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Northeast Bankrupt Railroads

Q: Why did the Chessie System and Southern Railroad turn down offers to purchase part of the Northeast bankrupt rail system yesterday, and what will be the impact of this decision?

A: It is our understanding that both of these railroads desired to participate, but were unable to reach an agreement with the unions by yesterday's deadline. The dispute centered around whose work rules would apply, and protection against job transfers.

The primary impact is that only one corporation, ConRail, will take over the bankrupt rail properties on April 1, instead of dividing the system between ConRail, Chessie, and Southern. No service cutbacks are expected as a result of this development. However, from the standpoint of competition, we would have preferred to see these other railroads involved.

It will not be necessary to go beyond the \$2.1 billion in Federal funding currently requested for ConRail over a five year period.

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December 19, 1975

SUBJECT:

CONFEREES AGREE ON \$6.5B
RAIL BILL

House-Senate Conferees yesterday agreed on a \$6.5B package to reorganize seven bankrupt railroads and provide financial assistance to other rail systems. Asked if the President is likely to sign the bill, John Barnum, Deputy Transportation Secretary, said, "No way." He said it is "clear" that the bill will be vetoed.

Is John Barnum correct in saying that the President will veto this rail legislation?

GUIDANCE: The bill approved by the House-Senate Conferees yesterday is about \$1B over the Administration proposed bill. In addition, it is my understanding that DOT and several other departments and agencies will recommend that the President veto the legislation.

I have not yet talked with the President on this legislation, so I cannot give you any definite word of what he will do.

JGC

December 18, 1975

SUBJECT:

HOUSE APPROVES \$6B RAIL BILL

The House yesterday passed a \$5.9B rail bill to reorganize seven bankrupt railroads and provide financial assistance to other rail systems.

Is the rail bill passed by the House acceptable to the Administration?

GUIDANCE: As you recall, the Senate passed a rail aid bill of over \$8.5B, which was totally unacceptable.

We are pleased that the House has moved in the direction of the Administration-proposed bill, though it is still somewhat more than the Administration proposal.

We have not yet had a chance to review the details of the House-passed bill yesterday, so we will be looking very closely at the provisions in the House bill. In addition, we will continue to work with the Conferees to get a bill that is acceptable to the Administration and will not increase the deficits already projected for FY'77.

JGC

December 11, 1975

SUBJECT:

HOUSE COMMITTEE APPROVES
RAIL BILL

The House Commerce Committee has approved a scaled-down rail aid bill of \$6.4 billion.

Is the House Committee version of the rail bill acceptable to the President?

GUIDANCE: As you recall, the Senate passed a rail aid bill of around \$8 billion which was totally unacceptable.

We are pleased that the House appears to be moving more in the direction of the Administration-proposed rail bill, but it is still over a half billion dollars over budget.

We will continue to work with the House and with the Conferees to get a bill that is acceptable to the Administration and will not increase the deficits beyond that already projected for FY'77.

JGC

THE WHITE HOUSE

WASHINGTON

November 28, 1975

MEMORANDUM FOR:

JOHN CARLSON

FROM:

STEVE McCONAHEY *SCM*

SUBJECT:

Secretary Coleman Meeting
with the President

(at 4:20 p.m.)

Secretary Coleman is today meeting with President Ford to discuss the status of railroad legislation currently before the Congress. In his meeting with the President, Secretary Coleman will discuss the differences between the current "OMNIBUS" railroad bills being considered by House and Senate Committees, and the three separate pieces of legislation which the Administration has submitted dealing with railroad restructuring, regulatory reform and financial assistance to the Northeast Corridor passenger service.

I suggest that after the meeting it be announced that the President reaffirmed the Administration's position and urges the Congress to pass acceptable legislation before the Christmas recess.

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JGC

September 3, 1975

SUBJECT: PRESIDENT CREATES EMERGENCY
RAILWAY BOARD

The President yesterday announced the creation of a Presidential Emergency Board to investigate a threatened strike of four railroad shop craft unions. The strike had been set to begin on September 4.

Several weeks ago, a railway strike settlement seemed imminent. What happened to the negotiations?

GUIDANCE: I should point out that 85% of all the railroad employees have agreed on a contract and that was settled several weeks ago. However, the problem here is with four railroad shop craft unions. The basic settlement is acceptable and agreeable to the unions, but there are some particular problems involving these four unions.

How many employees are involved in this dispute?

GUIDANCE: The total number of railway employees is around 500,000, and 85% of these people have already settled, so the amount involved with these four unions is about 75,000 employees.

With the creation of this Emergency Board, what is the next step?

GUIDANCE: Within 30 days, the Emergency Board is to report their recommendations and findings to the President. The President will then give that report to the National Mediation Board and to the parties. They, hopefully, will then be able to reach an agreement within 30 days after receiving that report.

After this 60 day period has run out, can the President do anything further?

GUIDANCE: The President would have exhausted his authorities, but Congress could further extend the deadline for the strike or, they could force the unions to accept the recommendations of the Emergency Board.

