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# 93-52 NATIONAL VISITOR CENTER ACT AMENDMENTS

GOVERNMENT

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## HEARINGS

BEFORE THE

### SUBCOMMITTEE ON

PUBLIC BUILDINGS AND GROUNDS

AND THE

COMMITTEE ON PUBLIC WORKS

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

## H.R. 16615

TO AMEND THE NATIONAL VISITOR CENTER FACILITIES  
ACT OF 1968

SEPTEMBER 12, 1974

Printed for the use of the Committee on Public Works



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# H. R. 16615

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 11, 1974

Mr. GRAY introduced the following bill; which was referred to the Committee on Public Works

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## A BILL

To amend the National Visitor Center Facilities Act of 1968.

1        *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That section 102 (a) (2) of the National Visitor Center  
4 Facilities Act of 1968 (82 Stat. 43), as amended, is further  
5 amended by deleting the phrase, "contingent when such  
6 facilities are available for public use,".

7        SEC. 2. The National Visitor Center Facilities Act of  
8 1968, as amended, is further amended by revising section  
9 102 (a) (3) to read as follows:

10        "(3) The Company, in consultation with the Secretary,  
11 shall construct a parking facility, including necessary ap-

1 proaches and ramps for adequate circulation, to accommo-  
2 date automobiles, charter buses, and interpretive visitor  
3 transportation, as appropriate, in the air space northerly  
4 of and adjacent to the existing Union Station Building, and  
5 such facility shall be leased to the United States for a term  
6 not to exceed twenty-five years commencing upon a date  
7 to be mutually agreed upon.”

8 SEC. 3. The National Visitor Center Facilities Act of  
9 1968, as amended, is further amended by changing section  
10 102 (a) (4) to read as follows:

11 “(4) The Company, its successors or assigns shall, and  
12 is hereby authorized to, construct a new railroad passenger  
13 station either in the area beneath or adjacent to the parking  
14 facility referred to in paragraph (3) or in the east wing of  
15 the Union Station Building, as is deemed appropriate by  
16 the Secretary and the Secretary is authorized to make space  
17 available for such purpose in the east wing with or without  
18 charge and upon such other terms and conditions as the  
19 Secretary deems advisable: *Provided*, That the Secretary,  
20 in consultation with the Secretary of Transportation, shall  
21 determine the adequacy of such new rail passenger station,  
22 and, if at any time such area is not utilized for the new rail-

1 road passenger station, it shall be utilized by the Secretary  
2 for purposes of the National Visitor Center.”.

3       SEC. 4. Section 102 (c) of the National Visitor Center  
4 Facilities Act of 1968 is amended by striking out “\$8,680,-  
5 000” and inserting in lieu thereof “\$21,580,000”.

The proposed station, if built, will be utilized by the Government  
 for the purpose of the National Agricultural Experiment Station  
 at section 103 (-) of the National Forest, and  
 the building is to be located in section 103 (-)  
 and is estimated to cost \$250,000.

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GOVERNMENT

THE GOVERNMENT OF THE STATE OF NEW YORK

COMMISSIONERS

IN SENATE  
January 1, 1910

REPORT  
OF THE  
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LAND OFFICE  
IN RESPONSE TO  
RESOLUTION PASSED BY THE SENATE  
MAY 15, 1909

ALBANY:  
J. B. LIPPINCOTT COMPANY,  
PRINTERS,  
1910

# NATIONAL VISITOR CENTER ACT AMENDMENTS

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THURSDAY, SEPTEMBER 12, 1974

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS  
OF THE COMMITTEE ON PUBLIC WORKS,  
*Washington, D.C.*

The subcommittee met, pursuant to call, at 10:20 a.m., in room 2167 Rayburn House Office Building, Hon. Kenneth J. Gray, chairman of the subcommittee, presiding.

Mr. GRAY. The Subcommittee on Public Buildings and Grounds will please come to order.

I want to thank all of my colleagues for appearing this morning. It is a busy time.

My colleagues on the committee, ladies and gentlemen, for the past 9 years we have been trying desperately to provide the 212 million Americans and foreign visitors with a national visitors center capable of providing adequate parking, food services, information, and public transportation.

After years of negotiation with the owners of Union Station an agreement was reached between the Department of Interior, Penn Central Transportation Co. and B. & O. and C. & O. railroads to provide \$16 million for improvements at Union Station, including a parking garage and complete renovation of the existing station suitable to accommodate millions of visitors annually.

This agreement was reached in 1968 and amended in 1972.

This agreement called for the construction of a parking garage, complete renovation of the existing station and during the course of construction on this facility that all Americans eagerly await, Amtrak filed a suit against the owners of Union Station and although it is our opinion that the lawsuit does not cloud in any way legal title to this property, construction has been stopped by the railroads in accordance with their letter dated August 27, 1974, to the Secretary of Interior signed by president Hanifin, and chairman of the board Watkins.

If this construction by the railroad is not resumed immediately this project cannot be completed by the Bicentennial or in 22 short months.

Since this is the only viable Bicentennial construction project in the Nation's Capital it is imperative the construction be resumed by the railroads.

On behalf of the committee I want to thank all of the witnesses and those who have traveled great distances who will appear here this morning and for any inconvenience caused them by attending today.

A way must be found today to get this project back on schedule and that is the purpose of this public hearing.

