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THE WHITE HOUSE

WASHINGTON

November 26, 1975

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY

SJM
SUBJECT:

Railroad Legislation

A series of meetings has occurred over the past several days to discuss the issues surrounding railroad legislation currently before the Congress. Secretary Coleman's presentation to the EPB summarized the major issues and differences between the Administration and the Congressional positions. The attached memorandum is for your signature to the President summarizing the actions taken to date. In addition, I recommend that the Domestic Council be the focal point for coordinating White House activities over the next several weeks in an effort to secure acceptable legislation.

I believe the positions that Secretary Coleman has taken are based on sound analysis and are clearly defensible. However, I believe the need for legislation is imperative. I also believe there are certain negotiable points around which a compromise could be reached. I am working with DOT and OMB to establish a list of potential negotiating points such that if stalemate occurs we do have an agreed position on how to proceed.

I will keep you posted daily.

Attachment

* Jim: This memo has been reviewed and approved by Ed Salomone. He has examined and understood the long range contract issues. SMC

THE WHITE HOUSE

WASHINGTON

November 28, 1975

MEMORANDUM FOR:

THE PRESIDENT
(Avangard)

FROM:

JIM CANNON

SUBJECT:

Railroad Legislation

glo

The House and Senate are currently considering separate versions of OMNIBUS railroad legislation which combine into one bill proposals for regulatory reform, enabling legislation for ConRail, and separate assistance for North-east Corridor passenger service. As presently drafted, both the House and Senate bills severely conflict with the Administration's proposals on these issues.

Failure to secure legislation before the Christmas recess could jeopardize the activation of the Final System Plan, thereby postponing conveyance of the bankrupt systems to ConRail and requiring additional interim financial assistance to the bankrupt railroads which has the effect of throwing more money into the Penn Central morass. This situation, if it occurred, could have enormous political and economic implications for 1976. Therefore, it is essential that an all-out effort be made to secure acceptable legislation before the Christmas recess.

Currently the major differences between the Administration and the Congress fall into four categories:

1. Funding Level - Current House and Senate proposals, calling for \$7.9 and \$9.7 billion in federal investment respectively, far exceed the Administration's plan which calls for \$5.7 billion (see attachment A). Special note should be taken of the Senate Commerce Committee's proposal to spend \$3.2 billion for passenger service in the North-east Corridor. Additional improvements specified by the Senate would increase the ultimate cost to approximately \$6 billion.



2. Organizational Structure and Responsibilities -

Our proposal for an Administration controlled investment committee to oversee the public's investment in ConRail is strenuously opposed by the Senate Commerce Committee. In addition, both Houses of Congress are currently opposed to the Administration's proposal which would allow the Secretary of Transportation to initiate a Special Court consideration of the future sale of segments of ConRail to solvent railroads. (As you may recall, when the Administration agreed to provide financial support to ConRail, it was on the express condition that a procedure be set so as to facilitate the sale of selected portions of the bankrupt properties to solvent railroads). The Senate opposes our investment committee concept and proposes to allow an ICC or USRA veto of future sale recommendations. The House supports our investment committee, but permits a ConRail veto of any supplemental transactions (such a veto could effectively minimize the possibility of future transactions). The Senate Commerce Committee also opposes the Administration's plan to assign to the Department of Transportation the responsibility for future railroad planning and financing. Instead, the Senate would give such responsibility to an expanded USRA, and thus perpetuate a government agency which was created solely for the purpose of outlining a plan for railroad restructuring in the Northeast. Moreover, this action would result in an overlapping of responsibility with DOT.

3. Financial Structure - The Administration's proposal calls for a floor on the value of the securities package given to the creditors of the bankrupts in return for the rail properties, and a return of interest and dividends (paid, rather than accumulated, only when cash is available) on the public investment in ConRail (debentures and preferred stock). These proposals have been altered by both Houses to invite the Special Court to increase the compensation to the creditors beyond liquidation value rather than to approve or disapprove the package of ConRail securities the creditors would receive under the Administration's proposal.

Under our proposal, the creditors, if dissatisfied with the offer of the Special Court, could seek a deficiency judgment in the Court of Claims. Finally, the Senate proposal would result in an automatic forgiveness of dividends and interest if ConRail is unprofitable in any particular year.

