

The original documents are located in Box 55, folder “1976/01/15 - Economic Policy Board” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

AGENDA

8:30 a.m.

Roosevelt Room

January 15, 1976

1. Review of Omnibus Railroad Bill Transportation
2. Review of Regulatory Reform Initiatives MacAvoy
3. Proposed Revision of Seasonal Adjust- Malkiel
 ment Factors for Unemployment
 Statistics

MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING
January 14, 1976

ATTENDEES: Messrs. Seidman, Dunn, Baker, Zarb, Cannon, Collier, Parsky, Katz, Gorog, Porter, Gerard, Hormats, Kasputys, Areena, Orlebeke

1. Report of EPB/NSC Task Force on Commodity Policy

The EPB/NSC Task Force on Commodity Policy presented its report, which is attached at Tab A. There is general agreement among the departments and agencies represented on the Task Force that the recently negotiated Cocoa Agreement is unacceptable in its current form and that State will inform producing countries that the United States does not intend to sign the newly negotiated Cocoa Agreement but is willing to participate in a re-negotiation of the Agreement if such discussions were aimed at achieving a more economically acceptable arrangement.

Mr. Parsky reported that the Task Force would present an economic analysis of the recently negotiated International Coffee Agreement in their next report to the EPB Executive Committee in a fortnight. He also reported that a representative of the Department of Commerce has been added to the Task Force.

2. New York City Update

The Executive Committee reviewed a memorandum on the New York City financial situation prepared by the Department of the Treasury. The discussion focused on a report relating to the financing requirements under the New York City Seasonal Financing Act of 1975 prepared by Arthur Anderson and Company for the Secretary of the Treasury. Briefly, the report suggests that New York City's cash flow situation will enable them to repay the seasonal financing loans from the Federal Government but that their overall financial situation will require them to continue to take a number of additional measures in order to place the city on a sound financial footing by 1979.

Mr. Gerard reported that Treasury officials will brief congressional staff members on the New York City financial situation this afternoon. New York State Congressmen will be invited to attend the briefing.

Decision

The Executive Committee agreed that a statement from the Secretary of the Treasury to the President reporting on the New York City financial situation and the Anderson report should be prepared and submitted by early afternoon and recommended that the statement be released to the press.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

January 14, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD

FROM: William T. Coleman, Jr.

SUBJECT: Status of Negotiations Over Omnibus Rail Bill

S. 2718, The Railroad Revitalization and Regulatory Reform Act of 1975, was passed by both Houses of Congress on December 19, 1975, in spite of strong Administration veto threats. A few days later, the Senate leadership decided not to enroll the bill, presumably to avoid a veto, and indicated a willingness to pursue a compromise with the Administration. Consequently, House and Senate staffs began negotiations with DOT officials on January 2, 1976, contemplating that, if an agreement could be reached, implementing amendments would be introduced shortly after the recess.

Subsequently, Jim Lynn and I jointly submitted to the President the attached memorandum containing recommendations with regard to the Administration's positions during the negotiations. The President subsequently approved all of the recommendations made by DOT, OMB, and the Domestic Council with the exception of authorizing, in the event it should become necessary, the expenditure of an additional \$200 million in grants for improving intercity rail passenger service outside the Northeast Corridor.

To date, the negotiations have gone well. While the negotiations have been with the staff, with neither side bound until full agreement is reached and principals concur, we have reason to believe the staff is acting within its authority. All tentative agreements reached with the staff fall within the guidelines of the decisions made by the President as a result of the attached memorandum, although the tentative agreements reached relating to rail passenger

service apply the dollars differently. In this regard, the President approved a program of between \$1.4 and \$1.7 billion for the Northeast Corridor plus another \$200 million in grants for improving passenger service outside the Corridor, for a potential total of \$1.9 billion. In the negotiations, the Department has tentatively agreed to a \$1.6 billion program for the Corridor, plus another \$150 million in Federal assistance for stations and fencing on a 50-50 match basis with State and local authorities (with the Secretary retaining discretion, within the \$150 million limit, to fund without a match any station or fencing improvements required by safety considerations), and, in addition, \$115 million for acquisition and start-up costs related to the project. However, pursuant to the negotiations, the bill will not contain any authorization of another \$200 million in grants for rail passenger service outside the Corridor, making the total of separate authorizations in the bill for rail passenger service \$1.865 billion. All such funds will require an appropriation.

