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9/30/76

APPROVED  
SEP 30 1976

THE WHITE HOUSE  
WASHINGTON

ACTION

September 29, 1976

Posted 10/1  
To ARCHIVES  
10/1

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *J. Cannon*

SUBJECT:

H.R. 13325 - Supplemental  
Authorizations for the U.S.  
Railway Association

Attached for your consideration is H.R. 13325, sponsored by Representative Staggers and three others.

The enrolled bill authorizes appropriations of \$20 million through fiscal year 1977 for the U.S. Railway Association and makes a number of amendments to the Regional Rail Reorganization Act of 1973 to facilitate implementation of the restructuring of bankrupt railroads in the Northeast and Midwest.

A detailed description of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Kilberg) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 13325 at Tab B.

MUST BE SIGNED TONIGHT 9/30







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

SEP 29 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13325 - Supplemental Authorizations  
for the U.S. Railway Association  
Sponsor - Rep. Staggers (D) West Virginia and 3 others

Last Day for Action

October 5, 1976 - Tuesday

Purpose

Authorizes appropriations of \$20 million through fiscal year 1977 for the U.S. Railway Association; and makes a number of amendments to the Regional Rail Reorganization Act of 1973 to facilitate implementation of the restructuring of bankrupt railroads in the Northeast and Midwest.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
United States Railway Association	Approval

Discussion

H.R. 13325 would authorize appropriations of \$20 million for the period from May 1, 1976, through September 30, 1977, for the United States Railway Association (USRA) to carry out certain administrative responsibilities. The funds, to remain available through fiscal year 1978, would allow USRA to:

- modify the Final System Plan for reorganizing the bankrupt railroads of the Northeast and Midwest; this modification is required because of the decision of the Chessie System and Southern Railroad not to acquire the properties originally contemplated.

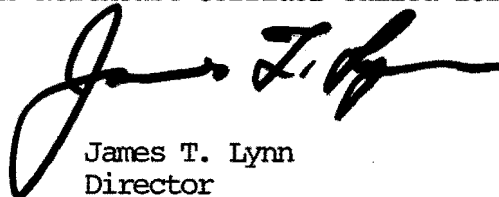
-- increase monitoring of the Consolidated Railroad Corporation (ConRail) and make loans for pre-conveyance debts of the bankrupt railroads, a new responsibility assigned to USRA by the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210).

-- assume the major responsibility for the United States in defending the reorganization process in the courts from legal challenges.

This authorization would result in total authorizations of \$65.8 million for USRA through 1977. All except \$1.3 million of this amount has already been appropriated by the Congress, in accordance with Administration requests.

The bill would also make a number of amendments to the Regional Rail Reorganization Act of 1973 (P.L. 93-236), the original implementing legislation for USRA and ConRail, as it was later amended by P.L. 94-210. These amendments are mainly designed to make possible a transfer of properties to the State of Rhode Island which was contemplated by the Final System Plan but which was not completed for various reasons. The amendments would clarify that the existing protection for ConRail or other transferees (including a State) against deficiency judgments applies to all actions on all properties transferred pursuant to the Final System Plan to meet the needs of commuter or intercity rail passenger service. The Constitution of the State of Rhode Island prohibits the State from accepting a liability of an unspecified nature and thus prevented it from accepting transfer of the properties, with its associated potential adverse court decision on liability. In addition, the date on which properties may be transferred under the Final System Plan would be extended until 7 days after enactment of the enrolled bill, in order to allow the transfer to Rhode Island to take place, since the original expiration date for transfers has passed.

Finally, H.R. 13325 would amend P.L. 93-236 to provide that the current exemption from State and local taxes on transfers of property made under that Act would also apply to any transfers made at any time to carry out the rehabilitation of the Northeast Corridor called for by P.L. 94-210.



James T. Lynn  
Director

Enclosures

*B*

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

SEP 29 1976

MEMORANDUM FOR THE PRESIDENT

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-- modify the Final System Plan for reorganizing the bankrupt railroads of the Northeast and Midwest; this modification is required because of the decision of the Chessie System and Southern Railroad not to acquire the properties originally contemplated.



*Johnston*  
9-30-76  
10:30 a.m.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September ~~29~~ 30

Time: 145pm

FOR ACTION: Judy Hope  
Max Friedersdorf  
Bobbie Kilberg  
Bill Seidman

cc (for information): Jack Marsh  
Jim Connor  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September ~~29~~ 30

Time: asap

SUBJECT:

H.R. 12325-Supplemental Authorizations for  
U.S. Railway Association

ACTION REQUESTED:

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

REMARKS:

please return to judy johnston, ground floor west wing

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.

K. R. COLE, JR.  
For the President





THE SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

SEP 23 1976

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for the views of the Department on H.R. 13325, an enrolled bill

"To amend the Regional Rail Reorganization Act of 1973, to authorize additional appropriations for the United States Railway Association, and for other purposes."