4. Regulatory Reform - As you may recall, the Administration agreed to federal financial assistance to ConRail only upon the condition that there be substantial reform of the rail regulatory system. Three areas of primary interest in regulatory reform are abandonments, mergers and pricing flexibility.

With regard to abandonments, the Administration has proposed reforms to allow expeditious handling of requested abandonments; the House bill contains provisions which would actually weaken the ability of railroads to abandon lightly-used lines.

With regard to mergers, the Administration has proposed new time limits and standards in order to expedite merger actions. However, as a result of strong lobbying by labor and management, it appears that both Houses will move to weaken these merger provisions.

With regard to rate flexibility, the Administration has proposed upward and downward rate flexibility. However, it appears that the House Committee will move to limit this flexibility to rate increases.

Efforts to weaken these three critical provisions would effectively gut the Administration's rail regulatory reform legislation.

The EPB met Wednesday morning to discuss these issues and agreed to:

- A. Reaffirm the original Administration position stated in a memorandum to Secretary Coleman dated June 20. This action was taken to improve the Secretary's bargaining position in light of rumors that the Secretary's views were not shared by others in the Administration.

- B. Request additional Congressional Affairs' assistance in dealing with the Congress in the weeks ahead.
- C. Review the activity of USRA in light of the positions it has been taking in conflict with the Administration's proposals.

Jack Marsh and Max Friedersodrf have been requested to inform key members of the Senate and House Committees of the EPB's reaffirmation of the Administration's position. The Domestic Council will coordinate White House actions with DOT in an effort to outline and execute a strategy to secure acceptable legislation. It appears that if the Administration's position is clarified upon the return of the Congress next week, and the critical members contacted directly, there is a real possibility for an acceptable House bill. However, should a stalemate continue, it may be necessary for you to become directly involved in this matter upon your return from China.

PROPOSED LEVELS OF FEDERAL ASSISTANCE TO RAILROADS

<u>Type of Rail Investment</u>	<u>Senate Version</u>	<u>House Version</u>	<u>Administration Version</u>
ConRail	\$3.0 billion in debentures and preferred stock	\$2.1 billion in debentures and preferred stock	\$2.1 billion in debentures and preferred stock
Northeast Corridor Intercity Rail Passenger Service	\$3.0 billion in non-interest-bearing loans to Amtrak with no specified repayment period and \$235 million in direct grants to Amtrak	\$1.40 billion flexible instruments	\$1.08 billion in Federal contribution (flexible instruments)
Rail Facility Rehabilitation and Improvement and Supplementary Transactions Assistance	\$1.0 billion in Federal loan guarantees and \$1.4 billion in forgivable loans	\$2.5 billion in loans convertible to grants	\$2.0 billion in Federal loan guarantees and \$400 million in grants or loans
Rail Service Continuation Subsidies	\$835 million in grants for freight service and \$125 million in grants for passenger service	\$180 million in grants for freight service	\$180 million in grants for freight service
TOTAL	\$9.595 billion	\$7.90 billion	\$5.76 billion

November 25, 1975

The attached compares the Senate Omnibus Rail Bill as reported by the Full Committee and the House Omnibus Bill (H.R. 9802) as Amended to date by the Subcommittee.
Some provisions remain unclear because of drafting ambiguities.

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

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
Regional Rail Reorganization Implementation	Funding - USRA authorized to purchase up to \$3 billion in ConRail debentures and preferred stock. Amount for supplementary transactions is not clear.	Funding - USRA authorized to purchase up to \$2.1 billion in ConRail debentures and preferred stock.	Funding - USRA authorized initially to purchase up to \$1.85 billion in ConRail debentures and preferred stock. An additional \$250 million is provided as a cushion.
	Oversight of ConRail Progress-- USRA controls. USRA can forgive payment of principal and interest on any securities issued by ConRail.	Oversight of ConRail Progress-- Government Banking Committee consists of USRA Board Chairman and the Secretaries of DOT and Treasury. The Committee can waive any payment relative to any ConRail securities.	Oversight of ConRail Progress-- Government Investment Committee consists of USRA Board Chairman and the Secretaries of DOT and Treasury. The GIC can waive payments relative to ConRail securities.
	Interest and dividends non-cumulative and payable only when ConRail has retained earnings in excess of \$500 million.	Interest and dividends non-cumulative and payable only out of ConRail net profits.	Interest and dividends are cumulative, but payable only if sufficient cash is available. When cash is not available, additional preferred stock is issued in lieu thereof.
	Base value of certificates of value hinged on Special Court's decision as to constitutional minimum.	Similar to Senate bill.	Base value is net liquidation value determined by USRA

