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THE WHITE HOUSE

WASHINGTON

November 14, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: EDWARD SCHMULTS  
FROM: JAMES E. CONNOR   
SUBJECT: Recommended Telephone Call  
to Congressman Joe Skubitz

The President reviewed your memorandum of November 13th to William Nicholson on the above subject and the following comments were made:

"11/13/75 -- Talked with him. He is seeing Administration officials on Friday.

May not agree but I believe will work with us in a practical way."

Please follow-up with the appropriate action. This confirms telephone call to your office last evening.

cc: Dick Cheney

THE WHITE HOUSE  
WASHINGTON

November 13, 1975

MEMORANDUM FOR: JAMES CONNOR  
FROM: WILLIAM NICHOLSON *W.N.*  
SUBJECT: Presidential Telephone Call  
To Congressman Joe Skubitz

This call should be made today. Please put into the proper channels.


Thank you.

*11/13/75  
Talked with him.  
He is seeing Administration  
officials on Friday.  
May not agree but I  
believe will work with  
us in a practical way.*

THE WHITE HOUSE

WASHINGTON

November 13, 1975

MEMORANDUM FOR: WILLIAM NICHOLSON  
FROM: EDWARD SCHMULTS   
SUBJECT: Proposed Presidential Phone Call

Attached is a proposal for the President to call Congressman Joe Skubitz of Kansas regarding certain provisions of the Administration's proposals on ConRail, railroad regulatory reform and the Northeast corridor. We are in the midst of congressional action on the rail bill so it would help to have the call made as soon as possible. Thursday, November 13, is critical because the House subcommittee hopes to complete its work on the bill by the end of the day.

Attachment

RECOMMENDED TELEPHONE CALL

TO: Congressman Joe Skubitz (R. Kansas)

DATE: As soon as possible on Thursday,  
November 13.

RECOMMENDED BY: Bill Coleman - Secretary of Transportation  
Paul Leach - Domestic Council  
Stan Morris - OMB

PURPOSE: Congressman Skubitz has indicated opposition to several key provisions of the House omnibus rail bill (H. R. 9802) which deals with the Administration's proposals for ConRail, rail regulatory reform and the Northeast Corridor. Chairman Fred Rooney (D. Pa.) of the Transportation and Commerce Subcommittee is, for the most part, favorably disposed toward the Administration's proposals but is finding it difficult to oppose Mr. Skubitz, the ranking minority member of the Subcommittee.

BACKGROUND: The United States Railway Association's final system plan requires ConRail to repay the government investment in full (including interest on loans and dividends on Government-held preferred stock) if ConRail becomes profitable. If ConRail does not become as profitable as USRA believes, then the Government would have the ability to forgive interest or dividends. Congressman Skubitz would provide that, whatever the financial success of ConRail, ConRail would get its money from the Government in the form of very low interest loans and low dividend preferred stock. This risks an unnecessary subsidy to ConRail and therefore to the creditors of the bankrupt estates.

The Administration has proposed that the Government's funding of ConRail be controlled by a Government Investment Committee. The Committee would be comprised of three members of the Board of the United States Railway Association and would include the Secretary of Transportation and the Secretary of the Treasury. Congressman Skubitz wants to require the Government Investment Committee to consult with, and possibly gain the consent of, the Interstate Commerce Committee before making decisions concerning the funding of ConRail. This would dilute the Administration's ability to impose fiscal discipline on ConRail.

The Administration believes that rationalization of the nation's railroad plant through expedited merger procedures is a necessity. The Administration has proposed that, if the Secretary of Transportation approves a merger, then the Secretary's finding would create a presumption of correctness of the merger proposal when it is reviewed by the Interstate Commerce Commission. Having been influenced by railroad management, Congressman Skubitz would delete any presumption of correctness arising from the Secretary's finding. This would severely cripple the Administration's program of expediting mergers.

TOPICS OF DISCUSSION:

1. I hear we have some disagreement over various aspects of the omnibus rail bill now before your subcommittee.

2. The provisions on which we differ are key elements of the Administration's plan to rebuild the bankrupt railroads and restructure the national rail system.

3. Secretary Coleman and his Department, as well as others in the Administration, have given these provisions considerable thought and I hope you give us the benefit of the doubt in deciding what amendments you wish to offer.

4. I understand why you might not support these provisions, but I would appreciate your not taking the lead in undermining these provisions in Committee or on the floor.

5. Thank you for your help.

November 13, 1975

Action \_\_\_\_\_