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MR. CROWN:

305/864 1346



[March 1975]

Both corporations denied the accusations and said they will contest the complaints, ABC/CBS said.

\*\*\*

Rock Island Railroad Files for Bankruptcy

The Rock Island Railroad filed for bankruptcy Monday and said it would stop accepting freight shipment at the end of the month, the networks reported. The line serves 13 states and has more than 10,000 employees, but most of the Rock Island's track is duplicated by other carriers, which are expected to take over the Rock Island operation if the railway shuts down, ABC reported.

\*\*\*

Kissinger Takes Israel Proposals to Egypt

As Secretary of State Henry Kissinger delivered Israel's peace proposals to Egyptian leaders Monday, a "senior official aboard Kissinger's plane said progress is slow, but steady," ABC reported.

The nine-point Israeli proposal included an open bridges program between the two nations, an indirect tourism program, and an easing in Egypt of the Arab boycott against businesses dealing with Israel, CBS reported.

\*\*\*

Clark Clifford Meets With Rocky CIA Panel

Former Secretary of Defense Clark Clifford Monday testified before the Rockefeller Commission investigating the Central Intelligence Agency, NBC reported. The Commission had expanded its investigation to include charges the Agency plotted the assassinations of foreign leaders, John Chancellor said.

Charles Quinn (NBC) reported that Vice President Nelson Rockefeller conceded that if there had been any plots for assassinations abroad, they would have been hatched in the U.S. and it is now clear that the Commission will look into it.

Clifford (on film) said CIA teams were sent abroad, but only to become established for the purpose of reporting intelligence data.

THE WHITE HOUSE

WASHINGTON

March 18, 1975

MEMORANDUM FOR JIM CANNON  
FROM: MIKE DUVAL  
SUBJECT: CHICAGO ROCK ISLAND AND PACIFIC  
RAILROAD

TALKING POINTS

- On March 17, 1975, the Board of Directors of Chicago Rock Island and Pacific Railroad announced that it would petition for reorganization of the railroad under Section 77 of the Bankruptcy Act. This action culminated several weeks of cash crisis and efforts by the railroad to sustain operations without filing for reorganization.
- The Rock Island Railroad operates more than 7,000 miles of rail line located in 13 states between Chicago and the Mississippi River on the East, Southern Minnesota on the North, the Rocky Mountains on the West and Texas Gulf on the South. It employs more than 10,000 people in providing freight service primarily for farm products, particularly grain, other food products, nonmetallic minerals and chemicals. The railroad also provides both intercity and commuter passenger services.
- To meet its forecasted cash problems and begin the rehabilitation process, the Rock Island requested last September a \$100 million loan from the United States Railway Association under Section 211 of the Regional Rail Reorganization Act of 1973. USRA originally approved a \$9.1 million working capital loan. Upon presentation of additional facts, this loan was reconsidered. The Association ultimately rejected Rock Island's application as failing to provide reasonable insurance that the loan could be repaid as by Section 211. *required*

In the event the railroad is unable to provide service due to lack of cash, the Interstate Commerce Commission is empowered under Section 1 (16) (b) of the Interstate Commerce Act to direct other carriers to continue its services for up to 240 days. The Department of Transportation is working

with the ICC to assure that there will not be any material disruption of service under that process. Since all but one of the major markets served by the Rock Island (Hot Springs, Arkansas) are also served by other railroads, most of its traffic can be easily handled by those railroads. For the balance, this period will give the Department, the Commission and the affected shippers an opportunity to work out the best available alternative. All employees of the Rock Island will be retained for at least 60 days and many for the full 240-day period.