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
Regional Rail Reorganization Implementation (Continued)	<p>Supplementary Transactions</p> <ul style="list-style-type: none"> - must occur, if at all, within 4 years - either ICC or USRA can block 	<p>Supplementary Transactions-</p> <ul style="list-style-type: none"> - six year period - DOT's presentation of proposal to Special Court cannot be blocked by either USRA or the ICC. However, ConRail can block. - Funding comes from \$2.225 billion account in section 803. 	Like House version, except \$400 million is specifically authorized to be appropriated to DOT to facilitate transactions, and ConRail cannot block presentation to Special Court.
	<p>Indemnification of Profitable railroads--</p> <p>The Federal Government indemnifies all profitable railroads which participate in the reorganization.</p>	Similar to Senate bill.	Indemnification available only if the conveyance is of significant importance to achievement of the FSP goals.

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
Total Funding	<p>Establishes a \$4.4 billion Railroad Rehabilitation and Improvement "Trust Fund" for purpose of providing capital to USRA and to provide financial assistance to ConRail and to other carriers.</p> <p>In addition, a \$1 billion obligation Guarantee Fund is available to USRA to finance improvements to rail facilities throughout the country.</p> <p>\$3 billion in non-interest bearing loans for NEC.</p> <p>\$255 million to Amtrak for NEC and other activities.</p> <p>Adds \$655 million to current \$180 million for rail service continuation subsidies nationwide.</p> <p>\$125 million for commuter service in Region.</p> <p>\$75 million (?) for conversion of rail rights-of-way to recreation facilities.</p> <p>A total of \$9.7 billion.</p>	<p>Establishes Rail Transportation Trust Fund within the DOT Budget, containing the following four accounts --</p> <ol style="list-style-type: none"> 1) Rail Services Continuation Subsidy Account -(Preserves existing \$180 million for title IV of the RRRA) 2) Consolidation, merger, supplemental transaction, and Improvement of Facilities Account. -Authorizes appropriation of \$2.225 billion thru FY 1980. 3) NEC account -Authorizes appropriation of \$1.4 billion thru FY 1980. 4) Loan Guarantee for Rail Improvement and Service Account -\$2 billion ceiling placed on guarantees. <p>In addition, USRA authorized to acquire up to \$2.1 billion in ConRail securities.</p>	<p>\$2.1 billion to USRA for ConRail</p> <p>\$400 million to DOT for supplementary transactions.</p> <p>\$1.08 billion to DOT for the NEC</p> <p>\$2 billion loan guarantee program under DOT.</p> <p>\$180 million for Rail Service continuation subsidies.</p> <p>A total of \$5.7 billion.</p>
			
		<p>A total of \$7.9 billion.</p>	

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
<u>Regulatory Reform</u>			
1. Pricing Flexibility			
a. No-suspend zone	None as such, except there is no suspension of increases if no market dominance.	3-year no-suspend zone of 7% each year. (Does not apply to export rates).	permanent no-suspend zone, phased-in (7, 12, 15% for first 3 years; 15% up, no limit down thereafter).
b. Minimum Rates	Rates which increase going concern value can't be called too low (there is a presumption that rate above variable cost increases value).	Rates above variable cost cannot be called too low.	Same as House (slightly different from Senate).
c. Umbrella Ratemaking	Rates of one mode may not be held up to protect another mode as long as rate increases going concern value.	Rates of one mode may not be held up to protect another mode.	Same as House (slightly different from Senate)
d. "Market Dominance"	Commission loses maximum ratemaking authority except where market dominance.	Commission loses maximum ratemaking authority except where "market dominance".	None
e. Big John	Special procedures for rates involving \$1 million investment.	Same.	Same as House and Senate.
f. Time Limit on ICC hearing	None	7/10 month time limit.	Same as House.