The first section of the enrolled bill amends section 214(c) of the Regional Rail Reorganization Act of 1973 ("RRRA") to authorize \$20 million to be appropriated to the Association for the period beginning May 1, 1976, and ending September 30, 1977. Sums appropriated are to remain available until September 30, 1978. The Department has no objection to this amendment.

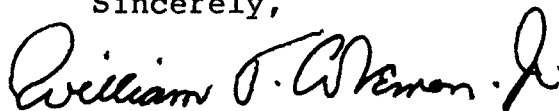
Section 2 of the bill amends section 206(d)(5) of the RRRA to make clear that the Corporation, its Board of Directors, and its individual members shall not be liable to anyone solely by reason of the transfer of property by the Corporation pursuant to section 303 of the RRRA to meet the needs of commuter or intercity rail passenger service. Similarly, section 3 of the bill amends section 303(c)(5) of the RRRA to make clear that the deficiency judgment protection established by this section covers purchasers of rail properties which were ordered to be transferred by the special court pursuant to section 303(b)(1) of the RRRA.

Section 4 of the enrolled bill adds a new paragraph (7) to section 206(d) of the RRRRA to extend for seven days after enactment of this paragraph, the option date for a State (or a local or regional transportation authority) to acquire rail properties designated under section 206(c)(1)(D). This provision would permit ConRail to transfer to the State of Rhode Island certain properties in that state.

Finally, section 5 of the enrolled bill would amend section 303(e) of the RRRRA to apply the state and local tax exemption available for transfers of property under the RRRRA to any transfers of properties made at any time to carry out the Northeast Corridor project.

The Department supports sections 2 through 5 of the enrolled bill as measures which will facilitate the implementation of the final system plan developed pursuant to the RRRRA. Accordingly, the Department recommends that the President sign the enrolled bill.

Sincerely,

A handwritten signature in black ink, reading "William T. Coleman, Jr." in a cursive style.

William T. Coleman, Jr.

# United States Railway Association

2100 Second Street, S.W.  
Washington, D.C. 20595  
(202) 426-1991

Arthur D. Lewis  
Chairman of the Board

September 21, 1976

Mr. James M. Frey  
Assistant Director for Legislative Reference  
Office of Management and Budget  
Washington, D. C.

Dear Mr. Frey:

In accordance with your request to have the views and recommendations of this Association on the enrolled bill, H.R. 13325, authorizing \$20,000,000 to be appropriated to the Association for purposes of carrying out its administrative expenses, and for other purposes, this letter is to advise you the Association concurs with the provisions contained in the enrolled bill and urges it be signed into law at the President's earliest convenience.

Sincerely,



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 145pm

FOR ACTION: Judy Hope  
Max Friedersdorf  
Bobbie Kilberg  
Bill Seidman

cc (for information): Jack Marsh  
Jim Connor  
Ed Schmults

FROM THE STAFF SECRETARY

---

DUE: Date: September 29

Time: asap

---

SUBJECT:

H.R. 13325-Supplemental Authorizations for  
U.S. Railway Association

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Approved -- Bobbie Kilberg

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.

James M. Cannon  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 145pm

FOR ACTION: Judy Hope  
Max Friedersdorf  
Bobbie Kilberg  
Bill Seidman

cc (for information): Jack Marsh  
Jim Connor  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September ~~29~~ 30

Time: asap

SUBJECT:

H.R. 13325-Supplemental Authorizations for  
U.S. Railway Association

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Recommend Approval*  
*mef*

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.

James M. Cannon  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 30

Time: 145pm

FOR ACTION: Judy Hope  
Max Friedersdorf  
Bobbie Kilberg  
Bill Seidman

cc (for information): Jack Marsh  
Jim Connor  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: asap

SUBJECT:

H.R. 13325-Supplemental Authorizations for  
U.S. Railway Association

ACTION REQUESTED:

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

REMARKS:

please return to judy johnston, ground floor west wing

*Recommend  
Approval  
This should be signed today  
with Hope  
9/30/76  
2:45pm*

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.

James M. Cannon  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 29

Time: 145pm

FOR ACTION: Judy Hope  
Max Friedersdorf  
Bobbie Kilberg  
Bill Seidman

cc (for information): Jack Marsh  
Jim Connor  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September <sup>30</sup>~~29~~

Time: asap

SUBJECT:

H.R. 13325-Supplemental Authorizations for  
U.S. Railway Association

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*NO OBJECTION  
RBP*

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.

James H. Cannon  
For the President

## U.S. RAILWAY ASSOCIATION AUTHORIZATION

MAY 12, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. STAGGERS, from the Committee on Interstate and Foreign Commerce, submitted the following

### REPORT

(including cost estimates and comparison of the Congressional Budget Office)

[To accompany H.R. 13325]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H.R. 13325) to amend the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 2, line 3, strike out "expended" and insert in lieu thereof "September 30, 1978".

#### COMMITTEE AMENDMENT

The full Committee adopted one amendment which is included in the reported bill.