- The financial and operating problems of the Rock Island are only the most recent evidence of the very serious conditions of the Nation's railroad industry. These problems have been made more acute by the recent economic downturn, leading to speculation that the industry will suffer a first quarter deficit worse than ever before. A comprehensive proposal (The Rail Transportation Improvement Act of 1975) for improving the industry's performance is expected to be submitted by the President to Congress this week.
- Summary
  - No loan under 211 of the Regional Rail Reorganization Act of 1970.
  - We recognize need for service. Working with ICC to provide service on Rock Island routes by other railroads.
  - We, of course, hope that the Rock Island will survive but during interim, Rock Island employees will operate alternate service. If it ultimately does not survive, employees are protected under ICC Act if a portion of Rock Island is sold to another railroad.



3/18/75

Henry Crown

Director memo 1948

inguit not good

New inguit

cut it up into pieces

200,000 shares

J of Co from  
50 + 90 <sup>outstanding</sup> of A stock



What has been done

in Fed Court should be undone

Resolution: escrow our stock.  
Wishing to contribute few  
million -

RTA - Milton Petrus  
was buy/cor + lease stock

JMC talked to  
him

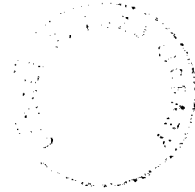


EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 14 1975



MEMORANDUM FOR: MR. JAMES CANNON

SUBJECT: Financial Assistance for Rock Island Railroad,  
Proposed by Senators McClellan and Bartlett

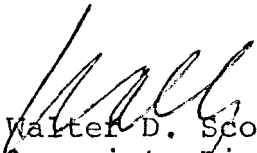
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Features of S.1306

- . On March 12, Senator Bartlett introduced S.1306 "to authorize the Secretary of Transportation to make a loan of \$100,000,000 to the Chicago, Rock Island, and Pacific Railroad Company." (See Attachment).
- . Co-sponsors of S.1306 include: McClellan, Clark, Culver, Dole, Johnson, Gary Hart, Bumpers, Humphrey, Long, Domenici, Hruska, Tower, and Mondale.
- . Loan terms and conditions:
  - at least 2/3 must go for capital expenditures
  - must spend within 3 years
  - repayment of principal begins after 5 years, and continues in equal installments for 20 years
  - Secretary may modify interest rate, repayment, and any other condition agreed to by the company (soft loan provision).
- . Other provisions:
  - Secretary must issue appropriate rules and regulations within 15 days of enactment

- Secretary is directed to make the loan within 15 days of application
- Standard enforcement, reporting, audit provisions included
- ICC authority over rail borrowing is waived in this case.

  
Walter D. Scott  
Associate Director for  
Economics and Government

Attachment





94TH CONGRESS  
1ST SESSION

S. 1306

---

IN THE SENATE OF THE UNITED STATES

MARCH 21 (legislative day, MARCH 12), 1975

Mr. BARTLETT (for himself, Mr. McCLELLAN, Mr. CLARK, Mr. CULVER, Mr. DOLE, Mr. JOHNSON, Mr. GARY W. HART, Mr. BUMPERS, Mr. HUMPHREY, Mr. LONG, Mr. DOMENICI, Mr. HRUSKA, Mr. TOWER, and Mr. MONDALE) introduced the following bill; which was read twice and referred to the Committee on Commerce

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A BILL

To authorize the Secretary of Transportation to make a loan of \$100,000,000 to the Chicago, Rock Island, and Pacific Railroad Company.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 STATEMENT OF PURPOSE

4 SECTION 1. It is the purpose of this Act to encourage  
5 the continued employment of the current labor force, to  
6 maintain competition in the transportation industry and to  
7 foster the preservation and development of a transportation  
8 system capable of meeting the national needs by providing

1 Federal loan assistance to the Chicago, Rock Island, and  
2 Pacific Railroad Company which needs such assistance—

3 (1) to enable the trustee of the railroad to effect  
4 a rapid reorganization of the company;

5 (2) to enable the trustee to continue the operations  
6 of the company without interruption; and

7 (3) to allow such company or trustee to acquire,  
8 construct, and maintain the facilities and equipment  
9 necessary to continue operations as an effective trans-  
10 portation service.

