

MEMORANDUM OF INFORMATION FOR THE FILE

EXECUTIVE

DATE

1/18/74

FG 374

PE 2-1

~~LETTER, MEMO, ETC.~~

Casey, Albert

TO:

Bryce Harlow

FROM:

Jerry Jones

SUBJECT:

Chairman, United States
Railway Association

Special Files

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

THE WHITE HOUSE
WASHINGTON

C. F.

JAN 18 1974

FG 374

PE 2-1

Casey, Albert

EYES ONLY

MEMORANDUM FOR:

BRYCE HARLOW

FROM:

JERRY JONES *[Signature]*

SUBJECT:

Chairman, USRA

Attached is a copy of my proposed memorandum to General Haig. Please notify John Vickerman of my office, 2821, to give him your opinion of the proposed action so that we can accurately represent your views in the final decision memo. Since we are trying to fill these vacancies as quickly as possible, please be sure to reply within three days. If we have not heard from you within three days, we will assume that you have no comment on the appointment.

Concur

B. Harlow

*Phoned
1/21/74*

Attachment

RECEIVED
JAN 21 1974
CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

January 17, 1974

MEMORANDUM FOR: AL HAIG
FROM: JERRY H. JONES
SUBJECT: Chairman, United States
Railway Association

USRA, a non-profit government corporation, was established by the Regional Rail Reorganization Act signed by the President January 2. USRA's job is the reorganization of the Northeast railroads into a single viable rail system, to be operated by a new for-profit corporation, the Consolidated Rail Corporation.

USRA must design the system plan and handle the financing that will enable CRC to acquire and upgrade its plant and equipment, as well as for working capital. Financing will be handled by borrowing from the private sector under federal guarantees. USRA may also make or guarantee loans to States or local authorities for purchasing lines which would otherwise be abandoned under the system plan.

The Rail Association will be headed by a board consisting of the Secretaries of Treasury and Transportation; the Chairman of the ICC; seven non-government members representing governors, mayors, labor, rails, shippers, and the financial community; and by a Chairman, nominated by the President and confirmed by the Senate.

The qualifications needed in a Chairman include extensive rail and financial experience; solid leadership ability; and the political sense to handle the problems caused by massive abandonments. Moreover, whoever is chosen must have complete impartiality, with no vested interest in the outcome of the system plan.

Secretary Brinegar recommends the nomination of Albert V. Casey, President of the Times-Mirror Company of Los Angeles for this position. I believe Brinegar has done a superb job in finding one of the best-qualified men in the country for this position.

Casey has the operating and financial background needed. A Harvard MBA, he was assistant vice president of the Southern Pacific Railway from 1948 to 1961, and then served as vice president for finance at REA Express until joining the Times-Mirror in 1963 as vice president for finance. He was named president in 1966.

Casey gets rave notices on his leadership ability, and coming from Los Angeles he has no vested interest in the outcome of the Northeast rail situation. I have talked with him, and while he has no formal political experience, I feel he has the reflexes and sensitivity to handle the political problems with ease.

We've done extensive political and substantive checks on Casey, and the people we've talked to feel he has everything necessary for the job. The President of REA and the Chairman of Southern Pacific describe him as a decision-maker with a lot of drive, tough, fast-moving and brilliant. I've checked with both the liberal and conservative wings of the Party on the West Coast as to Casey's ability and his feelings toward the President, and get high praise from both the Finch and the Reagan camps.

Casey wants the job, even though he is under serious consideration for the presidency of American Airlines. I feel we would be very lucky to get him, and if you agree, I recommend that you discuss the matter with the President, particularly in view of the Times-Mirror connection. You should know, however, that Casey has nothing to do with the editorial policy, but manages the financial side of the holdings exclusively.

I concur with Secretary Brinegar's recommendation that Al Casey be nominated as Chairman of the USRA.

_____ Agree

_____ Disagree

EXECUTIVE

FG374

FG19



THE SECRETARY OF THE INTERIOR
WASHINGTON

February 7, 1974

Dear Mr. President:

I understand that Delmarva Railroad Committee has nominated Edward H. Covell, Jr., of Easton, Maryland, for consideration as a candidate for an appointment to the recently created Board of Directors of the United States Railway Association. I respectfully add my endorsement to this nomination.