The full Committee deleted from the introduced bill a provision that allowed sums appropriated under it to remain available until expended. In lieu of this provision, the Committee included a new provision that would authorize such sums to remain available only until September 30, 1978. The Committee felt this approach to be the better one, for it will encourage a review of USRA administrative expenditures by that date before more money is authorized.

#### COMMITTEE ACTION

The Subcommittee on Transportation and Commerce held Public Hearings April 28, 1976, on H.R. 13325. Testimony was received from the United States Railway Association.



The Subcommittee met in open markup session on the same day and ordered H.R. 13325 reported to the full Committee.

The full Committee on Interstate and Foreign Commerce met in open markup session on May 5, 1976, and with a quorum present, by voice vote, ordered the bill reported to the House of Representatives with an amendment.

#### SUMMARY OF REPORTED BILL

The reported bill amends section 214(c) of the Regional Rail Reorganization Act of 1973 to authorize \$20 million for administrative expenses of the U.S. Railway Association (USRA) for the period of May 1, 1976, to September 30, 1977. Funds appropriated under this section are authorized to remain available until September 30, 1978.

#### WHAT THE BILL DOES

The reported bill is designed to help the United States Railway Association administer its duties to develop plans and estimates for a revision in the Consolidated Rail Corporation (reflecting a modification of the Final System Plan due to the withdrawal of the Chessie System and the Southern Railroad from the reorganization process), to monitor the activities of ConRail, and to prepare the defense of the reorganization of the bankrupt railroads in the courts. It authorizes sums as are necessary, not to exceed \$20,000,000, for the period beginning May 1, 1976 and ending September 30, 1977. By making an authorization of funds for this specific period, H.R. 13325 enables future authorizations to be made on a continuing basis, if necessary. Sums appropriated under this measure are authorized to remain available until September 30, 1978.

#### BACKGROUND AND NEED

Authorizing legislation for the United States Railway Association (USRA) contains a ceiling of \$54 million for administrative expenses.

Forty million dollars was appropriated to and obligated by USRA before the end of March, 1976. After the authorization was increased from \$40 million to \$54 million early in 1976, Congress appropriated \$5.8 million of the \$14 million increase when it enacted H. J. Res. 801 at the end of March, 1976.

The authorization figure of H.R. 13325 represents a \$20 million increase in appropriation figures (\$45.8 million appropriated to date, \$65.8 million requested), but only \$11.8 million increase in authorizations figures (\$54 million authorized to date, \$65.8 million requested).

In addition, USRA recently requested a \$6.7 million supplemental appropriation for the period of May through September, 1976. The House appropriated \$6 million in its Second Supplemental, H.R. 13172; the Senate has not yet acted upon the measure. This supplemental appropriation would be charged against the \$20 million authorization contained in H.R. 13325.

The Committee feels this increase in the authorization for administrative expenses is necessary at this time due to the substantial increase in the duties to be performed by USRA. These duties include

(1) modification of the Final System Plan for reorganizing the nation's railroads, required by the withdrawal of the Chessie System and the Southern Railroad from the reorganization process; (2) increased monitoring of the Consolidated Rail Corporation (ConRail), as required by the Railroad Revitalization and Regulatory Reform Act of 1976; and (3) proper defense of the fairness and equity of the Final System Plan in the courts.

The failure of the Chessie management and Southern Railroad to purchase certain major rail properties during the rail reorganization process resulted in the implementation of the alternative structure for ConRail, as presented in the Final System Plan. USRA must now undertake a substantial and complicated refinement of operating and financial plans for the "revised" ConRail. This will involve new projections of traffic, operating expenses, revenue, and capital investment. Operational and financial models used to predict ConRail activity and profitability will have to be reviewed. Revision of plans for blocking and scheduling, utilization of rolling stock, and maintenance and rehabilitation of plant and equipment will also be needed. The Committee has estimated that \$0.3 million is required to complete the financial and operational detail for the "revised" ConRail structure.

The Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210) was enacted on February 5, 1976. By virtue of that Act, the USRA Board of Directors (and the Finance Committee thereof) will both serve as a "banker" for ConRail and as a "monitor" of its performance and progress toward financial self-sufficiency within the limits of the authorized Federal investment.

As "banker" and "monitor", USRA will make quarterly determinations concerning the amount of USRA's investment in ConRail securities for that quarter year. This will necessitate a quarterly review of ConRail's compliance with covenants concerning financial management, performance, reporting and recordkeeping. This quarterly review by USRA of operating results and ConRail's annual 5-year business plan will help assure that the Government's investment in ConRail is utilized to establish a profitable, private sector railroad.

Under section 211 of the Regional Rail Reorganization Act of 1973, USRA was to make loans to provide ConRail with the funds needed for rehabilitation of plant and equipment. Under the Railroad Revitalization and Regulatory Reform Act of 1976, this goal is achieved under section 216, which deals with the purchase of ConRail securities. The revised section 211 provides \$230 million in loan authority for the payment of certain pre-conveyance obligations of the bankrupt estates so that the start-up of ConRail would not be disrupted. USRA, in administering this loan program, will have to review working capital accounts of the estates, prepare criteria and procedures, monitor the actions of the borrowers and take action where required to recover the amount of the loan plus interest.