#### 11 DEFINITIONS

12 SEC. 2. For the purposes of this Act—

13 (1) the term “additions and betterments or other  
14 capital expenditures” means expenditures for the acqui-  
15 sition or construction of property used in transportation  
16 service, chargeable to the road, property, or equipment  
17 accounts, in the Uniform System of Accounts prescribed  
18 by the Interstate Commerce Commission;

19 (2) the term “company” means the Chicago, Rock  
20 Island and Pacific Railroad Company or any court  
21 appointed trustee of the railroad;

22 (3) the term “expenditures for maintenance of  
23 property” means expenditures for labor, materials, and  
24 other costs incurred in maintaining, repairing, or re-  
25 newing equipment, road, or property used in transpor-

1       tation service chargeable to operating expenses in  
2       accordance with the Uniform System of Accounts pre-  
3       scribed by the interstate Commerce Commission; and

4             (4) the term "Secretary" means the Secretary of  
5       Transportation.

#### 6                               AUTHORIZATION

7       SEC. 3. (a) The Secretary, in accordance with the  
8       provisions of this Act and such rules and regulations as he  
9       may prescribe, is authorized and directed to make a loan  
10      no later than fifteen days after receipt of an application  
11      under section 4 of this Act to the company in an amount  
12      not to exceed \$100,000,000.

13      (b) There are authorized to be appropriated to the  
14      Secretary not to exceed \$100,000,000 to carry out the  
15      provisions of this section.

#### 16                              TERMS AND CONDITIONS

17      SEC. 4. (a) Prior to making the loan required by section  
18      3 of this Act, the Secretary shall—

19             (1) require that application for such loan be made  
20             by the company in such form and with such content as  
21             he shall prescribe to expedite the processing of the loan  
22             authorized by this Act;

23             (2) obtain satisfactory assurances from the com-  
24             pany that no less than two-thirds of such loan will be  
25             utilized for additions and betterments or other capital

1 expenditures or expenditures for maintenance of property  
2 within three years from the date of the loan; and

3 (3) obtain the best security practicable from the  
4 company as assurance for the loan.

5 (b) Such loan shall bear interest at a rate determined  
6 by the Secretary of the Treasury, taking into account the  
7 current average yield on outstanding marketable obligations  
8 of the United States with remaining periods of maturity  
9 comparable to the maturity of such loan.

10 (c) Subject to any modification under section 5, the  
11 principal amount of the loan made under this Act shall be  
12 repayable in equal annual installments over a period of not  
13 less than twenty years except that the initial installment shall  
14 not become due prior to five years from the date of the loan.

15 MODIFICATIONS

16 SEC. 5. The Secretary may approve any modification of  
17 any provision of the loan made under this Act, including  
18 the rate of interest, time of payment of interest or principal,  
19 security, or any other term or condition, upon agreement of  
20 the company and a finding by the Secretary that such  
21 modification is equitable and necessary or appropriate to  
22 carry out the purposes of this Act.

23 RULES AND REGULATIONS

24 SEC. 6. Not later than fifteen days after the date of  
25 enactment of this Act, the Secretary shall issue such rules

1 and regulations as are appropriate to carry out the purposes  
2 of this Act.

### 3 ENFORCEMENT

4 SEC. 7. The Secretary shall insure that the company  
5 complies with the provisions of this Act and any rules,  
6 regulations, or conditions imposed by the Secretary pursuant  
7 to this Act. In the event of any failure to comply with such  
8 provisions, rules, regulations, or conditions, the Secretary  
9 may take such enforcement action as he deems appropriate  
10 including a declaration that the obligation of the company is  
11 immediately due and payable as a claim of the United States  
12 without regard to any other provision of the loan or of this  
13 Act.

### 14 REPORTS

15 SEC. 8. The Secretary shall, within one year after en-  
16 actment of this Act, report to the President and to the Con-  
17 gress with respect to his activities pursuant to this Act,  
18 including an evaluation of the financial conditions of the  
19 company. Such report shall also include recommendations,  
20 if any, for additional legislation or administrative action.