In addition, substantial improvements to the regulatory provisions of the bill have tentatively been agreed upon.

The prospects for reaching a complete agreement prior to Congress reconvening on January 19 are good, and we are negotiating now with respect to the parliamentary procedure that will be followed.



William T. Coleman, Jr.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT.
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN and WILLIAM T. COLEMAN
SUBJECT: Proposed Changes to Administration
Position on Omnibus Rail Bill
Financial Provisions

Background

S. 2718 was passed by both houses of Congress on December 19, in spite of strong Administration veto threats. A few days later, Senate leadership decided not to enroll the bill, presumably to avoid a veto, and indicated a willingness to pursue a compromise with the Administration. Consequently, House and Senate members and staff are scheduled to begin negotiations with DOT officials on January 2. If an agreement can be reached, implementing amendments would be introduced for joint resolution shortly after recess.

There are two areas of major disagreement which must be resolved, if a veto threat is to be averted. The first concerns our ability to control and protect the massive Federal investments being contemplated. S. 2718 would place control of funding for both ConRail and the Northeast Corridor project in the U.S. Railway Association, which is not part of the executive branch. Secondly, the level and mix of funding is presently unacceptable. This matter is discussed in the following section. Failure to reach a workable compromise in either of these areas would be clear grounds for veto.

In addition, your advisors are currently discussing whether to explore certain changes in the regulatory provisions of S. 2718 with the committees. While the legislation does contain major regulatory reform, shortfalls in some areas (railroad rate bureau price fixing activities) may warrant further attention.

Overall Funding Level Issue

As shown in the attached table, S. 2718 contains \$7.6 billion in new authorizations, compared with the Administration's original proposal of \$5.6 billion. The current over-run of \$2.0 billion is clearly

excessive, and we have publicly identified this as a major basis for veto. However, in the interest of reaching a quick accord on this urgent legislation, we recommend compromising in the range of \$6.0-6.5 billion. Assuming full funding at the higher figure, this could lead to an increase above 1977 outlay estimates, somewhere in the range of \$0-160 million. Fortunately the potential add-ons are relatively controllable by the executive branch, and are longer-range efforts which can be stretched through the appropriation process and management controls.

Individual Funding Issues to be Negotiated

Specific changes from our current base are proposed in the funding programs described below. Note that the excessive level of overall funding obscures the fact that some areas are too low (e.g., nationwide rail freight rehabilitation), while others are too high (e.g., Northeast Corridor passenger improvements).

On the following issues there is complete agreement among DOT, OMB and the Domestic Council on the proposed recommendation.

ConRail

- . The Administration's bill set aside \$250 million to be used for purchase of ConRail securities only under special adverse conditions. S. 2718 eliminates this contingency reserve, and simply merges it with other ConRail funding. While we would prefer to keep it separate, we would be willing to concede this point if control over all ConRail funding were given to the executive branch.

Decision

Approve elimination of contingency fund, provided
we get control

Disapprove, and keep separate _____

- . S. 2718 provides \$200 million in loan guarantees for electrification of ConRail mainlines. We recommend that this be deleted as a separate funding category, since this type of project is eligible under the rail freight assistance described later.

Decision

Approve deletion of this provision

Disapprove, and include provision _____

- \$400 million in loan guarantees is provided for certain preconveyance expenses accruing to ConRail (such as labor and shipper claims). Estimates indicate that \$235 million would be sufficient for this purpose, and we therefore recommend this level. Since ConRail will in turn, have a legal claim against the bankrupt estates for this amount, no outlay impact is expected.

