

**The original documents are located in Box 28, folder “Railroads - Revitalization Act (3)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**


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[May 1975]

THE WHITE HOUSE  
WASHINGTONDECISION

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON 

SUBJECT: RAILROAD REVITALIZATION ACT

Attached is a memo from Jim Lynn which seeks your decision on whether or not the Administration's railroad bill should contain antitrust immunity for discussion by railroad rate bureaus on general rate increases.

Bill Coleman wants to include such antitrust immunity for discussions of a general nature predicated on cost increases because of fuel and labor. Without such a provision, he feels that the railroads will totally oppose our legislation, thus seriously damaging its chances in Congress. Jim Lynn, Alan Greenspan and the Attorney General believe that the legislation you send up should not contain such antitrust immunity because effective deregulation should promote full competition, including rate competition. They further argue that Congress is likely to include such a provision anyway, and if we send a bill up without it initially, it will increase our chances to use it as a trade-off during the legislative process, thereby avoiding other weakening provisions.

Because the provision is likely to be included by Congress in any event, it really comes down to a legislative strategy call, and on this point Bill Coleman feels strongly that it should be in from the outset.

DECISION

- Include antitrust immunity for discussions by rate bureaus on general rate increases for labor and fuel costs (supported by Coleman, Friedersdorf, Cannon, Rod Hills).

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_



- No antitrust immunity (supported by Justice, Greenspan, Lynn, Council on Wage and Price Stability).

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Note: Bill Seidman supports the limited immunity only if we are likely to lose the whole bill without it.



THE WHITE HOUSE  
WASHINGTON

May 2, 1975

MEMORANDUM FOR THE RECORD

FROM : JIM CANNON

SUBJECT : RAILROAD REVITALIZATION ACT

It is my understanding, as relayed by Dick Cheney, that the President's decisions were to approve:

1. Option (a) the right to subsidize up to one-half of the interest on guaranteed loans.
2. Option (b) the right to guarantee deferred interest loans including loans through the Federal Financing Bank.

Secretary Coleman should not recommend it, but he replied in response to a Committee question, that the Administration would certainly be willing to consider.

cc: Bill Seidman  
Dick Dunham  
Jerry Jones  
OMB

THE WHITE HOUSE

WASHINGTON

May 12, 1975

MEMORANDUM FOR JIM CANNON  
THROUGH: DICK DUNHAM *RD*  
FROM: MIKE DUVAL *MD*  
SUBJECT: RAILROAD REVITALIZATION ACT

I have reviewed Jim Lynn's memo to the President on the question of whether or not the Administration's bill should contain antitrust immunity for discussions by rate bureaus on general rate increases.

I have also talked to Rod Hills about this, and he and I both feel that this raises sensitive issues concerning White House relationship with Bill Coleman.

As a substantive matter, I concur with the OMB assessment, which is that we should go up with a bill that does not grant such immunity because that is consistent with our view of deregulation. Furthermore, such a grant is likely to be added to the legislation as it goes through Congress, and if we let Congress put it in, it may help us get a bill out without other weakening provisions being added.

I don't think that the OMB memo sharply focuses on the real question for decision. More importantly, I feel rather strongly that this is not something that should go to the President for decision in the first place and that the only reason it's up here is because the various departments and agencies cannot come to agreement among themselves.

I have drafted a cover memo from you to the President which attempts to bring this into sharper focus.

*I voted you w/ Coleman because of the sensitivity problem — although I agree on substance w/ OMB.*

THE WHITE HOUSE

WASHINGTON

May 12, 1975

MEMORANDUM FOR: JERRY JONES

FROM: RODERICK HILLS

SUBJECT: Lynn Memo (5/9/75)  
re Railroad Revitalization Act

All interested parties apparently agree that Option 1 (supported by Justice CEA, CWPS and OMB) will be vigorously fought by the railroad industry and that Congress will clearly agree with the industry's position. DOT feels its Option 2 is a more flexible alternative which will maintain its credibility with the industry for the bill as a whole.