I have known Ed Covell over a period of years and believe his experience, temperament, and intellect makes him highly qualified to be a member of the Board.

Most respectfully,

Rogers C. B. Morton
Rogers C. B. Morton

The President
The White House
Washington, D. C.
20006

RECEIVED
FEB 14 1974
CENTRAL FILE

BB1
MEMORANDUM OF INFORMATION FOR THE FILE

DATE 3/8/74

EXECUTIVE

FG374

LETTER, MEMO, ETC.

TO:

Bryce Harlow

FROM:

Jerry Jones

SUBJECT:

Chairman, United States
Railway Association

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

March 19, 1974

Dear Mr. Secretary:

It is my understanding that Mr. Robert E. Bradford^X is being considered for the position of Vice President for Public Information and Affairs of the United States Railway Association.

Bob Bradford is currently Associate Director for Congressional Affairs at the Cost of Living Council and is doing a fine job in this capacity. He has a background in journalism, principally in radio and television, and has fifteen years experience on the Hill working both the House and Senate sides.

I am confident that Bob would be an asset to the United States Railway Association and I am pleased to endorse him for this appointment. Your consideration will be greatly appreciated.

With warm regards,

Sincerely,

William E. Timmons
Assistant to the President

Honorable Claude S. Brinegar
Secretary of Transportation
Washington, D. C. 20590

WET:SH:sjh

RECEIVED
MAR 22 1974
CENTRAL FILES

MEMORANDUM OF INFORMATION FOR THE FILE

EXECUTIVE

DATE

3/28/74

FG 374

PE 2-1

LETTER, MEMO, ETC.

TO:

Bryce Harlow

FROM:

Gerry Jones

SUBJECT:

United States
Railway Association

9
Aydelott, Gale B.
Burke, James

Scranton, William
Blatz, Frank
Smith, Wm. K.
Goddard, Ronald
McIntyre, Clifford H.
Payne, Samuel B.

S.F.

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

THE WHITE HOUSE

WASHINGTON
MAR 28 1974

March 28, 1974

C. F.

FG 374

PE 2-1

EYES ONLY

MEMORANDUM FOR:

BRYCE HARLOW

FROM:

JERRY JONES

SUBJECT:

United States Railway Association

Attached is a copy of my proposed memorandum to General Haig. Please notify John Vickerman of my office, 2821, to give him your opinion of the proposed action so that we can accurately represent your views in the final decision memo. Since we are trying to fill these vacancies as quickly as possible, please be sure to reply within three days. If we have not heard from you within three days, we will assume that you have no comment on the appointment.

Aydelott, Gale B.

Burke, James

Scranton, Wm.

Blatz, Frank

Smith, Wm. R.

Goddard, Ronald

McIntyre, Clifford H.

Payne, Samuel B.

Attachment

THE WHITE HOUSE

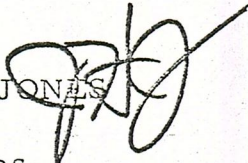
WASHINGTON

March 27, 1974

MEMORANDUM FOR:

AL HAIG

FROM:

JERRY H. JONES 

SUBJECT:

United States
Railway Association

USRA, a non-profit government corporation, was established by the Regional Rail Reorganization Act signed by the President January 2. USRA's job is the reorganization of the Northeast railroads into a single viable rail system, to be operated by a new for-profit corporation, the Consolidated Rail Corporation.

USRA must design the system plan and handle the financing that will enable CRC to acquire and upgrade its plant and equipment, as well as for working capital. Financing will be handled by borrowing from the private sector under federal guarantees. USRA may also make or guarantee loans to States or local authorities for purchasing lines which would otherwise be abandoned under the system plan.

The act establishing USRA (Legislation, Tab A) creates a Board of Directors made up of a Chairman (Arthur D. Lewis), the Secretaries of Treasury and Transportation, the Chairman of the Interstate Commerce Commission, and six other members nominated by the President and confirmed by the Senate.

The act provides that these six nominees be selected from lists of qualified persons recommended by the following:

1. Association of American Railroads
2. AFL-CIO
3. National Governors Conference
4. National League of Cities and U.S. Conference of Mayors
5. "Shippers and organizations representative of Shipping interests including small shippers" (two member.)