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



<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
4. <u>Merger</u>			
a. Time limit	2 year time limit	Similar to Senate	Time limit imposed; slightly shorter than House and Senate.
b. Substantive change in standard	None	Similar to Administration provision. The new standard weighs the efficiency gains against any adverse competitive aspects to determine if merger is in public interest. Secretary certifies whether transaction is in public interest, and then ICC makes final decision with "presumption" transaction is in public interest if Secretary so certifies. Secretary's determination is accorded less weight in House proposal than in Administration's. Also, if ICC doesn't make decision within time limit imposed, no provision for return to Secretary, as an Administration proposal.	New standard and procedure. The new standard weighs the efficiency gains against any adverse competitive aspects to determine if it is in public interest. Proposal first goes to Secretary who certifies if it is in the public interest. Then ICC makes final decision with "presumption" it is in the public interest if Secretary so certifies. ICC may not overrule that determination unless it finds "clear and convincing evidence to the contrary". If ICC doesn't make determination within time limits, it goes back to Secretary and Attorney General for final decision.

<u>ISSUE</u>	<u>SENATE</u>	<u>HOUSE</u>	<u>ADMINISTRATION</u>
Northeast Corridor Project Implementation	<p>--\$3 billion in non-interest bearing loans to upgrade service.</p> <p>--USRA furnishes funding.</p> <p>--\$255 million for Amtrak to acquire, manage, and operate NEC properties and to acquire seven other rail properties outside the Corridor used for intercity passenger service.</p> <p>--Trip times: 2-1/2 hours Washington-New York; 3 hours New York-Boston</p> <p>--Establishes new NEC Improvement Corporation to carry out program</p> <p>--Includes off-Corridor lines</p> <p>--No State or local cost sharing required.</p>	<p>--\$1.4 billion appropriation through FY 1980.</p> <p>--DOT receives appropriations.</p> <p>--Trip times - 3 hrs. Washington-New York; 3 hours, 50 minutes New York-Boston.</p> <p>--DOT may deal with any appropriate party to effect improvements.</p> <p>--No off-corridor lines involved.</p>	<p>Generally the same as the House bill except--</p> <p>\$1.08 billion is appropriated to DOT</p> <p>States contribute only \$120 million toward NEC improvements.</p>
		<p>--States required to contribute--</p> <p>-\$170 million toward NEC improvements</p> <p>-\$200 million toward improving elements of stations not essential to intercity service.</p>	

ISSUESENATEHOUSEADMINISTRATION

Rail Service
Continuation
Subsidies

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

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

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

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

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

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

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

THE WHITE HOUSE

WASHINGTON

2/24

February 24, 1976

MEMORANDUM FOR: JIM CANNON
FROM: JUDITH RICHARDS HOPE 
SUBJECT: Presidential Calls on Chessie/Southern Labor Negotiations

Leaders of both sides in the labor Chessie/Southern dispute are meeting with Secretaries Coleman and Usery tomorrow. Secretary Coleman is again urging the President to telephone these people to urge them to make every effort to reach an agreement. Secretary Coleman's memorandum for the President, together with his list of names he feels should be called and the President's suggested remarks are attached at Tab A. Editorials from the Wall Street Journal of February 12 and the New York Times of February 24, pointing out the critical nature of these talks are attached at Tab B.

I told Bill Coleman that the odds of Presidential phone calls being made at this juncture are slight, unless both he and Secretary Usery so recommend.

David Lissy advises that he spoke with Usery this afternoon. Usery strongly recommends against the Presidential telephone calls at this time. He feels the odds are still against a successful meeting and he sees no reason for the President to put his reputation on the line. Usery says if it begins to look like an agreement can be reached, there are certainly ways to involve the President and the White House at an appropriate time.