### 21 AUDIT

22 SEC. 9. The Comptroller General of the United States, or  
23 any of his duly authorized representatives, shall have access to  
24 such information, books, records, and documents as he deter-  
25 mines necessary to effectively audit financial transactions and

1 operations carried out by the Secretary in the administration of  
2 this Act. The Comptroller General shall make such reports  
3 to the Congress on the results of any such audits as he deter-  
4 mines necessary.

5 INTERSTATE COMMERCE COMMISSION APPROVAL

6 SEC. 10. The Company shall not be required to comply  
7 with the provisions of section 20a of the Interstate Com-  
8 merce Act (49 U.S.C. 20a) with respect to the loan made  
9 by the Secretary under this Act.

10 AUTHORIZATION OF APPROPRIATIONS

11 SEC. 11. In addition to the amount set forth in section  
12 3 (b) of this Act, there are authorized to be appropriated  
13 such sums as may be necessary to carry out this Act.



94TH CONGRESS  
1ST SESSION

S. 1306

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A BILL

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By Mr. BARTLETT, Mr. McCLELLAN, Mr. CLARK,  
Mr. CULVER, Mr. DOLE, Mr. JOHNSON, Mr.  
GARY W. HART, Mr. BUMPERS, Mr. HUM-  
PHREY, Mr. LONG, Mr. DOMENICI, Mr.  
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Read twice and referred to the Committee on  
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OFFICE OF MANAGEMENT AND BUDGET  
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APR 14 1975

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Background

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94TH CONGRESS  
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S. 1306

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**A BILL**

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MARCH 21 (legislative day, MARCH 12), 1975  
Read twice and referred to the Committee on  
Commerce



THE WHITE HOUSE  
WASHINGTON

Date 4/2/75

TO:

Jim Cannon

FROM:

PATRICK O'DONNELL

FOR YOUR INFORMATION

FOR YOUR COMMENTS \_\_\_\_\_

FOR APPROPRIATE HANDLING \_\_\_\_\_

OTHER

Copies sent to  
Sunham  
swal  
slaxey.

OK  
Jim

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WASHINGTON

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SCHEDULE PROPOSAL

THE WHITE HOUSE  
WASHINGTON

DATE: April 2, 1975  
FROM: William T. Kendall  
Patrick E. O'Donnell  
THROUGH: Max Friedersdorf  
VIA: Warren S. Rustand

MEETING: Senator John McClellan (D-Ark.)  
Senator Dewey Bartlett (D-Okla.)

DATE: At the President's convenience shortly after  
Congress reconvenes on April 8, 1975  
following the Easter recess.

PURPOSE: To discuss the plight of the Rock Island Railroad  
and legislation which the Senators have jointly  
introduced giving a \$100 million federal loan to  
the railroad.

FORMAT: -Location - The Oval Office  
-Participants - The President,  
Senator John McClellan and  
Senator Dewey Bartlett,  
Secretary William T. Coleman,  
James Lynn, William Seidman,  
James Cannon, William T. Kendall,  
and Patrick E. O'Donnell.  
-Expected length of meeting - 15 minutes.

CABINET  
PARTICIPATION: Secretary William T. Coleman,  
Department of Transportation

PRESS  
COVERAGE: White House photo only

RECOMMEND: James Cannon,  
Domestic Council

BACKGROUND:

The Administration has taken the position that there will be no federal attempt to bail out the Rock Island Railroad. The Senators would like to appeal this decision and are most anxious for a personal meeting with the President to present their case firsthand.

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_



Wall Street Journal  
- File -

L, TUESDAY, APRIL 15, 1975

Railroads Regulation

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# Dismembering the Rock Island

By ALBERT R. KARR and LEWIS M. PHELPS

paid. Early last month the line said that it  
vaguest of policies to guide them in making

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

**THE WHITE HOUSE**  
**WASHINGTON**

April 16, 1975

JMC:

Copies have been sent  
to Mike Duval, Dick Dunham  
and Jim Cavanaugh, also  
Delaney.

