



# DEPARTMENT OF TRANSPORTATION

# NEWS

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Secretary of Transportation Claude S. Brinegar today sent to Congress proposed amendments to the Nixon Administration's Northeast Railroad Restructuring Act.

The proposed legislation, which would create a streamlined rail system from elements of six bankrupt railroads in the Northeast, is before the Committee on Commerce in the Senate (S-1893) and before the Committee on Interstate and Foreign Commerce in the House of Representatives (H.R. 8526).

"These amendments," Secretary Brinegar said, "would authorize transitional Federal financial assistance for bankrupt railroads, would provide for Congressional review of the rail service to be offered in the Northeast, and would encourage greater public participation in the determination of rail routes and levels of service.

"The amendments are meant to overcome objections to our original bill, to move it forward and thus bring to a speedy conclusion the threat of a rail crisis in the Northeast," the Secretary said.

The four principal amendments would:

1. Authorize the appropriation to the Secretary of Transportation of \$85 million for payment to bankrupt railroads to provide for their cash requirements pending acquisition of selected assets and operation of rail service by the Northeast Railroad Corporation.
2. Require the Secretary to arrange public hearings at a minimum of 12 locations in the Northeast before the Secretary issues his final report on Core rail service.

(The bill directs the Secretary, within 90 days of enactment, to designate a Core rail service which would identify geographic zones in the Northeast within and between which rail service would be provided and the minimum number of railroads that would provide the service.)

3. Require the Secretary to arrange public hearings at a minimum of 12 locations in the Northeast before the Secretary approves the rail service plan prepared by the Northeast Railroad Corporation. Also, increases from 30 to 60 days the period afforded the Secretary for review of the Corporation's rail service plan.

4. Provide for Congressional review of the rail service plan approved by the Secretary. The plan would be deemed approved by the Congress unless within 30 days after receiving the plan the Congress, by a majority vote of both houses, were to reject it.

Secretary Brinegar, stated also, in his letter to Congressional leaders:

"While we are still optimistic that a healthy private sector rail system can be extracted from the bankrupts without additional Federal financial involvement, I can assure you that the Administration is prepared to reexamine the need for government assistance after the new Corporation has shown us their plans and has investigated all of the possibilities for obtaining private funding.

"If it is found at that time that a restructured system is not possible without government financial aid, the Department will propose to the Congress appropriate measures to provide that aid. There are a number of alternative approaches that might be considered to meet such a need, but we believe it would be inappropriate to make any selection from these possibilities until the amount and nature of the need for assistance becomes clear."

Other amendments submitted today either conform provisions of the bill to the changes listed above or correct errors contained in the bill as introduced.

The originally proposed legislation would authorize the establishment of a Northeast Railroad Corporation for the purpose of:

- Preparing a service plan identifying the rail lines the Corporation proposes to operate and the method of operation proposed for each service.

- Negotiating agreements with bankrupts and other railroads for the acquisition of assets needed to provide service.

- Issuing and allocating stock to the railroads in return for assets acquired by the Corporation.

-- Negotiating agreements with railroad employees to be hired by the Corporation. (Provision also is made for the negotiation of agreements by the bankrupt railroads and representatives of their employees who are not to be hired by the new Corporation providing for fair and equitable arrangements for these employees.)

-- Negotiating debt financing for the Corporation to provide working capital and capital for modernization and improvement of the Corporation's system.

-- Providing for the operation of rail service on its own, by contract, or by transferring its assets to one or more operating corporations it might create.

The service plan devised and the agreements negotiated by the Corporation would be subject to review by the Secretary for their consistency with the Core Rail Service Report.

Agreements between the Corporation and bankrupt railroads also would be reviewed by the appropriate reorganization courts on the basis of their serving the best interests of the debtor railroads' estates.

The Corporation prior to becoming an operator of rail service would be managed by a three-member board of incorporators appointed by the President with the advice and consent of the Senate. The bill authorizes the appropriation of \$40 million to the Secretary for payment to the Corporation to meet its organization expenses. No funds would be made available for capital or operating expenses.

The bill establishes a special procedure for the abandonment of rail service. It would permit bankrupt railroads to discontinue after 60 days notice any service within a geographic zone for which no service is designated in the Core Rail Service Report. In most cases it also would permit bankrupt railroads after transferring assets to the Corporation to discontinue after 60 days notice any rail service not included in the service plan approved by the Secretary.

During the first two years of providing service, the Corporation or any corporation it might establish would be permitted to discontinue service after 60 days notice following changed market or other conditions or a natural disaster if the Secretary finds there is no reasonable prospect that the service can become self-sustaining with efficient and economical management.

Track used for discontinued service could not be abandoned, however, until state and local governments, shippers, or other persons have been given an opportunity within 120 days after the cessation of service to purchase the track for railroad purposes or to contract for the continuation of service thereon on terms ensuring no losses are incurred as a result of the continued provision of the service.

State and local governments could also use the 120 day period to determine whether they should take action to acquire the rights-of-way for rapid transit, recreational, or other purposes in the event no offers are made to permit the continuation of rail service.

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