A





THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 23, 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Reorganization of the Bankrupt Railroads

USRA's Final System Plan made provision, pursuant to Congressional mandate, for rail competition throughout the Northeast and Midwest. In accordance with the Plan, the Chessie System and the Southern Railway tentatively agreed to purchase approximately 2,200 miles of the bankrupt rail properties. Most of the remaining bankrupt properties were to be consolidated into a Federally assisted corporation - ConRail. Currently the purchases of the bankrupt rail properties by the Chessie and the Southern are gravely endangered because of those railroads' inability to come to terms with the labor unions. If the Chessie and the Southern do not participate in the reorganization, ConRail will become the sole rail freight carrier throughout most of the Northeast and Midwest. This situation threatens the ultimate success of the reorganization because, without effective competition, ConRail will be less efficient and more likely to need perpetual government subsidy. Therefore I think it a matter of great importance to try to bring about labor agreements which will allow the Chessie and the Southern to participate.

Time is extremely short. In fact, the statutory deadline for reaching successful labor agreements has passed. ConRail at present is scheduled to take over, on April 1, the lines previously designated for acquisition by the Chessie and the Southern. However, key members of Congress have expressed a willingness to extend the deadline if we can quickly bring about a settlement.

Secretary Usery and I have arranged to meet with, beginning at 9:00 a.m. on Wednesday, February 25, the principal national labor leaders involved and the presidents of the Chessie and the Southern to see if accord can be reached. It would be very helpful if you would call these labor leaders and railroad presidents to ask for their cooperation in reaching a settlement. Attached is a list of those who should be called and suggested remarks for Presidential phone calls.

There may be significant political consequences involved in the outcome of the Chessie and the Southern negotiations (see the attached Wall Street Journal editorial). For instance, the New England States are highly disturbed at the prospect of ConRail becoming a monopoly in the Region. It would be to the advantage of the Administration if we could secure the participation of the Chessie and the Southern in the rail reorganization and thereby insure rail competition in the Northeast and Midwest.

Buc

William T. Coleman, Jr.

Attachments

NATIONAL LABOR LEADERS AND RAILROAD PRESIDENTS
WHO SHOULD BE CALLED

Al H. Chesser
President
United Transportation Union, AFL-CIO
14600 Detroit Avenue
Cleveland, Ohio 44107
216/228-9400

Harold C. Crotty
President
Brotherhood of Maintenance of Way Employees, AFL-CIO
12050 Woodward Avenue
Detroit, Michigan 48203
313/TO 8-0489

C. L. (Les) Dennis
International President
Brotherhood of Railway, Airline and Steamship Clerks,
Freight Handlers, Express and Station Employees, AFL-CIO
6300 River Road
Rosemont, Illinois 60018

Hays T. Watkins
Chairman and Chief Executive Officer
Chessie System, Inc.
The Terminal Tower
Cleveland, Ohio 44101
216/623-2200

Graham Claytor
President
Southern Railway Company
920 15th Street, N. W.
Washington, D.C. 20013
628-4460

ADDITIONAL ATTENDEES

B.N. Whitmire
President, Brotherhood of Locomotive Engineers
1112 B, LE Building
1365 Ontario Avenue
Cleveland, Ohio
216/241-2630

James Yost
Spokesman for Shop-craft Unions
Chicago, Illinois
312/HA7-9546

SUGGESTED REMARKS FOR PRESIDENTIAL PHONE CALLS TO
NATIONAL LABOR LEADERS

I am calling with regard to your meeting on Wednesday here in Washington with Secretary of Transportation Coleman and Secretary of Labor Usery to discuss the Chessie and the Southern Railway labor negotiations. I am also calling the presidents of the other key railroad unions and the presidents of the Chessie and the Southern.

I am very pleased that these negotiations may be getting back on the track, and I trust that you will make every effort to see that they reach a successful conclusion. The transfers of the Erie Lackawanna and Reading Lines to the Chessie, and of the Delmarva line to the Southern, are crucial in my judgment to assuring the success of the reorganization.

A revitalized private enterprise rail system in the Northeast means more jobs for everyone.

SUGGESTED REMARKS FOR PRESIDENTIAL PHONE CALLS TO
RAILROAD PRESIDENTS

I am calling with regard to your meeting on Wednesday here in Washington with Secretary of Transportation Coleman and Secretary of Labor Usery to discuss the labor negotiations necessary to your participation in the reorganization of the bankrupt railroads in the Northeast. I am also calling the presidents of the key railroad unions.