So stated, the dispute between Option 1 and Option 2 is one purely of legislative strategy. Since DOT strongly supports Option 2, its Option 2 should be accepted unless the President's legislative advisers feel to the contrary. It is our understanding that Max Friedersdorf, however, favors Option 2. The position of the Counsel's office is that on matters of legislative strategy that are not contrary to major Administration policy, the views of the Department should prevail.



THE WHITE HOUSE

WASHINGTON

May 12, 1975

MEMORANDUM FOR:

JERRY JONES

FROM:

MAX L. FRIEDERSDORF

SUBJECT:

Lynn Memo 5/9/75  
Railroad Revitalization Act

The Office of Legislative Affairs ~~concurs with subject memo.~~

# of st. in  
# 2





## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 10, 1975

Time: 10:00 a.m.

FOR ACTION: Bob Hartmann

Jack Marsh

Phil Buchen

Max Friedersdorf

Jim Cannon

~~FOR INFORMATION:~~

Alan Greenspan

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Monday, May 12, 1975

Time: 12:00 noon

SUBJECT:

Lynn memo (5/9/75)

re: Railroad Revitalization Act.

## ACTION REQUESTED:

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

## REMARKS:

5/12 Per John Davis ok for Greenspan  
4p Marsh } haven't seen yet  
Hartmann }  
by Marsh hasn't commented  
Hartmann - no opinion  
5/13 11<sup>30</sup>a Marsh still hasn't commented

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.

Jerry H. Jones  
Staff Secretary



Date: May 10, 1975

Time: 10:00 a.m.

FOR ACTION: Bob Hartmann  
Jack Marsh  
Phil Buchen  
Max Friedersdorf  
Jim Cannon

~~XXXXXXXXXXXX~~ Alan Greenspan  
✓ Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: ~~Monday, May 12, 1975~~Time: ~~12:00 noon~~

SUBJECT:

Lynn memo (5/9/75)  
re: Railroad Revitalization Act.

## ACTION REQUESTED:

<input type="checkbox"/> For Necessary Action	<input checked="" 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:

if we believe that competition  
is the answer, then option 1  
is the answer. If we <sup>will</sup> lose  
the whole works because of  
choosing option 1, then I would  
change to option 2

JWS

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.

Jerry H. Jones  
Staff Secretary



benefits otherwise gained. In addition, most general rate increases now are requested in the name of rising fuel or labor costs; thus, while this approach appears to limit the use of general rate increases, in effect it merely preserves the status quo. Furthermore, this approach essentially puts labor negotiations on a cost-plus basis and could be viewed as encouraging indexing of labor and fuel prices.

Decision

Option 1: FWB (Supported by: Justice, CEA, CWPS, OMB)

Option 2: \_\_\_\_\_ (Supported by: DOT)



THE WHITE HOUSE  
WASHINGTON

JACK MARSH

Option I

*File*



May 19, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE RAILROAD REVITALIZATION ACT

The President is transmitting to Congress today the Railroad Revitalization Act (RRA) which will eliminate excessive and antiquated regulatory restrictions, increase competition in the railroad industry, improve customer services, strengthen the ability of the railroads to adjust to changing economic conditions, and provide financial assistance in the form of loan guarantees to help the railroads make needed improvements in their facilities.

This is the first piece of the President's overall program to achieve fundamental reform of transportation regulation. Similar reform measures for truck and airline regulation will follow shortly. Taken together, these proposals, representing the most comprehensive approach to reform in the long history of economic regulation of the transportation industry, will substantially benefit consumers annually and conserve scarce energy resources.

BACKGROUND

This legislation builds on the Transportation Improvement Act (TIA) which was introduced in the 93rd Congress. A Surface Transportation Act, incorporating many features of the TIA, was passed by the House, but final action was not taken by the Senate. This legislation proposes a number of fundamental changes designed to significantly reduce government intervention in the day-to-day business of the railroads and their customers.