(More)

What are the unions asking for here? Is it wages or what is it?

GUIDANCE: The main problems here involve work rules and other conditions of employment and wage equalization between these organizations and other unions.

Is the President acting under the authority of the Taft-Hartley Act?

GUIDANCE: The Taft-Hartley Act allows a cooling off period of 80 days. The President acted in this case under Section 10 of the Railway Labor Act which provides a 60 day cooling off period.

August 28, 1975

SUBJECT:

RAILROAD STRIKE SET FOR SEPTEMBER 4

Eighty-five railroad shopcraft unions are set to strike September 4. Is the President considering creating an emergency board to investigate the dispute?

GUIDANCE: The President has received a request from the National Mediation Board for an Executive Order creating an emergency board to investigate the circumstances surrounding the labor dispute. As you may know, the dispute involves the carriers represented by the National Railway Labor Conference and certain other employees, the International Brotherhood of Boilermen, the Iron Ship Builders, Blacksmiths, Forgers and helpers, Brotherhood of Railway Car Men of the U.S. and Canada, International Brotherhood of Electrical Workers, International Brotherhood of Firemen and Oilers, and the U.S. Railway Employees', Department AFL-CIO.

This request is now being staffed and would expect a decision by the President within the next few days.

Does that mean that while the board is investigating the dispute, there can be no strike?

GUIDANCE: Normally, the board would report its findings to the President within 30 days from its creation and then, as provided by Section 10 of the Railway Labor Act, there could be no strike for 30 days after the board has made its report to the President.

However, we may have more on this within the next few days.

JGC

RAIL AND MASS TRANSIT

Question

The Regional Forum, East-West Gateway Co-ordinating Council of the Bi-State St. Louis area, is concerned about the need for modernizing rail facilities and mass transportation. Do you have any plans to encourage such modernization, which would provide jobs, strengthen the economic infrastructure of much of America, and in the long run help save energy?

Answer

The Administration has strongly supported improvements in railroad and mass transportation facilities and operation.

I worked hard for passage of the National Mass Transportation Assistance Act of 1974 which is providing \$11.8 billion of financial assistance for mass transit. As a result of this program, the St. Louis area will be eligible for \$62 million to be used either for capital expenditures or to offset transit operating costs.

With regard to railroad modernization, I have submitted proposed legislation to the Congress which will provide \$2 billion in financial assistance and regulatory relief with the hope of revitalizing railroad systems.

Both of these transportation assistance programs can provide new economic vigor and employment opportunities for the people of St. Louis.

July 17, 1975

SUBJECT:

RAILWAY STRIKE IMMINENT

The Railway Clerks Union and Bargainers for the Nation's railroads broke off 19 hours of contract talks today and the Union called for a nationwide strike. The contract expires at 12:01 a.m. this coming Monday, July 21.

What's the President's reaction to the call for a strike by the Railway Union?

GUIDANCE: It is my understanding that the parties came very close to an agreement and have narrowed the issues greatly. By mutual consent, they have extended the strike deadline to July 28, so that further negotiations can take place.

We will continue to be hopeful that the parties can reach an agreement.

If no agreement can be reached, will the President ask Congress for legislation to avert a strike?

GUIDANCE: This is also an option.

JGC

July 15, 1975

SUBJECT: RAILWAY STRIKE DEADLINE NEARS

The President, on April 16, 1975, appointed Emergency Board #186 to investigate a dispute between certain carriers represented by the National Railway Labor Conference and certain other employees represented by the Brotherhood of Railway, Airline, and Steamship Clerks. That Board submitted their report to the President on May 23. The parties then had 30 days in which to try and resolve their differences. On June 21, the parties agreed to extend their negotiations for an additional 30 day period. July 21 is now the final day, after which the parties can legally strike.

Is the President concerned about the possibility of a nationwide railway strike?

GUIDANCE: The President is certainly following negotiations and is hopeful a settlement can be reached through the collective bargaining process. William J. Usury, the Special Assistant to the President for Labor Management Negotiations, is meeting regularly with the parties and is keeping the President informed on their progress.

JGC

May 7, 1975

SUBJECT:

ADMINISTRATION STUDYING SALES OF
FINANCIAL AILING RAILROADS

According to testimony by Secretary Coleman, the Ford Administration is considering liquidating the Penn Central and other financially ailing Northeastern railroads and selling their properties to other solvent carriers.

Is the Administration disregarding the recommendations made by the Railway Association this year and now not going to consider consolidating the six Northeastern railroads into one system?

GUIDANCE: The Administration is considering all alternatives to the preliminary system plan introduced by the United States Railway Association. Among the alternatives under consideration is one which would permit the sale of different parts of the bankrupt systems to different profitable railroads for their continued operation.

However, the Administration is still in the process of reviewing all the various options and it will be several months until any final recommendations will be made to the Congress.

JGC



April 15, 1975

SUBJECT:

RAILWAY AND AIRLINE CLERKS
VOTE TO STRIKE

The Brotherhood of Railway and Airline Clerks are preparing for a nationwide railroad strike at 12:01 a.m. Friday.