Decision

Approve authorization at \$235 million
 Disapprove, and provide no authorization for
 this purpose

Rail Passenger

- Northeast Corridor - Senators Hartke, Pastore and Weicker are strong advocates of a very high-speed system in the Boston-Washington corridor. S. 2718 provides \$2.6 billion for upgrading, acquiring and managing this corridor, as opposed to the Administration's \$1.2 billion proposal. The difference is mainly one of trip time targets. The conference report set initial trip time goals of 2 hours, 45 minutes Washington-New York, and 3 hours, 30 minutes New York-Boston, a reduction of 15 minutes and 20 minutes, respectively, from the Administration's program. The bill cites as an eventual goal even further trip time reductions which would require amounts far in excess of the \$2.6 billion provided. By compromising at a level of between \$1.4 and \$1.7 billion and concentrating on speed-related improvements only, a program could be developed which compares favorably to the speeds cited in the initial target cited in the conference report. In exchange, the Administration would gain control over these funds and reduce the authorization by \$700-1 billion.

Decision

Approve compromise of between \$1.4-1.7 billion
 Disapprove, and remain at \$1.2 billion

- Passenger improvements nationwide - \$200 million is provided for the vague purpose of improving intercity rail passenger service outside the Northeast Corridor. This directly conflicts with our AMTRAK policy, and should be deleted. Nevertheless, Senator Pearson and Congressman Skubitz, who are valuable allies on other issues, strongly support this provision.

Decision

Approve deletion of this item
 Disapprove, and include \$200 million

- Acquisition of passenger lines - Congressmen Rooney and Tip O'Neill insisted that \$20 million be provided for AMTRAK to acquire and improve line segments such as Philadelphia-Harrisburg and New Haven-Springfield-Boston. We recommend that, to attain negotiating leverage, this \$20 million be accepted.

Decision

Approve add-on of \$20 million
 Disapprove, and delete provision

Nationwide Rail Freight

- The Administration's proposal included \$2 billion in loan guarantees to assist railroads nationwide, in making improvements to track, equipment and other facilities. S. 2718 reduces this to \$800 million. In view of the estimated level of need for such assistance, and the minimal expected outlay impact, we recommend raising the loan guarantee total to \$1.3-1.4 billion.

Decision

Approve increase to \$1.3-1.4 billion
 Disapprove, and stay at \$800 million

- S. 2718 introduces \$600 million in complex, low-interest balloon-type securities called "redeemable preference shares" as a supplement to the loan guarantees described above. We recommend deleting this provision, and substituting a more conventional and flexible package of direct loans and grants, in the range of \$500-600 million. Our figures already include \$400 million in grants to facilitate Controlled Transfer of ConRail assets, but S. 2718 does not include such funds. Thus, by expanding the scope of our Controlled Transfer funds to cover other rail freight purposes, we can propose to achieve the same purposes as S. 2718 with a relatively small increase in authorizations.

Decision

Approve use of Controlled Transfer funds
 for a wider range of purposes, and
 raise level to \$500-600 million
 Disapprove, and limit funding to loan
 guarantees

Continuation Subsidies

- A new \$400 million funding program is included in S. 2718, to assist

state and local interests throughout the country to subsidize, acquire, and modernize branchlines which would otherwise be abandoned. We believe that this would help to remove the burden of uneconomic lines from the rail industry. Although the authorization level is somewhat inflated, these funds are relatively controllable and slow-spending. As a bargaining tool, we would propose agreement to the \$400 million level, in return for concessions elsewhere.

Decision

Approve branchline subsidies at \$400 million
Disapprove, and delete this provision

- Special grants of \$81 million are provided for turning abandoned rail rights-of-way into recreation facilities, and for preserving rail lines to coal fields. We recommend deletion of these special categories, in return for making these functions eligible under the \$400 million branchline subsidy program.

Decision

Approve deletion, and merger with branchline subsidies
Disapprove, and include \$81 million

- \$125 million is authorized for special commuter rail subsidies, following the startup of ConRail. We argue that this function should be included under the \$11.8 billion already authorized in the Mass Transit Act, but the transit industry is fighting hard for an increase. Only two states would benefit (Pennsylvania and New Jersey).