The new law also provides authority for supplemental transactions to accomplish further restructuring of the railroads in the region. Refinement and updating of existing USRA data would be necessary when a specific proposal is under consideration. There is no present estimate of the size of this workload.

Other duties for USRA under this new legislation include assistance to the Department of Transportation in negotiating initial operating and lease agreements on light density lines with State, regional, or local transportation authorities and the conversion of rail rights-of-way on discontinued lines to other uses. These duties are not expected to create a large workload for USRA.

Finally, the new law requires an annual report by USRA to Congress on the performance of ConRail. This report would entail a financial evaluation of the progress of ConRail in terms of the Regional Rail Reorganization Act and the Final System Plan.

The Committee has estimated \$2 million will be needed by USRA to monitor ConRail and conclude the section 211 loan program.

USRA is the principal party in one of the largest, most complicated, and important lawsuits concerning property evaluation ever to come before the courts and potential Government financial responsibility is very great.

The outcome of this case in addition to being significant to the parties involved, will play an important role in future Government assistance to financially threatened industries. An unsuccessful result in the litigation could mean a Government liability for billions of dollars beyond those already envisioned in the Final System Plan and Regional Reorganization Act.

Several primary issues are: (1) ConRail earnings projection; (2) property inventory; (3) property evaluation; (4) allocation of securities; and (5) scope of legal opposition.

USRA will be required to defend, revise and update the earnings projection of ConRail, particularly concerning ConRail securities. Revisions of operating plans due to actual experience and predictions of ConRail's future will be two of the many issues confronting USRA in the complex adjudication.

The properties involved pose a large inventory task in that there are 48,000 miles of track, 400,000 acres of land, 185,000 pieces of rolling stock and about 4,000 buildings. On-site review to verify inventories will be necessary.

One crucial issue involved is the values that will finally be assigned to the properties acquired by ConRail. For example, the Penn Central Trustees assess the value of their rail properties to be in excess of \$7 billion. USRA, on the other hand, has reached a figure of less than \$690 million. Various approaches to evaluating these properties exist. One approach is the determination of net liquidation values (NLV). New methods of scrapping property, new evidence of prices and the figures for NLV as determined by the estates are factors of the problem to which USRA must respond. The determination of NLV by the Special Court will affect the Certificates of Value which, according to the provisions of the Railroad Revitalization and Regulatory Reform Act of 1976, bear guaranteed values based on the NLV.

There are those who contend the NLV evaluation cannot be lower than the "going concern value", since some properties allegedly are "profitable" as separate entities. USRA will have to make operational and financial studies of such claims.

In addition to these approaches, other theories of physical value will be presented in the litigation to evaluate these properties. To each

theory, USRA must develop factual and analytical responses. As new questions arise during the proceedings, new studies will have to be initiated.

An issue in this litigation that will be of ongoing concern to USRA is the allocation of securities among the transferors. If the Special Court bases its outcome on revised projections of ConRail's earnings, then new segregation studies may be needed based on these new projections.

Further, as more detailed information on individual transfers is developed, USRA will have to review the allocation of securities.

The Committee feels \$9.8 million is necessary for USRA to prepare for the legal defense of the rail reorganization, which, as explained will be very complex.

More than 40 law firms have been retained by the estates and creditors to defend their interests in the reorganization. The Committee roughly and conservatively estimates that \$25 million is being paid annually for legal counsel to oppose the reorganization. The preparation of supporting economic, financial, and operational material for use by the attorneys would represent an additional cost figure to the estates. It becomes obvious, therefore, that \$9.8 million is necessary for USRA to attempt to defend the final rail reorganization plan.

#### COST ESTIMATES

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost of this legislation:

The reported bill authorizes an appropriation amounting to \$20,000,000 which is authorized to remain available until September 30, 1978. The budget figures submitted by USRA indicate that practically all of the funds authorized by this measure would be expended during the period of May, 1976, to September, 1977.

In his Budget for FY 77, the President requested \$3 million for USRA administrative expenses. In his Supplemental Request for FY 77, the President requested an additional \$9 million for FY 77 and a \$6.7 million supplement for FY 76. This combined figure of \$18.7 million compares closely with the \$20 million authorization of the bill. The Congressional Budget, in its first resolution H. Res. 611, cites the same figures as those of the President's Budget and Supplemental requests, with an additional \$450 million allotted for general railroad programs.

In regard to Clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives, the Committee includes the following cost estimate submitted by the Congressional Budget Office relative to the provisions of H.R. 13325:

#### CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE (MAY 6, 1976)

1. Bill No.: H.R. 13325.
2. Bill title: To Amend the Regional Rail Reorganization Act of 1973.

3. Purpose of Bill: This bill amends the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association. Specifically, the proposed legislation authorizes \$20 million in administrative expenses for the period May 1, 1976 to September 30, 1977. This bill is for authorization and therefore requires subsequent appropriation action.

