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STATEMENT BY SECRETARY OF TRANSPORTATION ELIZABETH HANFORD DOLE
REGARDING NORFOLK SOUTHERN'S REVISED CONRAIL OFFER
MAY 9, 1986

Transportation Secretary Elizabeth Hanford Dole today praised the Norfolk Southern Corporation for acting favorably on her request to raise its offer for Conrail to \$2.275 billion, and for agreeing with the Secretary that the acquisition should be submitted to the Interstate Commerce Commission after the Congress approves the enabling legislation for the sale.

"In February, 1985, I chose the Norfolk Southern Corporation as the purchaser for the government's 85 percent stock interest in Conrail, after reviewing all of the alternatives for the sale of the public's stock and then receiving competitive bids. The Norfolk Southern Corporation, with the traffic it will add to Conrail's lines and its high standards for operations and maintenance, is the best guarantor of Conrail's financial strength and service.

By their action announced today in increasing the price for Conrail, Norfolk Southern has again demonstrated that it will provide the maximum return to the government. In addition, by agreeing to limits on its use of "built-in" tax deductions, the Norfolk Southern Corporation will further increase the return to the government from the sale.

The Department of Transportation and the Norfolk Southern are proposing that the Congress, in its approval of the sale legislation, should direct the Interstate Commerce Commission to examine and rule on a priority basis on the Norfolk Southern acquisition of Conrail. The changes in the terms of sale and the added safeguard of ICC review should allow the House of Representatives to move speedily in accomplishing the transition of Conrail to private ownership, which was started by Congressional direction five years ago."

Conrail, which was formed after the bankruptcies of seven northeast railroads, has now been owned and subsidized by the government for ten years. Pursuant to the Northeast Rail Service Act of 1981, which mandated that Conrail should be transferred to private ownership, Secretary Dole chose the Norfolk Southern Corporation to purchase the government's 85 percent common stock interest in Conrail; Conrail employees own the rights to the remaining 15 percent of the stock. The Senate approved the Norfolk Southern plan with bipartisan support on February 4, 1986, and sent the sale bill to the House of Representatives.

Norfolk Southern's action today responded to changes requested by the Secretary, which were set forth in a letter on May 6, 1986, from Secretary Dole to House Energy and Commerce Committee chairman John D. Dingell. Secretary Dole also detailed in her letter the specific reasons why she continues to support the Norfolk Southern sale over various public offering proposals.

In calling upon Norfolk Southern to enter into a new agreement that will yield \$1.9 billion to the government and \$375 million to purchase Conrail employees' stock and settle their outstanding claims, Secretary Dole stated in her May 6 letter:

[M]any price-determining factors have changed since I asked the Senate to approve the Norfolk Southern's offer. Interest rates have come down, the industrial economy has improved, and the stock market (including the rail averages) has moved dramatically upward to historic high levels. Although Conrail's fundamental financial prospects have not improved, there is no question that these positive changes in the capital markets and the overall economy will permit us to achieve a greater return in the sale of Conrail.

The Norfolk Southern's revised terms are based, in part, upon Conrail Chairman Stanley Crane's recent report to the Congress that Conrail's pension plan is overfunded by \$360 million. Secretary Dole said:

Although Mr. Crane has suggested that Norfolk Southern intends to capture this benefit, Mr. Claytor and I have agreed that the value of this overfunded amount should flow directly to the government through an increase in the purchase price.

Secretary Dole and Norfolk Southern's proposal to require ICC review and approval of the Norfolk Southern acquisition of Conrail gives further assurance that the sale must pass muster under the antitrust laws, even though Congress had exempted the sale from ICC review in the 1981 legislation. Under the ICC's procedure interested parties (such as shippers, communities, and other rail carriers) will have opportunities to express their views to the Commission.