Secretary Brinegar, with the concurrence of Secretary Shultz, recommends the following individuals:

RAILS: Gale B. Aydelott, Chairman and President of the Denver and Rio Grande Western (Resume, Tab B). A Colorado Independent, Aydelott moved through the ranks of the company and became Chairman in 1956. He was the only operating rail man nominated by AAR, and is running one of the few profitable railroads in the U.S.

Nominate Aydelott:

Agree _____ Disagree _____

LABOR: James Burke, Senior Vice President of the United Transportation Union (Resume, Tab C). A New Jersey Democrat, Burke is the obvious labor candidate, since he represents the dominant union in the field.

Nominate Burke:

Agree _____ Disagree _____

GOVERNORS: William Scranton, former Republican Governor of Pennsylvania. (Resume Tab D) Scranton wants this post; Senator Scott has pushed hard for the nomination, and DOT concurs.

Nominate Scranton:

Agree _____ Disagree _____

MAYORS: Frank Blatz, former Mayor of Plainfield, N.J. (Resume Tab E) Blatz, a lawyer, has been active in civic and state affairs, served as President of the New Jersey Conference of Mayors, and is one of the brightest Republican prospects in New Jersey. He probably would have been State Secretary of Transportation if we had taken the governorship.

Nominate Blatz:

Agree _____ Disagree _____

LARGE SHIPPERS: William K. Smith, Vice President and Director of Transportation for General Mills. (Resume Tab F) A Minnesota Republican, Smith has served on the boards of the major transportation associations, and was a primary candidate for ICC Chairman in 1970. There is a down side on Smith. He has been associated with COMET (Committee for Modern Effective Transportation) a group which advocates deregulation as a means to lower shipping costs. Some of the rail presidents and truckers who have nothing to gain by deregulation are opposed to Smith. Wally Scott of OMB also feels Smith is an average corporate transportation man, without the breadth needed for the job.

I feel that although Smith is controversial, his position on regulation modernization is consistent with that of this Administration; moreover, Brinegar has a high opinion of Smith, and feels he is one of the brighter individuals in the shipping field today.

Nominate Smith:

Agree _____ Disagree _____

SMALL SHIPPERS: Ronald Goddard, Executive Vice President and Chief Executive Officer of Agway, Inc., a farm supply cooperative. (Resume, Tab G) Brinegar regards Goddard as an excellent representative since Agway, in addition to its own shipping, deals with hundreds of small shippers. Goddard is a New York Democrat.

There is a second candidate for this position. Peter Flanigan strongly recommends Clifford G. McIntyre, former Republican Congressman from Maine (Resume, Tab H) and recently retired legislative director of the Farm Bureau. McIntyre, 66, served for 12 years on the House Agricultural Committee, and Brinegar gave serious consideration to recommending him for the seat, feeling he could help sell the program to the farm community. However, Claude now feels Goddard could do a better job in this respect.

Flanigan makes the point that the Farm Bureau has been tremendously helpful in past and present political battles, and that we should accommodate the organization's leaders, who support McIntyre. I concur with Peter and recommend we nominate McIntyre.

_____ Nominate Goddard

_____ Nominate McIntyre

FINANCE: Samuel B. Payne, New York Republican, was the senior partner and first president of Morgan Stanley and Co. Now 68, he is currently a limited partner. From 1961 to 1966 he was Chairman of J.I. Case and Co., farm implement manufacturers. He comes well recommended by the financial community.

Nominate Payne:

Agree _____ Disagree _____

Brinegar's office has screened a large number of recommendations to come up with this slate. He feels this board will be responsive and is dedicated to the concept of turning right bankrupt carriers into a profitable entity. I feel he has done a good job in view of the legislative structures, and recommend nomination of the slate, with the exception of the small shippers slot, where I concur with Flanigan.

May 9, 1974

Dear Mr. Secretary:

I am pleased to recommend Mr. Benjamin L. ^xHunton for the position of Vice President, Manpower Development, United States Railway Association.

It has been a pleasure observing Mr. Hunton over the past years and seeing him meet the challenges of a job well done. He is intelligent, aggressive, responsive, self-disciplined and follows through on goals established for himself.

