

The original documents are located in Box 22, folder “Railroads - General” of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

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February 7, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: BOB WOLTRUIS
SUBJECT: North-East Rail Situation

I received a call this afternoon from John Snow at Transportation regarding the North-East rail situation. Penn Central has announced they will run out of money on February 24. Consequently, they have also announced that they will accept no further traffic beginning February 18.

The emergency legislation has passed both the House and Senate Commerce Committees and is now in the Appropriations Subcommittee. Snow does not expect any legislation to be completed before the 20th. In the interim DOT has an emergency plan that will give Penn Central \$30 million under Section 215 of the Regional Rail Act.

cc: Mike Duval
Vern Loen
Bill Kendall
Pat O'Donnell
~~Charles Leppert~~
Doug Bennett



MAY 26, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed H.R. 4975, The Amtrak Improvement Act of 1975.

This bill provides authorizations for Federal support to Amtrak for an additional 27-month period, through fiscal 1977. It will provide the Amtrak Board of Directors with the flexibility necessary to effectively manage the Corporation's affairs. This should result in improved intercity rail passenger service. I expect the Corporation to develop plans and programs consistent with realistic funding authorized by this bill, thus the past practice of ever-escalating Federal subsidies over which neither the Congress nor the Executive Branch had effective control.

The bill authorizes procedures which enable Amtrak to modify its system of routes and services consistent with the goal of making rail passenger service an effective part of our national transportation system. It is regrettable, however, that the criteria for exercising this authority must be submitted to the Congress with the possibility of disapproval by either the House or the Senate within 60 days.

The Attorney General advises me that this provision provides for an unconstitutional exercise of Congressional power. I am seriously concerned about the increasing frequency with which Congress passes legislation containing such provisions. I have, nevertheless, signed H.R. 4975 because the Nation needs the important passenger rail service it will provide.

Once the new procedures for adding and eliminating routes is established, Amtrak will have a sensible basis on which to make determinations on dropping routes which are inefficient or adding service which boosts our overall transportation capabilities. The end result should be better transportation for every tax dollar spent on Amtrak. The management flexibility contained in this legislation will enable Amtrak to improve the present level of rail passenger service and to stay within the spending limits established by the authorization bill.

It is gratifying to note that the Congress has responded to the suggestion I made in signing the Amtrak Improvement Act of 1974 (P.L. 93-396) that mandatory on-board customs procedures would be undesirable. The Congress, in this bill, has provided for cooperation between the Secretary of the Treasury, the Attorney General, and Amtrak to establish inspection procedures which will be convenient for passengers

more




and consistent with effective enforcement of the immigration and customs laws. Implementation of these procedures should facilitate the most rapid possible transit in international, intercity rail passenger service.

I commend the Congress for enacting this bill which should, on balance, provide a basis for improved and more economic passenger service for the American people. It is essential that we continue to work toward developing more effective approaches to meeting the complex transportation needs of the Nation.

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THE WHITE HOUSE
WASHINGTON

March 10, 1976

MEMORANDUM FOR: MAX FRIEDERSDORF
FROM: ED SCHMULTS 
SUBJECT: Rail Matter - ConRail

An important piece of legislation that is "needed" for the transfer of the bankrupt rail properties to ConRail is a tax bill to make clear that ConRail is entitled to a carryover basis of the rail properties it receives pursuant to the Rail Reorganization Act, as amended by the recent Railroad Revitalization and Regulatory Reform Act of 1976.

At my request the lawyers for ConRail have sent the attached letter and a memorandum on the tax matter which I think clearly set forth what has to be done. I worked on this matter at Treasury and am familiar with it.

As you will note, timing is important, and the hope is that the tax bill can be passed by April 1. Anything that your people can do to have Ways and Means mark up the bill as soon as possible and to encourage Chairman Long to bypass the Finance Committee would be greatly appreciated.

Attachments



PEPPER, HAMILTON & SCHEETZ

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March 9, 1976

Edward C. Schmults, Esquire
Deputy Counsel to the President
The White House
Washington, D. C. 20506

Re: Carryover Basis of Rail Property Transferred
to ConRail Pursuant to the Rail Reorganiza-
tion Act of 1973 as Amended by the Railroad
Revitalization and Regulatory Reform Act of
1976

Dear Ed:

John Terry suggested that I give you a brief update on the above-cited matter so that you might have Max Friedersdorf provide USRA and ConRail with some assistance in attaining passage of the above-cited legislation by April 1, 1976:

1. There does not appear to be any objections to the legislation on a substantive basis. The Congressmen and Senators involved in the 1973 and 1976 rail legislation have expressed the view that Congress favorably considered this issue in adopting the Final System Plan which assumed ConRail's acquisition of a carryover basis. The only problem is, can the legislation be enacted before April 1. Passage by that date would substantially reduce the possibility of the transferors (trustees in bankruptcy) suing the Federal Government for the loss of potential tax benefits relating to the transfer of the rail properties. For purposes of ConRail, passage after April 1 presents no problem other than the unknown element of how difficult it might be to secure tax legislation on a retroactive basis following the transfer of the properties.

2. Chairman Ullman and Congressman Schneebeli are introducing a bill today and holding a public hearing on it, Friday, March 12, 1976. Your assistance in convincing Chairman Ullman to have a markup session during the following week (which is required to make the April 1 deadline) would be appreciated. Assuming immediate passage by the Committee on Ways and Means, we would appreciate assistance in

Edward C. Schmults, Esquire
March 9, 1976
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the Rules Committee to get the bill before the House on an expedited basis.

3. Chairman Long has agreed to see that the legislation is passed before the end of this year but has not made a commitment that the April 1 date can be met. However, he suggested that we meet with him to discuss having a bill held at the desk and brought directly to the Senate floor if it passes the House this month. Thus, help in convincing Chairman Long to bypass the Finance Committee is required.