P



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 14 1975

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2 *tives of the United States of America in Congress assembled,*

3 STATEMENT OF PURPOSE

4 SECTION 1. It is the purpose of this Act to encourage  
5 the continued employment of the current labor force, to  
6 maintain competition in the transportation industry and to  
7 foster the preservation and development of a transportation  
8 system capable of meeting the national needs by providing



1 Federal loan assistance to the Chicago, Rock Island, and  
2 Pacific Railroad Company which needs such assistance—

3 (1) to enable the trustee of the railroad to effect  
4 a rapid reorganization of the company;

5 (2) to enable the trustee to continue the operations  
6 of the company without interruption; and

7 (3) to allow such company or trustee to acquire,  
8 construct, and maintain the facilities and equipment  
9 necessary to continue operations as an effective trans-  
10 portation service.

11 **DEFINITIONS**

12 **SEC. 2.** For the purposes of this Act—

13 (1) the term “additions and betterments or other  
14 capital expenditures” means expenditures for the acqui-  
15 sition or construction of property used in transportation  
16 service, chargeable to the road, property, or equipment  
17 accounts, in the Uniform System of Accounts prescribed  
18 by the Interstate Commerce Commission;

19 (2) the term “company” means the Chicago, Rock  
20 Island and Pacific Railroad Company or any court  
21 appointed trustee of the railroad;

22 (3) the term “expenditures for maintenance of  
23 property” means expenditures for labor, materials, and  
24 other costs incurred in maintaining, repairing, or re-  
25 newing equipment, road, or property used in transpor-

1       tation service chargeable to operating expenses in  
 2       accordance with the Uniform System of Accounts pre-  
 3       scribed by the interstate Commerce Commission; and

4             (4) the term "Secretary" means the Secretary of  
 5       Transportation.

6                                   AUTHORIZATION

7       SEC. 3. (a) The Secretary, in accordance with the  
 8       provisions of this Act and such rules and regulations as he  
 9       may prescribe, is authorized and directed to make a loan  
 10      no later than fifteen days after receipt of an application  
 11      under section 4 of this Act to the company in an amount  
 12      not to exceed \$100,000,000.

13      (b) There are authorized to be appropriated to the  
 14      Secretary not to exceed \$100,000,000 to carry out the  
 15      provisions of this section.

16                                   TERMS AND CONDITIONS

17      SEC. 4. (a) Prior to making the loan required by section  
 18      3 of this Act, the Secretary shall—

19             (1) require that application for such loan be made  
 20             by the company in such form and with such content as  
 21             he shall prescribe to expedite the processing of the loan  
 22             authorized by this Act;

23             (2) obtain satisfactory assurances from the com-  
 24             pany that no less than two-thirds of such loan will be  
 25             utilized for additions and betterments or other capital

1 expenditures or expenditures for maintenance of property  
2 within three years from the date of the loan; and

3 (3) obtain the best security practicable from the  
4 company as assurance for the loan.

5 (b) Such loan shall bear interest at a rate determined  
6 by the Secretary of the Treasury, taking into account the  
7 current average yield on outstanding marketable obligations  
8 of the United States with remaining periods of maturity  
9 comparable to the maturity of such loan.

10 (c) Subject to any modification under section 5, the  
11 principal amount of the loan made under this Act shall be  
12 repayable in equal annual installments over a period of not  
13 less than twenty years except that the initial installment shall  
14 not become due prior to five years from the date of the loan.

15 **MODIFICATIONS**

16 **SEC. 5.** The Secretary may approve any modification of  
17 any provision of the loan made under this Act, including  
18 the rate of interest, time of payment of interest or principal,  
19 security, or any other term or condition, upon agreement of  
20 the company and a finding by the Secretary that such  
21 modification is equitable and necessary or appropriate to  
22 carry out the purposes of this Act.