I have found Benjamin to be a highly dedicated and motivated person with unswerving loyalty.

I would be pleased to recommend him for Vice President of USRA, a position which requires great trust and responsibility.

Sincerely,

Stanley S. Scott
Special Assistant
to the President

The Honorable Claude S. Brinegar
Secretary of Transportation
Washington, D. C. 20590

SSS:hc

RECEIVED
MAY 10 1974
CENTRAL FILES

SCOTT, STANLEY S.

May 10, 1974

cc

Dear Mr. Jordan:

I am pleased to recommend Mrs. Diana N. Jones for the position of Secretary to the United States Railway Association.

Over the past months, it has been a pleasure observing Mrs. Jones and seeing her meet the challenges of a job well done. She is intelligent, aggressive, responsive, self-disciplined and follows through on goals established for herself.

I have found Diana to be a highly dedicated and motivated person with unswerving loyalty.

I would be pleased to recommend her for Secretary, a position which requires great trust and responsibility.

Sincerely,

Stanley S. Scott
Special Assistant
to the President

Mr. Edward ~~Jordan~~
President
United States Railway Association
2100 Second Street, SW.
Washington, D.C. 20590

SSScott:hc

RECEIVED

MAY 10 1974

CENTRAL FILES

UNITED STATES GOVERNMENT

Memorandum

EXECUTIVE

FG 374

TN 4

FG 25

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

DATE:

January 2, 1974

In reply
refer to:

SUBJECT: Regional Rail Reorganization Act of 1973

FROM : Special Projects Officer

TO : Messrs. Duval
Falk
Mead ✓
Parmenter
Vickerman

Attached is our final draft of the Orientation manual, USRA. It incorporates the language of the conference report which was passed by the House and Senate December 21 and signed by the President January 2, 1974. It is for your information.

Harry T. Ambrose
Harry T. Ambrose

RECEIVED
MAR 6 1974
CENTRAL FILES

Orientation Manual
U.S. Railway Association

Preface - Statement of purpose

I. Background

- A. Area Covered
- B. Railroad companies involved
- C. Statistics - Bankrupt and viable railroads

II. Bankrupt carrier's present position

III. Legislation

- A. USRA
- B. ICC role
- C. CRC
- D. Labor
- E. Abandonment and Subsidies
- F. Financing

IV. Chairman, USRA

- A. Organization
- B. Staffing
- C. System plan
- D. Public Relations
- E. Timing
- F. Compensation
- G. Term

Orientation Paper
United States Railroad Association

Purpose - This document conveys a summary of the essential information relating to the United States Railroad Association as viewed by the Department of Transportation. It is designed to create a common base of knowledge for all those involved with the selection and nomination of the Chairman and Board of Directors.

I. Background

A. Geographic area

The problem of the Penn Central and the seven other bankrupt carriers has been commonly referred to as the Northeast rail crisis. Actually this is a misleading term because these carriers service every state east of the Mississippi and north of the Ohio River except Wisconsin. They also serve Maryland, Delaware, Virginia and West Virginia. Carriers having direct connections with these eight service the entire country.

B. Railroads involved

The bankrupt carriers are:

- Penn Central
- Central of New Jersey
- Lehigh Valley
- Erie Lackawanna
- Reading
- Boston and Maine
- Ann Arbor
- Lehigh and Hudson River

Several solvent railroads operate in the same territory or have extensive interchange with these eight. The most important of these are the Norfolk and Western, the Chessie System and the Southern.

C. Statistics for 1972

2

	<u>Penn Central alone</u>	<u>All 8 Bankrupt Carriers</u>	<u>All U. S. Railroads</u>
Miles of Road	19,861	27,023	204,000
Miles of Track	39,835	53,545	333,000
Carloads Handled	5,384k	7,946k	47,120
Tonnage Handled	268m	390m	2,500

Revenues

Freight \$	1,606m	2,083m	12,571
Total Operating \$	1,825m	2,380m	13,411
Net Investment \$	2,635m	3,687m	28,280
Employees	82,426	111,323	526,091

k - 000

m - 000,000

II. Present Situation, Bankrupt Carriers

All the bankrupt carriers mentioned in I-B are operating within the constraints of Section 77 of the Bankruptcy Act. The creditors and the courts have considerable influence upon management decisions. In all cases current earnings are negative. In some cases, most notably the Penn Central, cash flow is also negative.