4. Cost Estimate.

"Authorization levels:

Fiscal year:	
1976	-----
1976 Transition quarter	\$5,880
1977	14,120
1978	-----
1979	-----

"Costs:

Fiscal year:	
1976	-----
1976 Transition quarter	5,000
1977	10,500
1978	4,500
1979	-----

5. Basis of Estimate: To date, the Association has been authorized a total of \$54 million, of which approximately \$45.8 has been appropriated. In addition, a \$6.7 million appropriation supplemental for FY 1976 is currently awaiting final action. If this supplemental is approved, it would exhaust the current authorization for appropriation. For this cost estimate, it was assumed that the bill's authorization would be used for the transition quarter and FY 1977 since the current authorization is still available for the remainder of FY 1976. The distribution of budget authority is dependent upon the agency's spending requirements. Utilizing this assumption and the pay-out distribution (between budget authority and outlays) from the United States Railway Association, the final cost estimate was derived.

6. Estimate Comparison: None.

7. Previous CBO Estimate: None.

8. Estimate Prepared by: Raymond C. Scheppach (225-5275).

9. Estimate Approved By:

RAYMOND C. SCHEPPACH,  
(For James L. Blum,  
*Assistant Director for Budget Analysis*).

INFLATIONARY IMPACT STATEMENT

Pursuant to Clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee makes the following statement in regard to the inflationary impact of the reported bill:

The Committee feels that the enactment of this legislation will have no inflationary impact on the prices and costs in the operation of the national economy.

OVERSIGHT FINDINGS

In regard to Clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been made by the Committee.

In regard to Clause 2(1)(3)(D) of Rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

REGIONAL RAIL REORGANIZATION ACT OF 1973

\* \* \* \* \*

TITLE II—UNITED STATES RAILWAY ASSOCIATION

\* \* \* \* \*

AUTHORIZATION FOR APPROPRIATIONS

SEC. 214. (a) SECRETARY.—There are authorized to be appropriated to the Secretary for purposes of preparing the reports and exercising other functions to be performed by him under this Act such sums as are necessary, not to exceed \$12,500,000, to remain available until expended. There are authorized to be appropriated to the Secretary such sums as may be necessary to discharge the obligations of the United States arising under section 303(c)(3) of this Act.

(b) OFFICE.—There are authorized to be appropriated to the Commission for the use of the Office in carrying out its functions under this Act such sums as are necessary, not to exceed \$7,000,000, to remain available until expended. The budget for the Office shall be submitted by the Commission directly to the Congress and shall not be subject to review of any kind by any other agency or official of the United States. Moneys appropriated for the Office shall not be withheld by any agency or official of the United States or used by the Commission for any purpose other than the use of the Office. No part of any other moneys appropriated to the Commission shall be withheld by any other agency or official of the United States to offset any moneys appropriated pursuant to this subsection.

[(c) ASSOCIATION.—There are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed \$40,000,000, to remain available until expended, and not to exceed \$14,000,000 for the fiscal period which includes the period ending September 30, 1977.]

(c) ASSOCIATION.—For the period beginning May 1, 1976, and ending September 30, 1977, there are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed \$20,000,000. Sums appropriated under this subsection are authorized to remain available until September 30, 1978.

## AGENCY COMMENTS

OFFICE OF THE SECRETARY OF TRANSPORTATION,  
*Washington, D.C., April 23, 1976.*

HON. FRED B. ROONEY,  
*Chairman, Subcommittee on Transportation and Commerce, House  
of Representatives, Washington, D.C.*

Attention: Mr. William Druhan, Staff Director.

DEAR MR. CHAIRMAN: Thank you for your letter to the Secretary of April 15, 1976 inviting a Departmental representative to testify before your Subcommittee on April 28, 1976, respecting the authorization of additional appropriations to meet the administrative expenses of the United States Railway Association (USRA).

As you know, authorizations and budget requests for USRA administrative expenses are not prepared by the Department of Transportation nor does the Department exercise approval authority in this area. In view of the Department's limited role respecting this matter, we do not believe that we can make a substantial contribution to the Committee's deliberations.

Under section 202(g)(2) of the Regional Rail Reorganization Act of 1973, USRA submits to the Congress its budget for administrative expenses simultaneously with its submission to the Office of Management and Budget. I understand that the President will submit imminently to the Congress an appropriations request concerning these administrative expenses. I trust that this submission will be most helpful to the Committee from the standpoint of establishing the position of the Executive Branch with respect to these expenses.