PRINCIPAL OBJECTIVES OF THE LEGISLATION

1. To provide for more efficient, more competitive, and thus less costly rail transportation. This Act will substantially increase reliance on normal competitive market forces to set shipping rates. It is specifically designed to cause a reduction in rates which are too high and are inequitable to shippers and consumers. For the first time, railroads will be able within reasonable limits to adjust rates without ICC interference. In addition, the regulatory decision making process will be simplified, thereby eliminating the high costs involved in lengthy litigation.
2. To increase competition between various kinds of transportation and encourage a better utilization of resources by assuring that goods are transported by the most efficient means of transportation. The present regulatory process enables the ICC to hold railroad rates at unreasonably high levels in order to protect other modes of transportation from the effects of competition. As a result, traffic which can most economically be moved by rail is

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often diverted by the rate structure to other forms of transportation. This results in higher shipping costs and consumer prices. By providing for greater pricing flexibility, shippers will be able to take greater advantage of low cost, energy efficient rail transportation. Substantial fuel savings will also result from these reforms.

3. To eliminate certain antitrust immunities which permit carriers to set and hold rates at unreasonably high levels. At present rate bureaus or carrier association sanctioned by the ICC are permitted to act collectively to establish rates and charges for transportation services. Their actions are now immune from Federal antitrust laws to which nearly every other business in the country is subject. The proposed legislation seeks to prohibit rate bureaus from engaging in certain specified rate making activities which serve to stifle competition and discourage new service innovation. For example, it will prohibit rate bureaus from discussing and agreeing on rates involving only one railroad and it will limit the use of general rate increases to increases in labor and fuel costs only. The legislation will make anticompetitive rate bureau activities subject to normal antitrust prosecution, while preserving their legitimate service functions.
4. To assure that regulation provides adequate protection to consumer interests. The Administration does not seek to eliminate all regulation. For example, the protection of shippers and carriers from predatory pricing practices is a proper function of government. This legislation carefully preserves regulation which acts to serve the public interest. The user of rail transportation services is assured an appropriate right of redress for what he considers to be an unfair or illegal rate and the legitimate interests of competing carriers are protected as well.
5. To provide needed financial assistance to the railroad industry. An efficient, financially sound rail system is a great national asset. The legislation would provide up to \$2 billion in Federal loan guarantee authority to finance improvements in rights of way, terminals, rail plant facilities, and rolling stock. Naturally, these loans will be subject to specific conditions in order to assure that the capital improvements being financed will contribute to the overall efficiency of railroad operations.
6. To encourage speedy and rational restructuring of the railroads which will improve their economic health. At present, our railroads are in serious need of restructuring. Basically, the problem is one of excess capacity in some areas, including, for example, excessive duplication of parallel mainlines, and inadequate capacity in other areas. This contributes significantly to the uneconomic and inefficient operation of the railroads. In the past, efforts to restructure the system through merger or various cooperative agreements between railroads have been thwarted by cumbersome regulatory procedures.

This legislation establishes a new procedure which will enable the Secretary of Transportation, as a condition for granting financial assistance, to require applicants to undertake fundamental restructuring actions. This provision will permit the Secretary and the ICC to expedite many merger proceedings and facilitate some of the restructuring necessary to preserve a viable private sector rail industry.

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## SECTION-BY-SECTION ANALYSIS

1. Railroad Ratemaking and Abandonment. This section more clearly defines the principles of ICC ratemaking powers in terms of particular actions that may or may not be taken. For example, the ICC may not find rates too low if they cover a carrier's costs; the ICC is prohibited from protecting one carrier against competition from a carrier of another mode; the ICC is instructed to consider the effect of rates on transportation efficiency in exercising its decision making authority, etc.

The RRA also establishes new procedures to ensure adequate prior notice of proposed rail abandonment actions.

2. Anticompetitive Practices of Rate Bureaus. This portion of the bill provides for the removal of antitrust immunities from certain anticompetitive rate bureau practices. Such action will prohibit collusion on rates for single-line freight movements; limit participation in rate actions to those carriers actually involved, and prohibit joint actions to protest or request suspension of rates.

In addition, the bill requires rate bureaus to maintain voting records on each of their members which are open to public inspection, and requires bureaus to act within 120 days on any rule, rate, or charge appearing on its docket.