23 **RULES AND REGULATIONS**

24 **SEC. 6.** Not later than fifteen days after the date of  
25 enactment of this Act, the Secretary shall issue such rules

1 and regulations as are appropriate to carry out the purposes  
2 of this Act.

### 3 ENFORCEMENT

4 SEC. 7. The Secretary shall insure that the company  
5 complies with the provisions of this Act and any rules,  
6 regulations, or conditions imposed by the Secretary pursuant  
7 to this Act. In the event of any failure to comply with such  
8 provisions, rules, regulations, or conditions, the Secretary  
9 may take such enforcement action as he deems appropriate  
10 including a declaration that the obligation of the company is  
11 immediately due and payable as a claim of the United States  
12 without regard to any other provision of the loan or of this  
13 Act.

### 14 REPORTS

15 SEC. 8. The Secretary shall, within one year after en-  
16 actment of this Act, report to the President and to the Con-  
17 gress with respect to his activities pursuant to this Act,  
18 including an evaluation of the financial conditions of the  
19 company. Such report shall also include recommendations,  
20 if any, for additional legislation or administrative action.

### 21 AUDIT

22 SEC. 9. The Comptroller General of the United States, or  
23 any of his duly authorized representatives, shall have access to  
24 such information, books, records, and documents as he deter-  
25 mines necessary to effectively audit financial transactions and

1 operations carried out by the Secretary in the administration of  
2 this Act. The Comptroller General shall make such reports  
3 to the Congress on the results of any such audits as he deter-  
4 mines necessary.

5 INTERSTATE COMMERCE COMMISSION APPROVAL

6 SEC. 10. The Company shall not be required to comply  
7 with the provisions of section 20a of the Interstate Com-  
8 merce Act (49 U.S.C. 20a) with respect to the loan made  
9 by the Secretary under this Act.

10 AUTHORIZATION OF APPROPRIATIONS

11 SEC. 11. In addition to the amount set forth in section  
12 3 (b) of this Act, there are authorized to be appropriated  
13 such sums as may be necessary to carry out this Act.



94TH CONGRESS  
1ST SESSION

S. 1306

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**A BILL**

To authorize the Secretary of Transportation to make a loan of \$100,000,000 to the Chicago, Rock Island, and Pacific Railroad Company.

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By Mr. BARTLETT, Mr. McCLELLAN, Mr. CLARK,  
Mr. CULVER, Mr. DOLE, Mr. JOHNSON, Mr.  
GARY W. HART, Mr. BUMPERS, Mr. HUM-  
PHREY, Mr. LONG, Mr. DOMENICI, Mr.  
HRUSKA, Mr. TOWER, and Mr. MONDALE

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MARCH 21 (legislative day, MARCH 12), 1975  
Read twice and referred to the Committee on  
Commerce



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

APR 14 1975

MEMORANDUM FOR: MR. JAMES CANNON

SUBJECT: Financial Assistance for Rock Island Railroad,  
Proposed by Senators McClellan and Bartlett

Background

In preparation for the President's meeting with Senators McClellan and Bartlett, some pertinent facts about their Rock Island proposal are listed below. From the standpoint of achieving a less redundant rail system and avoiding new Federal spending we have opposed Federal assistance to the Rock Island, and I believe we should continue this stance.

Features of S.1306

- . On March 12, Senator Bartlett introduced S.1306 "to authorize the Secretary of Transportation to make a loan of \$100,000,000 to the Chicago, Rock Island, and Pacific Railroad Company." (See Attachment).
- . Co-sponsors of S.1306 include: McClellan, Clark, Culver, Dole, Johnson, Gary Hart, Bumpers, Humphrey, Long, Domenici, Hruska, Tower, and Mondale.
- . Loan terms and conditions:
  - at least 2/3 must go for capital expenditures
  - must spend within 3 years
  - repayment of principal begins after 5 years, and continues in equal installments for 20 years
  - Secretary may modify interest rate, repayment, and any other condition agreed to by the company (soft loan provision).
- . Other provisions:
  - Secretary must issue appropriate rules and regulations within 15 days of enactment

- Secretary is directed to make the loan within 15 days of application
- Standard enforcement, reporting, audit provisions included
- ICC authority over rail borrowing is waived in this case.