I am very pleased that these negotiations may be getting back on the track, and I trust that you will make every effort to see that they reach a successful conclusion. The transfers of the Erie Lackawanna and Reading lines to the Chessie, and of the Delmarva line to the Southern, are crucial in my judgment to assuring the success of the reorganization.

B



REVIEW & OUTLOOK

The Rail Booby Trap

A booby trap went off in the government's ambitious Northeast rail plan last week, proving again that the worst-laid schemes of mice and men are even more likely than the best-laid to go agley.

Unfortunately, the petard didn't wreck the plan. It will just cost more. It could prove to be the second most expensive experiment yet, after the Postal Service, in government monopoly.

The booby trap was set by the friends of organized labor, who insisted when the 1973 rail plan was being threshed out in Congress on certain protections for the rail unions. They got them, beyond a union leader's wildest dreams. The most obvious was a \$250 million federal fund which guaranteed a lifetime income for almost any employee likely to be displaced. The not so obvious part—and the one that exploded last week—gave the rail unions an effective veto over the government's hopes of preserving rail competition in the Northeast.

Those hopes rested on the idea that the Chessie System would pick up some of the bankrupt Northeast properties. Conrail, which is being set up under government auspices and with a generous federal appropriation, thus would have competition. The Chessie, a well-managed, profitable railroad, was willing to take some risk with the plan in return for northern trackage and access to New York.

But there was one hitch. The Northeast Rail Reorganization Act required that any private road participating in the plan must first make mutually satisfactory arrangements with the rail unions representing the employees it would acquire from the bankrupts. To the Chessie, "mutually satisfactory" meant eliminating the kinds of restrictive work rules that had helped put the Erie-Lackawanna et al into such dire straits. The Chessie wanted the 8,000 employees it would acquire to accept the same rules as the employees it now has, which hardly seemed unreasonable.

But thanks to Congress, the unions had a more attractive alternative. First of all, they had lifetime

income protections, whatever happens. Second, Conrail was not required to reach any mutual understanding with the unions prior to its scheduled start-up on April 1. It can take over the bankrupt properties, their unions, their contracts, lock, stock and barrel.

The unions, understandably, preferred to continue doing business with the government entity that might be influenced by their political friends. So they refused to strike a deal with the Chessie. And, very prudently, the Chessie withdrew from the plan. The Southern Railway, which had intended to pick up some minor DelMarVa peninsula property, did so too.

That means that Conrail will start up with about 2,200 more miles of track than it had planned. It will have something approximating a monopoly on access to New York from the West. And it will need extra money from the taxpayers in addition to the \$1.9 billion already appropriated by the House for rehabilitation and operating expenses.

How much it will need is a bit fuzzy. But the Chessie had planned to spend \$500 million of its own money over the next several years for rehabilitating the trackage it had planned to acquire. That gives some idea.

So even before Conrail is in business, it looks less like the streamlined, competitive enterprise hoped for by many of its progenitors and more and more like the kind of political offspring governments typically produce. It won't be any better than the bankrupts it will replace unless it faces some real pressures for efficiency, which competition from the Chessie might have supplied. As things stand now, it would appear that most of its pressures will be of the opposite kind, for preservation of the status quo, applied by unions and politicians.

Congress may eventually get tired of coughing up money for such enterprises. It may decide eventually to auction off Conrail properties and let labor take its chances. Since that is what it should have done in the first place, why wait?

N.Y.Times 2/24/76

Blocked Track

Conrail will not operate its first trains until April 1, but the Federal design for a revitalized Northeast railroad system has already suffered its first derailment.

Objections to proposed featherbedding arrangements for transferred rail workers have upset the planned sale of 2,000 miles of track to two solvent carriers—the Chessie and the Southern—thus pushing up by roughly \$200 million the new network's initial cost to the taxpayers.

Disappointment on that score is offset by the probability that the altered plan will heighten the chances for Conrail's eventual profitability. What is more disappointing is that the projected sale, especially that involving lines to be acquired by the Chessie System, was designed to create much needed competitive service in important markets.

