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THE WHITE HOUSE

FACT SHEET

RAILROAD REVITALIZATION AND REGULATORY  
REFORM ACT OF 1976 (S.2718)

The President today signed the Railroad Revitalization and Regulatory Reform Act of 1976 (S.2718). This omnibus bill provides long overdue regulatory reform, makes it possible to reorganize the bankrupt Northeast and Midwest railroads, and authorizes necessary financial assistance for upgrading rail facilities.

Key provisions of the bill include:

1. Reform of economic regulation of the railroads through increased reliance on market competition and improvements in ICC regulatory procedures.
2. Establishment of a financing mechanism and other procedures to permit the transfer and rehabilitation of rail properties to reorganize seven bankrupt railroads into ConRail, a new for-profit corporation.
3. Establishment of a financial assistance program to help improve worn out physical facilities and encourage desirable restructuring.
4. Improvement of rail passenger service in the Northeast Corridor.
5. Continuation through subsidy of selected freight and commuter rail service.

BACKGROUND

During 1975, the Administration proposed four bills to help solve the difficult problems of the Nation's railroad industry.

- In May, the Administration submitted the Railroad Revitalization Act which called for the elimination of outdated regulation and increased reliance on competition in the railroad industry. This was one of three proposals seeking to reform transportation regulation. The Aviation Act of 1975 submitted in October and the Motor Carrier Reform Act forwarded in November are also part of the Administration's regulatory reform program. (See Fact Sheet accompanying the State of the Union Address, January 19, 1976.)
- In September, the Department of Transportation and the United States Railway Association (USRA) jointly proposed the Second Regional Rail Reorganization Act to implement the Final System Plan. This plan proposed a new corporation, ConRail, to provide essential freight service in the Northeast and Midwest.
- The Local Rail Service Amendments of 1975 were submitted in October to amend the subsidy provisions of the Regional Rail Reorganization Act.

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- In November, the Administration offered its plan for improvement in high speed, intercity passenger service between Boston and Washington.

The Act signed today incorporates most of the provisions of these four proposals. It authorizes \$6.4 billion in appropriations and loan guarantees. It is the product of negotiation, compromise and cooperation between Congress and the Administration and provides the tools which are necessary to rebuild the long-term economic health of the rail industry.

#### SUMMARY OF THE BILL'S PROVISIONS

Title I - General Provisions. This includes the Declaration of Policy setting forth the purposes of the legislation, i.e., maintaining a viable private sector rail system and providing more efficient, effective and economic rail transportation.

Title II - Railroad Rates. The bill provides the railroads significant pricing flexibility and sets new standards for determining just and reasonable railroad rates. It directs the ICC to promulgate standards and procedures for determining railroads revenue levels and prohibits the ICC from protecting rail carriers against competition from other modes. The bill also takes preliminary steps to reform anticompetitive practices of railroad rate bureaus.

Title III - Reform of the Interstate Commerce Commission. The bill makes several beneficial changes in ICC procedures which will expedite the regulatory process and make it more intelligible. For example it sets specific time deadlines for decisions and directs the ICC to undertake a comprehensive reform of its rule-making provisions. In addition, this section prohibits discriminatory taxation of railroad property and requires ICC to establish a uniform cost accounting system.

Title IV - Mergers and Consolidations. The bill imposes specific time limits on merger proceedings and gives the Secretary of Transportation a new role in expedited merger procedures to encourage desirable restructuring of the railroads.

Title V - Railroad Rehabilitation and Improvement Financing. The bill establishes a Railroad Rehabilitation and Improvement Fund in the Treasury to provide needed capital for the maintenance, rehabilitation, improvement and acquisition of facilities. It authorizes the Secretary of Transportation to sell \$600 million of "fund anticipation notes" to the Treasury as an initial source of revenue for the fund. The Secretary may then use money in the Rail fund to purchase "redeemable preference shares" from the railroads. These redeemable preference shares will in effect provide low-interest, thirty-year loans to the railroads. Additional financial aid in the amount of \$1 billion is provided through loan guarantees administered by the Secretary of Transportation. The bill also provides labor protection similar to that in the Regional Rail Reorganization Act of 1973.

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Title VI - Implementation of the Final System Plan. The bill establishes a Finance Committee of the USRA Board of Directors, independent of the Board, to act as a check on proposed USRA investments in ConRail securities. It authorizes investments of \$1 billion in ConRail debentures and \$1.1 billion in series A preferred stock. The bill empowers the USRA to set the initial terms and conditions governing the purchase of ConRail securities and specifies the conditions under which the Finance Committee may halt or modify proposed USRA investments. To allow for continuing reorganization of the railroads, the bill establishes a procedure for effecting supplemental transactions including transfer of ConRail property to railroads outside the region. In addition the bill assures that the bankrupt railroads will receive fair and equitable value for properties transferred to ConRail.

Title VII - Northeast Corridor Project Implementation. The bill authorizes \$1.75 billion for upgrading intercity rail passenger service in the Northeast Corridor. It requires AMTRAK to purchase or lease rail properties as designated in the Final System Plan for improved passenger operations and establishes specific goals for the Boston-Washington improvement project. Within 5 years after enactment, the bill calls for regularly scheduled dependable service between Boston and New York within 3 hours and 40 minutes and between New York and Washington of 2 hours, 40 minutes. The Secretary is required to coordinate all transportation programs related to the Corridor and to report to the Congress within two years regarding the feasibility of further decreasing trip times.

Title VIII - Local Rail Service Continuation. The bill authorizes the Secretary to provide aid to the States to subsidize the continuation of essential local service when discontinuance or abandonment by a rail carrier is proposed. It amends the Federal share of rail continuance assistance to a five-year program starting with 100% in the first year and decreasing to 70%. It also establishes a specific program to assist State and local commuter authorities to subsidize continuation of commuter services threatened by abandonment as a result of this Act.

Title IX - Miscellaneous Provisions. This section calls for a variety of actions including a comprehensive study of the Nation's rail system, a study of Federal aid to rail transportation, and the establishment of a Minority Resource Center within the Transportation Department to publicize and further minority business opportunities on rail-related projects.

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