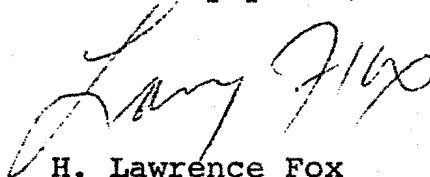
4. Senator Hugh Scott has written letters to Senators Mansfield, Byrd, Griffin and Long expressing his support (along with Senator Curtis') and requesting their aid in expediting this legislation.

5. In regard to agency and staff support, the Joint Committee on Internal Revenue Taxation (Larry Woodworth), the Senate Finance Committee (Mike Stern and Don Moorehead), the Treasury (Bill Goldstein), the Department of Transportation (William Coleman) and the Office of Management and Budget (James Lynn) are cooperating.

6. Finally I have enclosed a brief technical memorandum for your convenience.

Thank you for your cooperation in this matter.

Sincerely yours,



H. Lawrence Fox

HLF:mp
Enclosure
cc: Messrs. John Terry
John Sweeney

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M E M O R A N D U M

SUBJECT: Hearings on March 12, 1975, concerning a bill to be Introduced by Chairman Ullman and Congressman Schneebeli

RE: Carryover Basis of Rail Property Transferred to ConRail Pursuant to the Rail Reorganization Act of 1973 as Amended by the Railroad Revitalization and Regulatory Reform Act of 1976

Immediate and favorable consideration of the bill by Congress is needed to implement the Rail Act, as amended, and to meet an April 1 deadline. The bill will make it clear that the Consolidated Rail Corporation ("ConRail") is entitled to a carryover basis, for tax purposes, of the rail properties it receives pursuant to the Regional Rail Reorganization Act of 1973, as amended by the Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 701 et. seq.).

Under the 1973 Act, the United States Railway Association ("USRA") was charged with the responsibility of developing a Final System Plan ("FSP"). Under the 1976 Act, Congress approved the Plan as formulated by USRA. In devising the FSP, USRA followed its mandate to restructure the railroads into a "financially self-sustaining rail service system." Thus USRA's financial projections of ConRail's operations for the ten years through 1985 were prepared on the assumption that the tax basis of the rail assets would carry over to ConRail. (FSP, Volume I, page 58).

Under USRA's projections, as adopted by Congress, ConRail is expected to become financially self-sufficient and able to meet its obligations to the government. This should occur in a shorter period of time than would be the case if ConRail were subjected to additional tax burdens arising from lack of assured access to the carryover basis. Moreover, utilization of this carryover tax basis is consistent with the treatment available to other railroads in reorganization (as well as most nonrailroads in reorganization). Section 374 of the Internal Revenue Code of 1954

provides that in reorganizations under Section 77 of the Bankruptcy Act, the tax basis of the assets of a railroad in bankruptcy carries over to a post-reorganization railroad. In essence, the proposed amendment conforms the Code to accomodate the unique nature of ConRail's acquisition of rail properties, and ratifies the tax aspects of Congress' earlier passage of the Railroad Revitalization and Regulatory Reform Act of 1976.

Under the Final System Plan, the transfer of rail properties is to occur on March 31, 1976. Accordingly, this amendment should be enacted on or before April 1, 1976. Passage by then substantially reduces the possibility of any transferor challenging the tax implications of this amendment and suing for damages due to loss of tax benefits.

The legislators involved in the 1973 and 1976 rail legislation have indicated that Congress favorably considered the substantive issue in adopting the Final System Plan. Moreover, the substantive amendment and its timing are sponsored by USRA, the Department of Transportation and the Treasury.

March 9, 1976



THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 29, 1976

MEMORANDUM TO: Jack Marsh
Counselor to the President

JUL 30 1976

SUBJECT: Report on Classification and Designation of
Rail Lines Required by the Railroad
Revitalization and Regulatory Reform Act of
1976 (Act)

This is to alert you concerning a report which will be issued by the Department on August 3, 1976 titled "Preliminary Standards, Classification, and Designation of Lines of Class I Railroads in the United States," under Section 503(b) of the Act. This is a preliminary report which will become the subject of public hearings conducted by the Rail Services Planning Office of ICC prior to publication of a final report by the Department on January 30, 1977.

The report classifies and designates all rail lines in the Nation into six categories: three mainline and three branchline. As a part of the process, the report describes a category of mainlines which is defined as Potential A Mainlines located in "Corridors of Excess Capacity." Each such corridor includes several parallel mainlines which currently have considerably more capacity than traffic. Obviously, there will be political interest in these lines, since in the long term some of them are potentially excess as high priority mainlines in an efficient national rail system, while others would be classified as part of the priority mainline network. The enclosed preliminary national map shows these Potential A Mainlines in green. The red and blue lines depict mainlines in the other two categories -- priority (A) and secondary (B), respectively. All three branchline categories are shown in black but will be distinguished in the final map.

In addition to identifying the green lines, the report suggests some methods (mergers, joint use of tracks, downgrading, etc.) by which the carriers may resolve the redundancy. You may well receive inquiries regarding these lines and the concept of Corridors of Excess Capacity, particularly from the Midwestern granger states. I believe we will be able to explain the corridors and their meaning in such a fashion as to quiet any concerns. The remaining categories should cause little concern and include no known political issues.

The report is now being printed, complete with maps, and we will send you a final printed copy as soon as it is available on August 2. Meanwhile, if you wish to receive a more detailed briefing on this report, I will ask Ace Hall, the Federal Railroad Administrator, to meet with you.



John W. Barnum

Enclosure

CC: Ed Schmuls
Max Friedersdorf ✓
Judith Hope
Daniel Kearney, OMB