3. Intrastate Railroad Rate Proceedings. The Act gives the Interstate Commerce Commission authority to determine an intrastate rate which is the counterpart of an already approved interstate rate in the event that the appropriate State agency has failed to take final action on a rate change within 120 days from the time it was filed by a carrier.

4. Suspension of Railroad Rates. One of the basic purposes of the RRA is to provide increased pricing flexibility for the railroads. Section 5 of the Act establishes a phased approach to providing the necessary flexibility and specifically limits ICC suspension powers. It permits railroads to adjust rates up or down without fear of ICC suspension so long as the change is within certain percentage limits: 7 percent in the first year; an additional 12 percent in the second year; and another 15 percent in the third year. Such an approach will result in the creation of a control-free "zone of reasonableness" of approximately 40 percent during a three-year phase-in period. Following the third year, the ICC may not suspend a rate decrease for being too low, so long as a carrier's costs are covered. Similarly, rate increases of 15 percent or less will not be subject to ICC suspension. In cases where the ICC retains the power to suspend rates, they will be required to make findings such as a court does when it issues a temporary restraining order -- that the action will result in immediate and irreparable damages.

In addition, the bill sets a 7-10 month time period for completion of hearing procedures in rate cases. In cases involving large capital expenditures (\$1,000,000 or more), the ICC will be required to act within 180 days after the filing of the notice of proposed tariff. To encourage investment and provide a period of stability, such rates may not be suspended or set aside for a period of 5 years.

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5. Railroad Revenue Levels. The Act provides that the ICC shall prescribe uniform criteria for determining the financial condition of a railroad, including such things as estimating the rate of return on capital and adequacy of cash flow.
6. Discriminatory Taxation. Section 7 of the RRA adds a new provision to the Interstate Commerce Act prohibiting the levying of discriminatory State or local property taxes on common carriers, thus eliminating excess taxes on railroads of approximately \$55 million annually.
7. Uniform Cost and Revenue Accounting. This section requires the ICC and the Department of Transportation to study and recommend uniform cost accounting and revenue accounting methods for rail carriers. Present accounting systems are outmoded and inadequate to resolve the complex cost accounting problems of modern transportation firms.
8. Financial Assistance. The Act authorizes the Secretary of Transportation to issue loan guarantees of up to \$2 billion for the purpose of financing improvements in rights of way, terminals, rolling stock, and other operational facilities. These loan guarantees will be based on (a) the contribution the proposed improvement will make to the betterment of our nation's rail system, (b) the ability of the recipient to repay the loan, and (c) the recipient's ongoing program to upgrade his physical plant. Loans guaranteed by the Secretary may be financed through the Federal Financing Bank. As a condition for granting the assistance, the Secretary may require the applicants to undertake specific restructuring actions. This section establishes a new procedure by which the Secretary, the Attorney General, and the ICC can expedite approval of restructuring activities and assure a proper balance between competitive interests and transportation needs.

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# DEPARTMENT OF TRANSPORTATION

# NEWS

## OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

STATEMENT BY U.S. SECRETARY OF TRANSPORTATION WILLIAM T. COLEMAN, JR.,  
ON THE RAILROAD REVITALIZATION ACT AT THE WHITE HOUSE NEWS CONFERENCE,  
WASHINGTON, D.C., MONDAY, MAY 19, 1975

President Ford is sending the Railroad Revitalization Act to Congress today. This legislation is designed to meet immediate and desperate needs of the Nation's railroads.

Directly or indirectly, every American is served by low cost, fuel efficient rail transportation. The railroads are a pivot point for our entire economy. And -- the railroads are in deep trouble. A number are bankrupt. Others are on the brink of financial collapse. The terrible deterioration of track and rail cars prevents efficient operation. The Railroad Revitalization Act will begin a long overdue effort to restore and revitalize this essential industry by eliminating excessive regulatory restrictions and by providing critically needed financial assistance.

A major cause of the deterioration of the railroad industry is an overly restrictive Federal regulatory system.

The regulatory process has retarded technical innovation, impeded economic growth and hampered the improvement of services.