(signed) Wally

Walter D. Scott  
Associate Director for  
Economics and Government

Attachment

94TH CONGRESS  
1ST SESSION

# S. 1306

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## IN THE SENATE OF THE UNITED STATES

MARCH 21 (legislative day, MARCH 12), 1975

MR. BARTLETT (for himself, Mr. McCLELLAN, Mr. CLARK, Mr. CULVER, Mr. DOLE, Mr. JOHNSON, Mr. GARY W. HART, Mr. BUMPERS, Mr. HUMPHREY, Mr. LONG, Mr. DOMENICI, Mr. HRUSKA, Mr. TOWER, and Mr. MONDALE) introduced the following bill; which was read twice and referred to the Committee on Commerce

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## A BILL

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94TH CONGRESS  
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MARCH 21 (legislative day, MARCH 12), 1975  
Read twice and referred to the Committee on  
Commerce

THE WHITE HOUSE  
WASHINGTON

Date

4/2/75

TO:

Jim Cannon

FROM:

PATRICK O'DONNELL

FOR YOUR INFORMATION ✓

FOR YOUR COMMENTS \_\_\_\_\_

FOR APPROPRIATE HANDLING \_\_\_\_\_

OTHER

Copies sent to  
sunham  
swal  
slaxey.

OK  
Jim

SCHEDULE PROPOSAL

THE WHITE HOUSE      DATE:      April 2, 1975  
WASHINGTON      FROM:      William T. Kendall *WT*  
           Patrick E. O'Donnell *PO*  
      THROUGH:      Max Friedersdorf *MF*  
      VIA:      Warren S. Rustand

MEETING:      Senator John McClellan (D-Ark.)  
      Senator Dewey Bartlett (D-Okla.)

DATE:      At the President's convenience shortly after  
      Congress reconvenes on April 8, 1975  
      following the Easter recess.

PURPOSE:      To discuss the plight of the Rock Island Railroad  
      and legislation which the Senators have jointly  
      introduced giving a \$100 million federal loan to  
      the railroad.

FORMAT:      -Location - The Oval Office  
      -Participants - The President,  
           Senator John McClellan and  
           Senator Dewey Bartlett,  
           Secretary William T. Coleman,  
           James Lynn, William Seidman,  
           James Cannon, William T. Kendall,  
           and Patrick E. O'Donnell.  
      -Expected length of meeting - 15 minutes.

CABINET  
PARTICIPATION:      Secretary William T. Coleman,  
      Department of Transportation

PRESS  
COVERAGE:      White House photo only

RECOMMEND:      James Cannon,  
      Domestic Council

BACKGROUND:

The Administration has taken the position that there will be no federal attempt to bail out the Rock Island Railroad. The Senators would like to appeal this decision and are most anxious for a personal meeting with the President to present their case firsthand.

APPROVE \_\_\_\_\_ DISAPPROVE \_\_\_\_\_

THE WHITE HOUSE

WASHINGTON

April 16, 1975

MEETING WITH SENATORS JOHN L. McCLELLAN  
and DEWEY BARTLETT  
Thursday, April 17, 1975  
12:30 p.m. (15 minutes)  
The Oval Office

FROM: PATRICK E. O'DONNELL *POD*

THROUGH: MAX FRIEDERSDORF *M.F.*

I. PURPOSE

To discuss the plight of the Rock Island Railroad and legislation which the Senators have jointly introduced giving a \$100 million federal loan to the railroad.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: The Administration has taken the position that there will be no federal attempt to bail out the Rock Island Railroad. The Senators would like to appeal this decision and are most anxious for a personal meeting with the President to present their case firsthand. (See Tab A)