Sincerely,

ROGER W. HOOKER, JR.,  
*Assistant Secretary for  
Congressional and Intergovernmental Affairs.*

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## U.S. RAILWAY ASSOCIATION AUTHORIZATION

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AUGUST 31 (legislative day AUGUST 27) 1967.—Ordered to be printed

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Mr. PASTORE, from the Committee on Commerce,  
submitted the following

## REPORT

[To accompany H.R. 13325]

The Committee on Commerce, to which was referred the bill (H.R. 13325) amend the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association, having considered the same, reports favorably thereon with an amendment and an amendment to the title recommends that the bill as amended do pass.

## BRIEF DESCRIPTION

H.R. 13325 was passed by the House of Representatives on June 7, 1976 and was referred to the Committee on Commerce on June 10. As passed by the House, the bill provided for additional authorization of appropriations for the United States Railway Association. The Committee reported a similar authorization for USRA as section 13 of S. 3131 on May 13 (Report 94-851). On August 31, the Committee reported H.R. 13325 with an amendment designed to effectuate a transfer of properties in the State of Rhode Island that were contemplated in the final system plan but which did not occur for technical reasons. The mechanism for transferring the properties from the estates to the states, to commuter agencies and to Amtrak involves an initial transfer to ConRail from the estates and then a retransfer to the States, to Amtrak or to the commuter agency. As a condition of transferring the property, ConRail requires the subsequent transferee to agree to indemnify it against any political liability as a result of the transfer. The Constitution of the State of Rhode Island prohibits the State from assuming any unspecified liability, and hence the State could not agree to such a provision. Because some interpretations of the existing deficiency judgment protection provisions of the Regional Rail Reorganization Act have raised a question as to whether or not the protection provided extends to the transfers in question, the amend-

ments to H.R. 13325 are needed in order to permit the transfers contemplated in the final system plan and approved previously by the Congress to move forward. H.R. 13325 as amended is designed to accomplish these transfers in an expeditious manner.

#### SECTION-BY-SECTION ANALYSIS

Section 1 would increase the authorization for the U.S. Railway Association for the transition quarter and fiscal year 1977 by \$6.7 million and \$12.1 million, respectively. These additional amounts have been requested because of three basic reasons: (1) Modification of the final system plan occasioned by the inability of the two major acquisition projects to move forward that were originally contemplated (by the Chessie and the Southern), (2) new or revised tasks assigned by Public Law 94-210 (primarily specified monitoring duties over ConRail and the duty to make loans under section 211 for pre-conveyance debts of railroads in reorganization), and (3) increased duties caused by having USRA become the lead agency for the United States in defending the reorganization process in the courts from legal challenges, a process which has already begun.

Section 2 would clarify the existing protection provided by section 206(d) (5) of the Regional Rail Reorganization Act to eliminate one interpretation of the law which would suggest that the Board, the officers and the corporate entity of ConRail are not adequately protected when transferring property pursuant to the final system plan to meet the needs of commuter or intercity rail passenger service.

Section 3 would amend section 303(c) (5) of Public Law 93-236 (the Regional Rail Reorganization Act) in order to make clear that the deficiency judgment protection afforded by that act is extended to cover all the possible actions that the special court could take with respect to the properties designated in the final system plan for "pass through" to the various States and commuter agencies in the region. One interpretation of this section would hold that the existing language of section 303 only protects against a monetary judgment, and does not adequately protect ConRail (and hence Amtrak and the States involved) against the possibility of other types of judgments, such as a required adjustment in the base value of the certificates of value, a reallocation of securities, or a requirement to issue additional securities. While the Committee doubts whether any judgment would be appropriate in these circumstances, the amendments in subsection (a) will reaffirm the previously expressed congressional policy that neither ConRail nor Amtrak and the States involved should even be exposed to the remote possibility of an expense imposed as a result of a judgment relating to the properties designated by the U.S. Railway Association pursuant to section 206(c) (1) (C) and (D) of the Regional Rail Reorganization Act of 1973.

Section 4 would amend section 206(d) of the Regional Rail Reorganization Act of 1973 in order to provide for ConRail's transfer to the State of Rhode Island of certain properties located in that State. The amendment is intended to clarify any uncertainty regarding those transfers, which were contemplated and approved by Congress as part of the final system plan.

Section 5 would amend section 303(c) of the Regional Rail Reorganization Act which was added by Public Law 94-210, in order to clarify that the provisions of that section, which provide for an exemption from certain transfer and other local taxes in the context of the reorganization, applies to all the properties transferred and all the transfers of those properties contemplated by the final system plan and the Regional Rail Reorganization Act.

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be deleted is enclosed in black brackets, new matter is printed in *italics*, existing law in which no change is proposed is shown in roman):

##### SECTION 211(c) OF THE REGIONAL RAIL REORGANIZATION ACT OF 1973 (45 U.S.C. 724(c))

[(c) ASSOCIATION.—There are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed \$40,000,000, to remain available until expended, and not to exceed \$14,000,000 for the fiscal period which includes the period ending September 30, 1977.]