The Railroad Revitalization Act will remove unnecessary and excessive regulatory restraints. The main thrust of the reforms is to place greater reliance on competitive forces, while preserving protection for shippers, carriers and labor.

The ratemaking provisions of the Act will cause a reduction of rates that are too high and unfair to shippers, and will cause an increase of rates that are too low and not compensatory to carriers.

- more -

Railroads will be able to adjust their rates within a "no suspend zone," without fear of suspensions. The ICC would also be prohibited from holding up a rate of a carrier for the purpose of protecting a carrier of a different mode of transportation.

Among the other regulatory reforms proposed are an acceleration of the ICC's review process in cases of new services requiring a capital investment of \$1 million or more dollars, restrictions on the anticompetitive activities of rate bureaus, an improvement in intrastate ratemaking procedures, and the prohibition of discriminatory taxation of railroad properties.

Regulatory reform is one part of the long term restoration process. To meet the immediate need for essential improvements in roadbed, track, terminals and other operating facilities, the Act provides \$2 billion in loan guarantee authority.

Loans guaranteed under the provisions of the Act may be financed through the Federal Financing Bank, thus enabling railroads to borrow at rates more advantageous than private financial markets. Additionally, the Secretary of Transportation would be authorized to defer principal and interest payments, thus making feasible major rail undertakings that hold little prospect of short-term payoff, but which would improve earnings over the long-term.

Duplicative and redundant facilities are another major cause of the poor financial health of railroads. If we are to prevent the westward spread of the chaos now existing in the Northeast, a restructuring and streamlining of the National rail system must be set in motion. The ponderous and laborious deliberations of the ICC are not adequate to meet this need.

As a condition of receiving loan guarantees under the Act, we propose that a railroad may be required to enter into an agreement to restructure its facilities. Such restructuring could be in the form of merger, consolidation, sale or acquisition of assets or joint operation.

The procedures proposed by the Act would enable a coordinated DOT-ICC decision on such agreements within nine months, in stark contrast to the ICC's 12-year deliberation in the case of the Rock Island.

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# DEPARTMENT OF TRANSPORTATION

# NEWS

## OFFICE OF THE SECRETARY

WASHINGTON, D.C. 20590

FOR RELEASE MONDAY 3:00 P.M. .  
May 19, 1975

DOT 43-75  
Phone: (202) 426-4321

President Ford today sent to Congress proposed legislation to strengthen the nation's railroads by eliminating excessive regulatory restrictions and providing critically needed financial assistance.

The proposal -- the Railroad Revitalization Act -- would remove, by amending the Interstate Commerce Act, regulatory constraints that prevent the railroad industry from competing at maximum effectiveness in the transportation market.

The legislation would provide up to \$2 billion in federal loan guarantee authority to finance essential improvement of roadbed, track, terminals and other railroad operating facilities.

"At a time of increasing need for lower cost, fuel-efficient transportation, the railroads are in deep trouble," Secretary of Transportation William T. Coleman, Jr., said.

"The regulatory process," he said, "has retarded technical innovation, impeded economic growth and hampered the improvement of services -- all conditions that significantly contribute to the railroads' present physical deterioration and financial impotency."

Loans guaranteed by the Federal Government under the provisions of the legislation would be financed through the Federal Financing Bank, thus enabling railroads to borrow at rates more advantageous than those obtainable in private financial markets.

The Secretary of Transportation would be authorized to defer principal and interest payments to make feasible major railroad projects holding little prospect of short-term payoff, but which would improve earnings over the long-term.

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Citing duplicative and excessive railroad facilities as a major contributor to the poor financial health of the railroads and pointing to the railroads of the northeast as a classic example, Secretary Coleman said: "If we are to prevent the spread of this financial chaos westward, a restructuring and streamlining of the national railroad system must be quickly set in motion."

As a condition of receiving a federal loan guarantee, an applicant railroad may be required to enter into an agreement with another railroad to restructure its facilities. Such restructuring could take the form of merger, joint operation, sale or acquisition of assets.