The union rigidities which contributed to collapse of the sales negotiations are a poor augury for flexibility of the kind Conrail itself will require if it is to avoid the inefficiency and featherbedding that helped push the Penn Central and other constituent units of the new system into bankruptcy.

Conrail is already saddled with a heavy bill for lifetime job guarantees written at union insistence into the legislation creating it. An arbitration provision in the law does provide the infant road some protection against excessive union arbitrariness in necessary modification of work rules.

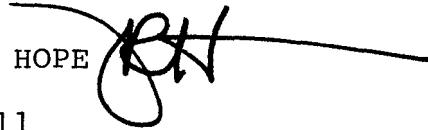
But the best indication of union willingness to be reasonable in the nation's effort to modernize the railroads would be cooperation in a new effort to be initiated in Washington tomorrow to reactivate the talks with the Chessie and the Southern. Transportation Secretary Coleman and Labor Secretary Ussery deserve the full help of both management and union negotiators in that effort.



THE WHITE HOUSE
WASHINGTON

INFORMATION

March 4, 1976

MEMORANDUM FOR: JIM CANNON
FROM: JUDITH RICHARDS HOPE 
SUBJECT: Omnibus Rail Bill

The sense-of-the-Congress resolution which states the hope and expectation that the parties in the Chessie/Southern labor rail negotiations will go back to the bargaining table passed the Senate this afternoon unanimously. It will be introduced in the House tomorrow.

THE WHITE HOUSE

INFORMATION

WASHINGTON

April 27, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON
SUBJECT: Amtrak Materials

I thought you should have a brief summary of Amtrak materials which Secretary Coleman gave Jack Marsh last week (Tab C).

1. Greyhound and other bus lines oppose Amtrak subsidies because passenger buses cover the same routes, compete for the same passengers, and provide similar service with Federal subsidy. A letter from Barber Conable (R-NY) also urges this position.
2. Eastern Airlines complains that Amtrak, its primary competitor in the Northeast Corridor, uses Federal subsidy dollars to wage advertising campaigns against Eastern's shuttle. Eastern urges reversal of DOT's position denying the airline comparable subsidies.
3. Larry Winn, Jr. (R-Kan) and Martha Keys (D-Kan) express concern about dropping the Lone Star Line (through Kansas City, Topeka and Wichita) and ask that the delayed initiation of an express line from Washington, D.C., to Denver, through Kansas, be expedited.

Tab A sets forth job and ridership losses and estimated cost savings connected with Amtrak's proposed dropping of the Inter-American and Lone Star Lines. Both are issues in Texas. The Inter-American Line goes from St. Louis to Fort Worth, Temple, Austin, San Antonio, and Laredo, while the Lone Star Line serves from Chicago to Texarkana, Dallas, and Houston. (See attached map at Tab B.)
4. A Coleman letter to Winn (R-Kan) states the Administration position (commended by the Chicago Tribune), noting the \$50 million FY '77 increase, the need for Amtrak to be more efficient, and the fact that no definite decision has yet been made by Amtrak on which, if any, lines to cut.

THE WHITE HOUSE

WASHINGTON

June 4, 1976

MEMORANDUM FOR: JIM CANNON

FROM: JACK MARCH

I would be grateful if you would touch base with Paul O'Neill concerning a matter I discussed with him involving AMTRAK.

Paul is familiar with the situation, but because it may involve the Domestic Council, it might be helpful if you were to talk with him personally.

Many thanks.

Sent 7/7
Thompson.

THE WHITE HOUSE
WASHINGTON

July 2, 1976

MEMORANDUM FOR: JIM CANNON
FROM: MIKE DUVAL *Mike*
SUBJECT: AMTRAK

John Clarke and Nate Goodrich of Amtrak have discussed some of their problems separately with Phil Buchen and myself. They believe that Amtrak is facing some real problems in the immediate future, and they want to talk to top policy people here at the White House.

I believe that the Amtrak officials would like to speak to you and Bill Seidman, without going through DOT or OMB.