*(c) ASSOCIATION.—There are authorized to be appropriated to the Association, for purposes of its administrative expenses under this Act, not to exceed \$20,000,000 for the period beginning May 1, 1976, and ending September 30, 1977. Sums appropriated under this subsection are authorized to remain available until September 30, 1978.*

##### SECTION 206(d) (5) OF THE REGIONAL RAIL REORGANIZATION ACT OF 1973 (45 U.S.C. 716(d) (5))

\* \* \* \* \*

*The Corporation, its Board of Directors, and its individual directors shall not be liable to any party, for money damages or in any other manner, solely by reason of the fact that the Corporation transferred property pursuant to section 303 of this Act to meet the needs of commuter or intercity rail passenger service, except as otherwise provided with respect to the Corporation pursuant to section 303 (c) (2) of this Act.*

##### SECTION 303(c) (5) OF THE REGIONAL RAIL REORGANIZATION ACT OF 1973 (45 U.S.C. 743(c) (5))

[(5) Whenever the special court orders, pursuant to section 303 (b) (1) of this title, the transfer or conveyance to the Corporation or any subsidiary thereof of rail properties designated under section 206 (c) (1) (C) or (D) of this Act, to the National Railroad Passenger Corporation, to a profitable railroad, or to a State, or responsible person (including a government entity), the United States shall pay any judgment entered against the Corporation with respect to the conveyance of any such rail properties or against the National Railroad Passenger Corporation, such profitable railroad, State, or respon-

sible person, plus interest thereon at such rate as is constitutionally required.]

\* \* \* \* \*

(5) Whenever the special court, pursuant to section 303(b)(1) of this title, orders the transfer or conveyance of rail properties—

“(A) designated under section 206(c)(1)(C) or (D) of this Act, to the Corporation or any subsidiary thereof, the United States shall indemnify the Corporation against any costs imposed on the Corporation as the result of any judgment entered against the Corporation, with respect to such properties, under paragraph (2) of this subsection; and

(B) to the National Railroad Passenger Corporation, a profitable railroad operating in the region, a State, or any other responsible person (including a governmental entity), the United States shall indemnify such Corporation, railroad, State, or person against any costs imposed thereon as the result of any judgment entered against such Corporation, railroad, State, or person under paragraph (3) of this subsection; plus interest on the amount of such judgment at such rate as is constitutionally required.

SECTION 206(d) OF THE REGIONAL RAIL REORGANIZATION ACT OF 1973  
(45 U.S.C. 716(d))

\* \* \* \* \*

(7) Notwithstanding any contrary provision in the options conveyed to the Corporation by railroads in reorganization, or railroads leased, operated, or controlled by a railroad in reorganization, with respect to the acquisition, on behalf of a State (or a local or regional transportation authority) of rail properties designated under section 206(c)(1)(D) of this title, such options shall not be deemed to have expired prior to 7 days after the date of enactment of this paragraph. The exercise by the Corporation of any such option shall be effective if it is made, prior to the expiration of such 7-day period, in the manner prescribed in such options.

SECTION 303(e) OF THE REGIONAL RAIL REORGANIZATION ACT OF 1973  
(45 U.S.C. 743(e))

\*\*\* All transfers or conveyances of rail properties (whether real, personal, or mixed) which are made under this Act (including transfers and conveyances which are made in accordance with a supplemental transaction pursuant to section 305 of this title or which are made at any time to carry out the purpose of title VII of the Railroad Revitalization and Regulatory Reform Act of 1976 or of section 601(d) of this Act) shall be exempt \*\*\*

ESTIMATED COST

The Committee estimates that implementation of H.R. 13325 will cost the Federal Government \$18,800,000. The Committee knows of no cost estimate by any Federal agency which is at variance with this estimate.

TEXT OF H.R. 13325, AS REPORTED

A BILL To amend the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association, and for other purposes.”

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 214(c) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 725(c)) is amended to read as follows:

“(c) ASSOCIATION.—For the period beginning May 1, 1976, and ending September 30, 1977, there are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed \$20,000,000. Sums appropriated under this subsection are authorized to remain available until September 30, 1978.”

SEC. 2. Section 206(d)(5) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 716(d)(5)) is amended by adding at the end thereof the following new sentence: “The Corporation, its Board of Directors, and its individual directors shall not be liable to any party, for money damages or in any other manner, solely by reason of the fact that the Corporation transferred property pursuant to section 303 of this Act to meet the needs of commuter or intercity rail passenger service, except as otherwise provided with respect to the Corporation pursuant to section 303(c)(2) of this Act.”

SEC. 3. The first sentence of section 303(c)(5) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 743(c)(5)) is amended to read as follows: “Whenever the special court, pursuant to section 303(b)(1) of this title, orders the transfer or conveyance of rail properties—

“(A) designated under section 206(c)(1)(C) or (D) of this Act, to the Corporation or any subsidiary thereof, the United States shall indemnify the Corporation against any costs imposed on the Corporation as the result of any judgment entered against the Corporation, with respect to such properties, under paragraph (2) of this subsection; and

“(B) to the National Railroad Passenger Corporation, a profitable railroad operating in the region, a State, or any other responsible person (including a governmental entity), the United States shall indemnify such Corporation, railroad, State, or person against any costs imposed thereon as the result of any judgment entered against such Corporation, railroad, State, or person under paragraph (3) of this subsection; plus interest on the amount of such judgment at such rate as is constitutionally required.”