Maintenance is not being performed adequately and past neglect of maintenance has caused serious deterioration of the assets. This is resulting in current operating penalties. The Penn Central is operating some of its lines in temporary violation of Federal safety laws based on an exception granted by the Federal Railroad Administration (FRA) in October 1973.

On the basis of FRA studies it appears that there is substantial over-employment by these carriers. There also appears to be duplication of service and extensive trackage which is not economically justified. Thus, unemployment and abandonment of service are serious concerns particularly for political representatives.

III. Legislation

A. United States Railway Association (USRA)

This is a non-profit organization to be headquartered in Washington, D. C. It is a government corporation, funded by Congressional appropriations, whose employees are not government employees. No officer (including the Chairman) may receive compensation in excess of Executive Level 1.

1. Mission - The basic purpose is to design and finance the final system plan for the successor or successors to the bankrupt carriers. The new system should be a viable, profitable one which provides essential rail services to the nation. It should avoid recurrence of the current situation. The plan will also spell out how rail passenger service in the Northeast Corridor can best be operated and upgraded.

2. Organization - USRA will be incorporated by a Board of Incorporators consisting of three government officials:

Secretary of Transportation
Secretary of the Treasury
Chairman, Interstate Commerce Commission

It will be governed by a 11 person Board of Directors consisting of:

The three Incorporators
Chairman, USRA
Seven "non-government" members representative of:

Governors	Railroads
Mayors	Financial Community
Labor	Shippers (2)

The directors will be nominated by the President based on lists submitted by various bodies representative of the above constituencies. Senate confirmation is required

for all non-government members and the Chairman. Non-government directors will be compensated at \$300 per diem plus expenses. USRA will have an Executive Committee composed of the USRA Chairman, Secretary of Transportation, and two other members selected by the USRA Board members. USRA will have a President appointed by the Board upon the recommendation of the Secretary of Transportation.

The sub-organization is not specified by the legislation. Employees will not be subject to civil service regulations (except that salary cannot exceed \$60,000 annually). They may be employees of railroads on leave of absence and they may retain equity interest in railroads but subject to conflict of interest regulations to be established by the Secretary of Transportation. The association may hire consultants, lawyers, accountants, etc., on a salary or fee basis. The peak full-time employment of USRA is estimated to be approximately 100 people.

B. Interstate Commerce Commission (ICC)

The legislation establishes a Rail Services Planning Office within the ICC and specifies a Director be appointed by the ICC Chairman. This office will study and evaluate the essential rail services in the affected region. It is likely that its activities will significantly impact USRA.

C. Consolidated Rail Corporation (CRC)

The bill requires that this company be established within 300 days of enactment. It will be a for-profit corporation, not an agency of the Federal Government, a common carrier and must be principally officed in Philadelphia. It will be incorporated by the Executive Committee of the USRA, which will also compose its initial Board of Directors.

The corporation will acquire rail properties from the bankrupt railroads in accordance with the final system plan in exchange

for its common stock and possibly some USRA bonds. It will be responsible for operating, rehabilitating and modernizing these rail properties in such a way as to maintain adequate and efficient rail services.

D. Labor

The bill provides extensive protection to those employees who may lose their jobs as a result of the consolidation and restructuring of the rail system. It provides \$250 million to the Railroad Retirement Board for administering payments to displaced employees of the bankrupt railroads. Generally speaking, employees with 5 or more years service are guaranteed that their current salaries (up to \$30,000 annually) will be paid to them until they reach age 65.

The bill requires CRC to take over all existing labor agreements from bankrupt carriers, specifies conditions for transfer, protects classes, crafts and seniority, etc. CRC and the rail unions are required to commence negotiations of new agreements for pay, rules and working conditions (not protection) but no procedure for finalizing such agreements is established.