The procedures proposed by the legislation would enable a coordinated Department of Transportation/ Interstate Commerce Commission decision on such agreements within nine months.

The regulatory reform section of the legislation places of greater reliance on competitive forces in ratemaking, while preserving protection for shippers, carriers and labor.

Within a "no suspend zone" railroads on their own initiative could raise or lower rates, starting with a 7 percent limitation and increasing to 15 percent over 3 years.

The ICC would be prohibited from holding up to a particular level the rate of a carrier for the purpose of protecting a carrier of a different mode of transportation, thus increasing intermodal competition.

Among the other regulatory reforms proposed are an acceleration of the ICC's review procedure in cases of new rail services requiring an investment of \$1 million or more, restrictions on the activities of rate bureaus, an improvement of the intrastate ratemaking procedure and the prohibition of discriminatory taxation of railroad properties.

The essential provisions of the Railroad Revitalization Act are explained in greater detail in the attached fact sheet.

# # # #

WWB/5PM/5/16/75/

## FACT SHEET

### THE RAILROAD REVITALIZATION ACT

The President is transmitting to Congress today the Railroad Revitalization Act which will eliminate excessive and antiquated regulatory restrictions, increase competition in the railroad industry, improve customer services, strengthen the ability of the railroads to adjust to changing economic conditions, and provide financial assistance in the form of loan guarantees to help the railroads make needed improvements in their facilities.

This is the first piece of the President's overall program to achieve fundamental reform of transportation regulation. Similar reform measures for truck and airline regulation will follow shortly. Taken together, these proposals, representing the most comprehensive approach to reform in the long history of economic regulation of the transportation industry, will substantially benefit consumers annually and conserve scarce energy resources.

### BACKGROUND

This legislation builds on the Transportation Improvement Act which was introduced in the 93rd Congress. Congress also considered the Surface Transportation Act. A modified version of that bill, incorporating many features of the TIA, was passed by the House, but final action was not taken by the Senate. This legislation proposes a number of fundamental changes designed to significantly reduce government intervention in the day-to-day business of the railroads and their customers.

### PRINCIPAL OBJECTIVES OF THE LEGISLATION

1. To provide for more efficient, more competitive, and thus less costly rail transportation. This Act will substantially increase reliance on normal competitive market forces to set shipping rates. It is specifically designed to cause a reduction in rates which are too high and are inequitable to shippers and consumers. For the first time, railroads will be able within reasonable limits to adjust rates without ICC interference. In addition, the regulatory decision making process will be simplified, thereby eliminating the high costs involved in lengthy litigation.



2. To increase intermodal competition and encourage a better utilization of resources by assuring that goods are transported by the most efficient means of transportation. The present regulatory process enables the ICC to hold railroad rates at unreasonably high levels in order to protect other modes of transportation from the effects of competition. As a result, traffic which can most economically be moved by rail is often diverted by the rate structure to other forms of transportation. This results in higher shipping costs and consumer prices. By providing for greater pricing flexibility, shippers will be able to take greater advantage of low cost, energy efficient rail transportation. Substantial fuel savings will also result from these reforms.
3. To eliminate certain antitrust immunities which permit carriers to set and hold rates at unreasonably high levels. At present rate bureaus or carrier associations sanctioned by the ICC are permitted to act collectively to establish rates and charges for transportation services. Their actions are now immune from Federal antitrust laws to which nearly every other business in the country is subject. The proposed legislation seeks to prohibit rate bureaus from engaging in certain specified rate making activities which serve to stifle competition and discourage new service innovation. For example, it will prohibit rate bureaus from discussing and agreeing on rates involving only one railroad. The legislation will make anticompetitive rate bureau activities subject to normal antitrust prosecution, while preserving their legitimate service functions.
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5. To provide needed financial assistance to the railroad industry. An efficient, financially sound rail system is a great national asset. The legislation would provide up to \$2 billion in Federal loan guarantee authority to finance improvements in rights of way, terminals, rail plant facilities, and rolling stock. Naturally,

these loans will be subject to specific conditions in order to assure that the capital improvements being financed will contribute to the overall efficiency of railroad operations.

