilities of this type so as to permit top government officials to use their time effectively and flexibly to meet many competing demands. Indeed, in the case of USRA Board membership, both Secretary Simon and Secretary Coleman have delegated at particular times their respective responsibilities to other high Department officials who have performed with remarkable effectiveness and provided vigilant oversight of the use of public funds.~~

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