Phil and I recommend that you contact John Clarke directly.

cc: Phil Buchen
Bill Seidman

~~Kurtis~~ -
Judy Horner -
what do
you suggest?
Jim

Judy Hope

THE WHITE HOUSE
WASHINGTON

July 2, 1976

MEMORANDUM FOR: JIM CANNON
FROM: MIKE DUVAL *White*
SUBJECT: AMTRAK

John Clarke and Nate Goodrich of Amtrak have discussed some of their problems separately with Phil Buchen and myself. They believe that Amtrak is facing some real problems in the immediate future, and they want to talk to top policy people here at the White House.

I believe that the Amtrak officials would like to speak to you and Bill Seidman, without going through DOT or OMB.

Phil and I recommend that you contact John Clarke directly.

cc: Phil Buchen
Bill Seidman



Jim —

See attached Judy

~~White -~~
Judy Hope -
What do
you suggest?

Jim

THE WHITE HOUSE

WASHINGTON

July 7, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

JUDY HOPE

SUBJECT:

Mike Duval's Recommendation on AMTRAK

I agree that you should see John Clarke and Nate Goodrich of Amtrak separately. There has been bad blood between Amtrak and DOT and it seems to me that both sides have become a little unreasonable. There is a personal bias by Coleman and Barnum against the way Amtrak funds and decisions are being managed. Further, OMB has a historic bias against Amtrak because of the financial drain which supporting Amtrak places on the Federal budget. DOT is holding up some \$9 million of Amtrak funds at the present time, in a dispute over the lease versus purchase of the Northeast corridor lines. As you know, the President's budget decision indicates that Amtrak should lease not purchase. Last week, the Senate appropriations committee came down on Amtrak's side~~s~~ and said that funds should not be held up.

All of this suggests the need for a balanced look at the issues from someone sitting in the Domestic Council chair as you are. I think it is a good idea.

JH

cc: Leach
Hope

THE FAMILY LINES SYSTEM

500 Water Street, Jacksonville, Florida 32202



PRIME F. OSBORN
President and Chief
Executive Officer

1976 OCT 4 AM 9 20

October 1, 1976

PERSONAL

Mr. J. M. Cannon
Assistant to President for
Domestic Affairs
The White House
Washington, D. C.

Dear Jim:

One of our brightest fellows recently prepared a series of position papers on the railroad industry. These struck me as being particularly good and I thought you might like to have a copy.

With kindest regards and best wishes, I
am

Sincerely yours,

Prime F. Osborn

RL

100409

THE WHITE HOUSE
WASHINGTON

October 11, 1976

Dear Prime:

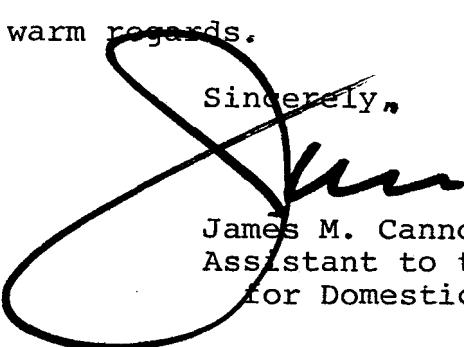
Thank you very much for sending me the position papers on the railroad industry.

The series is quite good, and I have forwarded it to appropriate members of my staff for their information.

Give me a call the next time you're in Washington.

With warm regards,

Sincerely,


James M. Cannon
Assistant to the President
for Domestic Affairs

Mr. Prime Osborn
President
The Family Lines System
500 Water Street
Jacksonville, Florida 32202

THE WHITE HOUSE

WASHINGTON

December 17, 1976

976 DEC 17 PM 2 04

Transportation
(rail)

MEMORANDUM FOR: JIM CANNON
FROM: JUDITH RICHARDS HOPE
SUBJECT: Southern Railway

Governor Breathitt, Vice President of Southern Railway called me early this morning to express the deep concern of the executives of all American railroads over the eminent publication of regs by the Treasury Department concerning taxation on fringe benefits as income. He said that this deep concern is also shared by rail labor and by the members of the Business Round Table who are meeting in Washington this week. I told him that I would pass this concern on to you immediately. He hopes that you will mention it to the President.

JRH
IMMINENT



✓ 12/17/76
Moot // NO
Bill Limon Par-f
Jen
PS: Call Breathitt &
Take credit.
12/17/76