Will President Ford invoke the Taft-Hartley Act and block a strike for 60 days? Does the President plan to appoint a fact-finding board to investigate the dispute?

GUIDANCE: I'm not aware that the President has made any final decisions. We would like to rely on the collective bargaining process, and I know that the President will be consulting with the Secretary of Labor and the Secretary of Transportation. However, at this point, to my knowledge, the President has made no final decision.

JGC

March 19, 1975

SUBJECT:

DOMESTIC ACTIVITIES IN THE
COMING WEEKS

FOR ANNOUNCEMENT

As you know, on Monday the President sent to the Hill a message and legislation designed to restructure the Federal Airport and Airway Development programs, and today we are transmitting to the Hill, the Financial Institutions Act of 1975 which is to expand competition, provide improved customer services, and strengthen the ability of financial institutions to adjust to changing economic conditions.

Just to give you some insight as to what you can expect in the domestic area in the next few weeks, I wanted to point out that later this week or possibly the first of next week, the President will be submitting to Congress a message and legislation called The Rail Transportation Improvement Act, which will be the first piece of an overall program seeking fundamental reform of transportation regulation. Also under consideration are other far-reaching proposals dealing with Regulatory Reform. In addition, we anticipate sending highway legislation forward in the next two weeks which will be a four year, 1977-1980, highway program emphasizing the Federal interest in completion of the Interstate system, recognizing the primary state and local interest in other highway systems, and providing program restructuring, so that more than 30 categorical grant programs can be consolidated into four broad programs. It is expected that these subjects I just mentioned will be transmitted to Congress before Easter.

I don't really want to get into some of the items and proposals that will be transmitted following Easter, except to mention that we are anticipating sending a Revenue Sharing message and legislation which will extend the Revenue Sharing program five and three-quarter years.

February 20, 1975

SUBJECT: HOUSE VOTES \$347 MILLION TO
AID BANKRUPT RAILROADS

The House yesterday voted to bail out the Penn Central and other bankrupt railroads with \$347 million in government guaranteed grants and loans. The Senate passed a similar bill last month and is expected to accept the House version quickly.

Does the Administration support the house-passed bill aiding the bankrupt railroads?

GUIDANCE: Yes, I would expect the President to sign this bill once it reaches his desk.

Aren't the taxpayers just being forced to support inefficiency, and aren't we really just throwing money down the drain?

GUIDANCE: The Regional Rail Reorganization Act of 1973 called for the United States Railway Association to submit to Congress a preliminary system plan for reorganization of the bankrupt railroads in the Northeast section of the country. We believe this reorganization will provide a basis for reorganizing the seven bankrupt railroads into a viable private sector railroad system. The funds approved will carry the railroads through until this system can be put into place early next year.

I should point out that the majority of these funds will be placed in capital investments which can then be used by the new company.

When will the final reorganization plan be submitted, and when does the new corporation begin?

GUIDANCE: It is my understanding that the final system plan is due July 26, with the new corporation, Conrail Corporation, to be organized and in existence January 26, 1976.

(More)



Has the Administration given consideration to saving some of the taxpayers money and letting the Penn Central go out of business?

GUIDANCE: I think that most people recognize that if the Penn Central went out of service, the economy in the Northeast section of the country would be severely affected, and the resulting loss of jobs would have a tremendous impact.

What are the seven railroads that are involved here?

GUIDANCE: The seven include the Penn Central, the Erie Lackawanna, the Reading, the Lehigh Valley, the Central of New Jersey, the Ann Arbor, and the Lehigh & Hudson River.

January 9, 1975

SUBJECT:

PENN CENTRAL RAILROAD

Is the Administration considering providing additional funds for the Penn Central Railroad?

GUIDANCE: About one week before Congress adjourned in December, the Administration sent up a Supplemental request for \$10.2 million to assist the bankrupt Midwestern and Eastern railroads. Congress passed this Supplemental request prior to adjournment. The bulk of this would probably be used for the Penn Central Railroad. The Department of Transportation has an additional \$6.3 million available, making a total of \$16.5 million available by DOT to assist the railroads.

*From previous
legis.*

A \$250 million request has been sent to Congress and is pending.

Is the Administration considering additional funds for the Penn Central?

GUIDANCE: The Administration is considering various options for dealing with the financial situation of the railroads, particularly the Penn Central. However, no final decisions have been made.

~~When will the final decision be made on whether to request additional funds?~~

~~GUIDANCE: The program is presently under review and a decision will be announced following Congress' return next week.~~

~~If the decision is to provide additional funds, would you send up a Supplemental request?~~

~~GUIDANCE: It could be in the form of authorizing legislation or a supplemental request or a combination of both.~~

Did Secretary Brinegar and other DOT officials brief the President Tuesday on the Penn Central?

GUIDANCE: Secretary Brinegar did brief the Economic Policy Board on the railroad situation Tuesday morning.

JGC