SEC. 4. Section 206(d) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 716(d)) is amended by adding at the end thereof the following new paragraph:

“(7) Notwithstanding any contrary provision in the options conveyed to the Corporation by railroads in reorganization, or railroads leased, operated, or controlled by a railroad in reorganization, with respect to the acquisition, on behalf of a State (or a local or regional transportation authority) of rail properties designated under section

206(c)(1)(D) of this title, such options shall not be deemed to have expired prior to 7 days after the date of enactment of this paragraph. The exercise by the Corporation of any such option shall be effective if it is made, prior to the expiration of such 7-day period, in the manner prescribed in such options."

SEC. 5. Section 303(e) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 743(e)) is amended by adding "or which are made at any time to carry out the purposes of title VII of the Railroad Revitalization and Regulatory Act of 1976 or of section 601(d) of this Act" at the end of the second parenthetical expression between "title" and the closing parenthesis.

#### AGENCY COMMENTS

U.S. RAILWAY ASSOCIATION,  
*Washington, D.C., June 28, 1976.*

HON. WARREN G. MAGNUSON,  
*Chairman, Commerce Committee,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Thank you for your letter of June 18, 1976, requesting the Association's comments on H.R. 13325, a bill to authorize additional appropriations for the United States Railway Association, which was passed by the House on June 7, 1976 and reported to the Senate on June 10, 1976.

The Association totally supports H.R. 13325 to authorize funds for the Association's administrative expenses through FY '77. The funding authorization is required to carry out the increased responsibilities assigned to the Association by the Congress as mandated in the recently passed Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). A letter sent to you from Howard W. Robison dated March 24, 1976 explaining the Association's justification is attached. Also attached is a copy of testimony given on the authorization request before the House Subcommittee by James Hagen on April 28, 1976.

We are most appreciative that the House has passed the authorization and that your Committee has acted favorably upon the requested authorization reporting the measure out of full Committee May 15, 1976 as attached to S. 3131, the Amtrak Improvement Act of 1976.

It is the Association's hope that the USRA Administrative Expense Authorization for FY '77 will be acted upon at the earliest opportunity by the Senate and enacted into law as soon as possible.

Sincerely,

ARTHUR D. LEWIS.



H. R. 13325

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 214(c) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 724(c)) is amended to read as follows:*

“(c) ASSOCIATION.—For the period beginning May 1, 1976, and ending September 30, 1977, there are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed \$20,000,000. Sums appropriated under this subsection are authorized to remain available until September 30, 1978.”

SEC. 2. Section 206(d)(5) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 716(d)(5)) is amended by adding at the end thereof the following new sentence: “The Corporation, its Board of Directors, and its individual directors shall not be liable to any party, for money damages or in any other manner, solely by reason of the fact that the Corporation transferred property pursuant to section 303 of this Act to meet the needs of commuter or intercity rail passenger service, except as otherwise provided with respect to the Corporation pursuant to section 303(c)(2) of this Act.”

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“(A) designated under section 206(c)(1)(C) or (D) of this Act, to the Corporation or any subsidiary thereof, the United States shall indemnify the Corporation against any costs or liabilities imposed on the Corporation as the result of any judgment entered against the Corporation, with respect to such properties, under paragraph (2) of this subsection; and

“(B) to the National Railroad Passenger Corporation, a profitable railroad operating in the region, a State, or any other responsible person (including a governmental entity), the United States shall indemnify such Corporation, railroad, State, or person against any costs or liabilities imposed thereon as the result of any judgment entered against such Corporation, railroad, State, or person under paragraph (3) of this subsection;

plus interest on the amount of such judgment at such rate as is constitutionally required.”

SEC. 4. Section 206(d) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 716(d)) is amended by adding at the end thereof the following new paragraph:

“(7) Notwithstanding any contrary provision in the options conveyed to the Corporation by railroads in reorganization, or railroads leased, operated, or controlled by a railroad in reorganization, with respect to the acquisition, on behalf of a State (or a local or regional transportation authority) of rail properties designated under section 206(c)(1)(D) of this title, such options shall not be deemed to have expired prior to 7 days after the date of enactment of this paragraph. The exercise by the Corporation of any such option shall be effective if it is made, prior to the expiration of such 7-day period, in the manner prescribed in such options.”

H. R. 13325—2

Sec. 5. Section 303(e) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 743(e)) is amended by adding “or which are made at any time to carry out the purposes of title VII of the Railroad Revitalization and Regulatory Reform Act of 1976 or of section 601(d) of this Act” at the end of the second parenthetical expression between “title” and the closing parenthesis.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*