6. To encourage speedy and rational restructuring of the railroads which will improve their economic health. At present, our railroads are in serious need of restructuring. Basically, the problem is one of excess capacity in some areas, including, for example, excessive duplication of parallel mainlines, and inadequate capacity in other areas. This contributes significantly to the uneconomic and inefficient operation of the railroads. In the past, efforts to restructure the system through merger or various cooperative agreements between railroads have been thwarted by cumbersome regulatory procedures.

This legislation establishes a new procedure which will enable the Secretary of Transportation, as a condition for granting financial assistance, to require applicants to undertake fundamental restructuring actions. This provision will permit the Secretary and the ICC to expedite many merger proceedings and facilitate some of the restructuring necessary to preserve a viable private sector rail industry.

#### SECTION-BY-SECTION ANALYSIS

1. Railroad Ratemaking and Abandonment. This section more clearly defines the principles of ICC ratemaking powers in terms of particular actions that may or may not be taken. For example, the ICC may not find rates too low if they cover a carrier's costs; the ICC is prohibited from protecting one carrier against competition from a carrier of another mode; the ICC is instructed to consider the effect of rates on transportation efficiency in exercising its decision making authority, etc.

The RRA also establishes new procedures to ensure adequate prior notice of proposed rail abandonment actions.

2. Anticompetitive Practices of Rate Bureaus. This portion of the bill provides for the removal of antitrust immunities from certain anticompetitive rate bureau practices. Such action will prohibit collusion on rates for single-line freight movements; limit participation in rate actions to those carriers actually involved, and prohibit joint actions to protect or request suspension of rates.

In addition, the bill requires rate bureaus to maintain voting records on each of their members which are open to public inspection, and requires bureaus to act within 120 days on any rule, rate, or charge appearing on its docket.

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In addition, the bill sets a 7-10 month time period for completion of hearing procedures in rate cases. In cases involving large capital expenditure (\$1,000,000 or more), the ICC will be required to act within 180 days after the filing of the notice of a proposed tariff. To encourage investment and provide a period of stability, such rates may not be suspended or set aside for a period of five years.

5. Railroad Revenue Levels. The Act provides that the ICC shall prescribe uniform criteria for determining the financial condition of a railroad, including such things as estimating the rate of return on capital and adequacy of cash flow.

6. Discriminatory Taxation. Section 7 of the RRA adds a new provision to the Interstate Commerce Act prohibiting the levying of discriminatory State or local property taxes on common carriers, thus eliminating excess taxes on railroads of approximately \$55 million annually.
7. Uniform Cost and Revenue Accounting. This section requires the ICC and the Department of Transportation to study and recommend uniform cost accounting and revenue accounting methods for rail carriers. Present accounting systems are outmoded and inadequate to resolve the complex cost accounting problems of modern transportation firms.
8. Financial Assistance. The Act authorizes the Secretary of Transportation to issue loan guarantees of up to \$2 billion for the purpose of financing improvements in rights of way, terminals, rolling stock, and other operational facilities. These loan guarantees will be based on (a) the contribution the proposed improvement will make to the betterment of our nation's rail system, (b) the ability of the recipient to repay the loan, and (c) the recipient's ongoing program to upgrade his physical plant. As a condition for granting the assistance, the Secretary may require the applicants to undertake specific restructuring actions. This section establishes a new procedure by which the Secretary, the Attorney General, and the ICC can expedite approval of restructuring activities and assure a proper balance between competitive interests and transportation needs.

# Readout's Railroad Meeting

6/2/75

Pres. Railroads major Trans problem of country today.  
38% foreign, 70% com., our most dependable  
U.S. resource for energy

\$2 B loan in Rail Mortality.

Net result ACTION -

Murkin - 22% of total abundant is  
in Michigan - We can't show  
why they + watch  
additional unemployed

Planning pros - too short  
too compresses.  
Need more time to explore the  
unseen factors

Large Adm comm support  
President - Mountain on end  
Centurian - back list -  
cost minimal - benefits substantial

Sullivan - Support concept Gov Stage  
DOT - New Division. provide fixed  
facilities - solved or worsened,



would receive - voluntary gifts.