Decision

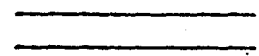
Approve inclusion of \$125 million within authorized UMTA funds
Disapprove, and add \$125 million in new funds

Other Funding Issues

- Controlled Transfer funds of \$400 million, supported by the Administration, are not included in S. 2718. See "Nationwide Freight" discussion for recommendation.
- \$29 million in multi-year funds is included for administrative expenses, associated with the above programs. We have no objection to these authorizations; since they are controllable through the normal appropriations process.

Decision

Approve authorization of \$29 million
Disapprove, and delete funding



Attachment

COMPARISON OF NEW AUTHORIZATIONS FOR RAIL FUNDING
(Dollars in Millions)

	<u>Administration Position</u>		<u>S. 2719</u>
	<u>Base</u>	<u>Revised</u>	
I. <u>ConRail</u>			
. Purchase of Securities	\$1,850	\$2,100	\$2,100
. Contingency	250	---	---
. Electrification (loan guarantees)	---	---	(200)
. Pre-conveyance claims (loan guarantees)	---	(235)	(400)
II. <u>Rail Passenger</u>			
. Northeast Corridor Project	1,080	1,400-1,680	2,400
. Passenger improvements nationwide	---	---	200
. Acquisition of passenger corridors by AMTRAK	---	20	20
III. <u>Nationwide Rail Freight</u>			
. (Loan guarantees)	(2,000)	(1,300)-(1,400)	(800)
. Loans/grants/redeemable preference shares	---	500-600	600
IV. <u>Continuation Subsidies</u>			
. Branchline	---	400	400
. Right-of-way for recreation, and for coal field access	---	---	81
. Commuter	---	---	125
V. <u>Other</u>			
. Controlled Transfer Assistance	400	(merged with III)	---
. Administrative expenses	---	29	29
TOTAL NEW AUTHORIZATIONS	\$5,580	\$5,984-6,464	\$7,591
TOTAL INCREASE IN 1977 OUTLAYS OVER PREVIOUS ESTIMATE	---	\$0-160	

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

January 14, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD

Subject: Proposed Revision of Seasonal Adjustment
Factors for Unemployment Statistics.

The attached table, indicating proposed revisions of our unemployment rate statistics, will be discussed at the January 15th meeting of the Economic Policy Board.

Burton Malkiel
Burton G. Malkiel



CONFIDENTIAL

Impact of proposed procedure on 1975 unemployment rates, published and revised

Month	Current method		Proposed method		Difference between 1975 published and proposed method (routine revision) (5) - (1)	Difference between 1975 published and proposed method (initial computation) (4) - (1)
	Initial computation (1)	Routine revision (2)	Initial computation (4)	Routine revision (5)		
January.....	8.2	8.0	8.1	7.9	-.3	-.1
February.....	8.2	8.1	8.1	8.0	-.2	-.1
March.....	8.7	8.5	8.7	8.5	-.2	-
April.....	8.9	8.7	8.8	8.6	-.3	-.1
May.....	9.2	9.0	9.0	8.9	-.3	-.2
June.....	8.6	8.6	8.7	8.7	+.1	+.1
July.....	8.4	8.6	8.6	8.7	+.3	+.2
August.....	8.4	8.5	8.3	8.5	+.1	-.1
September.....	8.3	8.6	8.3	8.6	+.3	-
October.....	8.6	8.7	8.5	8.6	-	-.1
November.....	8.3	8.5	8.3	8.5	+.2	-.1
December.....	8.3	8.4	8.2	8.3	-	-.1

Explanation of Columns

(1) Employment and unemployment for major age/sex groups adjusted multiplicatively applying 1974 factors to 1975 data. These data were published monthly during 1975.

(2) Seasonality revised to incorporate 1975 experience.

(4) Employment and adult unemployment adjusted multiplicatively; teenage unemployment adjusted by additive procedure. Calculated by applying 1974 factors to 1975 data. Would have been published in 1975 if the new procedure were in effect.

(5) Seasonally adjusted to incorporate 1975 experience.

SOURCE: Bureau of Labor Statistics, January 1976