E. Abandonment and Subsidies

Trackage - It is anticipated that the final system plan will provide for the abandonment of significant portions of tracks, yards, etc. However, the bill provides for Federally funded rail service operating subsidies and USRA loans for purchase and rehabilitation of lines which otherwise would be abandoned under the final system plan. Agreements will be made between states/local communities and CRC or other operators to continue service on these lines, utilizing the subsidy payments to cover the deficits.

F. Financing

Extensive financing assistance by the Federal government is provided in several forms:

1. USRA will borrow from the private sector and make loans to CRC. This borrowing will be guaranteed by the Secretary of Transportation as a general obligation of the U.S. These Federally guaranteed loans will then be

available to CRC for acquiring and upgrading its plant and equipment and for working capital needs; to AMTRAK; to other railroads in the region for assisting in implementing the final system plan; and to railroads outside the region which are threatened with insolvency. Also, USRA may make loans to states for purchasing and rehabilitating lines which otherwise would be abandoned under the final system plan.

2. The Secretary of Transportation will provide subsidies to states or local transportation authorities for operation of lines which would otherwise be abandoned.

3. The Railroad Retirement Board will reimburse CRC, USRA and/or the acquiring railroads for the cost of paying severance payments and displacement allowances to displaced employees. These funds will be provided by the U.S. Treasury.

IV. Chairman, USRA

A. Organization

The chairman will participate to the greatest possible extent in designing the initial organizational structure of USRA (dependent upon how quickly nomination and confirmation are accomplished). Future organization structure will be his responsibility. Important functions to be performed are:

System Planning	Control
System Analysis	Administration
Engineering	Procurement
Legal	Labor Relations
Finance	Public Affairs
Congressional Affairs	

B. Staffing

If the Chairman can be expeditiously nominated and confirmed the incumbent will have responsibilities for the selection of key subordinate officials. DOT efforts are underway to identify good candidates for consideration by the Chairman.

C. System Plan

The primary responsibility of USRA in its first 15 months will be to design and gain approval of a system plan for the area. This is expected to require extraordinary skill by the chairman in terms of his ability to organize and motivate his staff, direct and control their activities and sell the results to the concerned constituencies. After the system plan has been approved USRA will become primarily a financing source for the newly created Consolidated Rail Corp.

D. Public Relations

The chairman and his staff will be coordinating with an unusually broad constituency. The composition of the Board of Directors is indicative of this. These are the most important:

- White House
- Office of Management and Budget
- Department of Transportation
- Departments of Justice, Labor, Treasury and Commerce
- Interstate Commerce Commission
- Senate Commerce Committee
- House Interstate and Foreign Commerce Committee
- State Government Officials
- Local Government Officials
- Financial Community
- Labor (upwards of 30 separate unions)
- Association of American Railroads (and individual railroads)
- Consumer Groups
- Shippers
- AMTRAK

E. Timing

The legislation mandates a time schedule for certain key actions by USRA. DOT will attempt to assure that the schedule is improved upon.

<u>Event</u>	<u>Maximum number of days after enactment</u>
1. Advances to Bankrupt Carriers for maintenance and plant improvement.	0-620
2. Request appropriation for USRA expenses.	0-620

<u>Event</u>	<u>Days after enactment</u>	
3. Petition for consolidation of proceedings into a single court.	30	8
4. Complete preliminary system plan.	300	
5. Establish United Rail Corp.	300	
6. Determinations on acquisitions	300-390	
7. Summary and analysis of public comments	360	
8. Complete final system plan.	420	
9. Transmit final system plan to Congress	450	
10. Offer employment to employees of bankrupt lines where applicable (primarily clerks)	620	
11. Transmit final system plan to Special Court and Bankruptcy Courts with certification of properties and value.	600	
12. Receive guarantee for GNRA obligations from Secretary of Transportation. (also approval of interest and terms by Secretary of Treasury)	620	
13. Begin employee protection payments where applicable (with URC and acquiring railroads).	650	
14. Provide financial assistance for purchase and rehabilitation of local lines (basis DOT direction).	620 forward	

F.. Compensation

The chairman of USRA is an officer of the corporation and therefore cannot receive compensation in excess of Executive Level 1. He could receive \$300 per diem as an alternative means of compensation in which case he would receive reimbursement for travel, subsistence and other necessary expenses.

G. Term

His term of office will be 6 years.