B. Participants: Senator John L. McClellan (D-Ark.)  
Senator Dewey Bartlett (R-Okla.)  
Secretary William T. Coleman  
James T. Lynn  
William Seidman  
James Cannon  
William T. Kendall  
Patrick E. O'Donnell

C. Press Plan: White House photo only.



## BACKGROUND

- The Chicago, Rock Island and Pacific Railroad is in bankruptcy and the Federal District Court Judge had originally ordered it shut down on May 15. On Tuesday, April 15, the Judge rescinded that order and said that he hoped the Rock Island would be able to work toward a reorganization plan which would keep it operating. This may take considerable pressure off Congress for legislation to "bail out" the Rock Island.
- The Rock Island is in disastrous financial condition for essentially three reasons:
  1. For twelve years, there has been a merger case pending before the Interstate Commerce Commission. This unconscionably long uncertainty has had a very adverse impact on the management of the Railroad. It should be stated, to be fair to the ICC, that much of the delay was due to other railroads who objected to the merger plans of their competitors.
  2. The current economic downturn wiped out a projected turnaround of the Rock Island operation.
  3. There is too much rail service in the area served by the Rock Island, resulting in an overabundance of duplicative main lines among the various carriers. Virtually all the major Rock Island markets are served by at least two other carriers, and in some cases, by as many as six.
- If the Rock Island were forced to close down, then the ICC could order other railroads to provide service over the Rock Island routes for up to 240 days. This would involve some Federal funds to compensate them but would continue essential railroad service. After that time, the likelihood is that other railroads and the ICC would agree on a merger solution.
- There are two bills pending in Congress designed to help the Rock Island.
  1. S. 1306 introduced by Senator Bartlett and co-sponsored by McClellan, Clark, Culver, Dole, Johnson, Gary Hart, Bumpers, Humphrey, Long, Domenici, Hruska, Tower and Mondale. It would authorize the Secretary of Transportation to make a loan of \$100 million to the Rock Island, subject to certain conditions.



2. S. 917, Senator Pearson's bill. This has been favorably reported out of the Senate Commerce Committee, but so far there's been no push to take it to the floor. This would give the ICC temporary authority to permit the railroads, which want to merge with the Rock Island, to operate over its track. In essence, this would ultimately determine which carriers were allowed to merge with the Rock Island, thereby effectively cutting off the challenges of competing railroads to the ICC merger solution.

#### TALKING POINTS

- We are, of course, concerned with the financial condition of the Rock Island. It is important that essential rail service in this area be maintained and the employees and customers of the Railroad protected to the maximum extent possible.
- As you know, the Federal budget is now under the most severe pressures, and we cannot afford to spend one dollar of taxpayer funds unwisely. I understand that Secretary Coleman has been working towards solutions to this problem which will not involve direct Federal funds. Bill advises me that there are various alternatives, which are actively being explored, and we hope that these will result in a private sector solution.
- I am encouraged by the recent decision of Judge McGarr (overseer of bankruptcy proceeding) which reverses his previous decision to close down the Rock Island on May 15. I understand that the Judge now does not plan to halt operation at anytime in the foreseeable future and that he hopes that the current Rock Island management (under its President, John Ingram) will be able to work towards the plan of reorganization which will keep the Railroad operating.
- I think it's fair to say that this recent decision by the Judge should give us all pause towards rushing into any direct Federal aid. I think the government should do everything in its power to let the parties work this out among themselves in a manner which does not involve Federal taxpayers' dollars.



~~Don~~ Rod Delew

4/11 7/75

13 - state area  
State Area

Bartlett - Inc - various Rod Delew as  
municipal banks

2.1  
Dec / 07 \$100 of loan - when work  
out ~~control~~ merger

assets \$469 yr



Bartlett better to deal  
w/ problem of  
inefficient &  
prior to its demise

7. we need viable IR system in  
the U.S.

• unambiguously opposed to  
nationalization



Welman = ~~100~~ up li first steps  
would cost \$800 up to  
put back book in order

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Booklet -

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