Charges of maintenance & care of  
all trees.

would require reinforcement to work

If it became federal property,  
'extortinate' local taxes.

Woudel - would make alternative <sup>taxes on</sup> ~~perhaps~~  
are feasible.

Byrne - Bankruptcy not paying taxes.

Wisconsin - poor relations. Adversely affected  
ferry. have in NE Wisconsin  
18,000 undercut, 7000 of  
ferry abandoned.

Shapp - we have the greatest report  
40,000 logs lost in Pa if branch  
lines lost.  
12% of them are freight cars in water  
ways this makes poor conditions  
been to run 10-15 mph.





Ward - Southern RR would take on  
Eastern Steam line.  
condition dependent & trading  
safety speed - 5 mph on Eastern  
more - Southern would move  
it to ~~25~~ 25 mph.

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Wilson two parts

1) Nat Railway structure -

Hybrid public in trust  
12 R Act, if some  
guarantee, will go long  
way to keep  
nationally

2) B) Reg upon

2) NB - must meet - Act  
under statute enacted  
by Congress -  
Treatable - has to act

2 of 11 Board members



Abundant - broad brushes.  
Is here here that cut  
Wm -  
Carpenter has said -  
any state

Ests 20%  
states 20%

we can't wait 5 years

RR - Waybill tax - would  
make situation worse.

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Shapp. would be much better to grant  
money to RR's  
2% freight increase this year

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Godwin. we not necessarily affected.  
Agree w/ secretary

Byrne. how - what is other points on  
Consolid

Plus. There will be an other point



Byrum - 2 1/2 vs 10 7/8 cent -  
percent on abandonment

From \$90 ~~85~~ 4¢ each of 2 yrs

in

Mandel - Any way for RR &  
Shoreline - To be sure  
or 1/11.  
Could rates be included in  
that negotiation.

File

This Council is going to  
call us. For

Low 150 firms, 2,000 jobs

We couldn't be able to  
work coal or anything  
else heavy.

Put 200 miles in Rail Bank

After future growth



We need help, whereby,  
need more -  
longer term  
more money

Mulliken - growth potential  
in the water

Wallace - Problem what we're  
about how is  
man - town Aurora

long, plans to run  
town - man to big  
area - complicated  
urban problem

Can't discuss it.

Everything we do to  
understand the strength  
of the man town is  
a blow to Aurora.

Pyomen

474 miles growth - we consider should  
300 U.S. it also  
want to stand



Unnecessarily up against for delays -  
costing too delay too long  
USRA date grants accounts  
Congressional terms or willing  
to listen

I like Sec's philosophy

support de-regulation.

Wingley - we're opposed to m's approach  
power in sec office too much  
If we're going this route, go  
all ways to nationalization

worldwide protects stockholders

Fed & state power to public  
intent vs private intent.

Maybe let's stop fooling ourselves -  
If we continue /

Waller - Support Wickham's approach  
for more time.

Obama - Public ownership doesn't  
improve me. we have





public ownership of highways,  
waterways & airways

Rock Island river - w/ "states

unit

cost pollutants

" use of land

take 24 electric gas tax

66¢ -

ec input - 107000 jobs.

Now 300,000 men

12.3% unemployment

92. Karlstad & Fred  
politicians

Sham. Highway,

Per

Get construction + meaningful  
jobs going right now





we're going to get  
going on this

Get Nothing Taiwan  
going on this.

---

If we can get 1¢ out  
of Congress, we'll be lucky

Pres - Help us get the  
money + !

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We've been fighting to get  
the categorical grants

above - + show the  
concept for war work



So we can show  
Congress needs air  
highway program - how  
great is way to  
get highway

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Wardel - Struggling to death  
in rules & regulations  
court

Pres - Can you give me  
specific examples

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1  
comes now 'r to & 1 Billion  
down to write  
out responsibilities



Taylor

Byrne - Utter

Gerhart -

Ward -

Byrne - 236 steps in  
Building a highway

EPA has added  
2 years to building  
a highway.