I might say parenthetically this is probably about the 175th meeting that we have had, both public meetings and private meetings in order to try to resolve this problem, to accommodate the public.

Our first witness this morning will be James T. Clarke, Assistant Secretary for Management, Department of the Interior.

I would like for the record to show that Mr. Clarke has burned the midnight oil not for days, but for weeks and literally months with his associates in trying to resolve these problems, the financing and to keep their project on schedule.

Mr. Clarke, I want to thank you publicly for all of your outstanding work and ask that you identify those who are with you; and I also want to thank them personally, Mr. Fish, Mr. Hanslin, Mr. Wheeler, and Mr. Frizzell who have put a lot of time in trying to resolve this problem.

We welcome you before the subcommittee and thank you so much for your efforts.

I know that since we called this meeting hurriedly you probably do not have a prepared statement but you might be able to give us a little outline as to where we are now before we hear from the railroad and banks and Amtrak, the principals in this controversy.

**STATEMENT OF JAMES T. CLARKE, ASSISTANT SECRETARY FOR MANAGEMENT, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY DOUGLAS WHEELER, DEPUTY ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS; LARS HANSLIN, OFFICE OF SOLICITOR; JACK FISH, DIRECTOR, NATIONAL CAPITAL PARKS; AND KENT FRIZZELL, SOLICITOR, OFFICE OF THE SECRETARY**

Mr. CLARKE. Thank you, Mr. Chairman.

I will introduce those at the table with me. Kent Frizzell, the Solicitor of the Department of the Interior; Jack Fish, Director of the National Capital Park Region of the National Capital Parks; and Douglas Wheeler, Deputy Assistant Secretary for Fish and Wildlife and Parks.

Mr. GRAY. I welcome you before the subcommittee, gentlemen.

Mr. CLARKE. Mr. Chairman, I want to thank you and your committee for the interest you have shown in this project over time.

It is true that we have spent some time over the last several months and we know that you and your committee have spent some time over the years.

I do not have a prepared statement this morning because as I understood your request to us you wanted to know what the status of the project was and frankly, the status has been changing up to this very moment.

Perhaps I can give you a brief chronology of where we are as I understand it. I am sure your other witnesses today will be able to state their positions much more precisely and eloquently than I.

As you well know, the project which was originally authorized in 1968 has been troubled over the years for a variety of reasons, principally because of continued cost escalations.

We have had difficulty trying to accomplish the intent of the original act within the authorized funding.

Second, there has been a change in circumstances. Amtrak was not on the scene at the time this legislation was written nor was the increase in passenger traffic anticipated in 1968 that is now present.

Similarly, the Penn Central bankruptcy was clearly not contemplated over the past several years and created difficulties in legally bringing this project to a conclusion.

The latest problem as you identified in your opening statement was triggered by the filing of a suit by Amtrak against the railroads to protect, as I understand it in their view, their interest and their responsibilities to handle passenger traffic in the Washington area.

This suit was filed in late June which presented a problem to the banks who were committed to provide the financing for this project.

The banks involved felt this suit clouded the title and that from a legal point of view and from a business risk point of view made them feel the withdrawal of this suit with prejudice was a condition for their continued commitment of the money.

Similarly, the suit provided a problem for Chessie in that they evidenced at least to us a disinclination to proceed because of the suit and represented as I understand it, the potentially open ended commitment to build adequate railroad stations as an alternate to the presently used station and they felt that this was an unacceptable risk.

Again, I am sure both of those parties will state their positions before you this morning.

Throughout July and August we have been involved in extensive discussions and negotiations individually with the affected parties.

In mid-August, the banks reaffirmed their commitment to fund the project at the original rate of interest with several prerequisites; one, the amendment of the legislation to cure certain technical features that they felt were required and second, the withdrawal of the Amtrak lawsuit with prejudice.

As you have indicated all of this came to a head on August 27, when the B. & O. Railroad advised the Secretary of the Interior that they would not devote any more of their corporate funds to the project and laid out the conditions upon which they would be willing to proceed.

The effect of this was to potentially cease the ongoing construction of the project since up to that date, August 31, the financing of the project was being accomplished effectively with B. & O. moneys.

They concluded that they were unwilling to invest more of their corporate funds in the face of uncertainty.

The Secretary decided that in order to keep the project alive, to determine whether the project could be saved, that he would underwrite the financing for a few days which, in fact, he has done and is financing the project at this moment and will do so until it becomes clear that the project will either be completed as contemplated, or in the event that it looks unlikely that it will be resolved, that being the legal difficulties, he will be forced to terminate his financing of the project.

MR. GRAY. At the expense of being repetitious let me again for the record make it very clear, if the contractor walks off of course the project is dead and will cost probably millions of dollars to get it started again; and the Secretary in the interim is continuing construction, but we want to make it perfectly clear that the railroads have withdrawn

all of their financial support per the letter of August 27, 1974, is that correct?

Mr. CLARKE. That is my understanding, Mr. Chairman.

We come to this hearing this morning, Mr. Chairman, with a twofold problem.

First, we have attempted to resolve the Amtrak lawsuit through a negotiated settlement.

We felt that if the project was to succeed as a Bicentennial project being available for the visitors in 1976, it was essential that the contractor stay on the job and that the lawsuit be negotiated rather than litigated in court.

As of this moment, there have been a number of drafts of a memorandum of understanding attempting to bring the parties together.

The parties principally are Interior, Amtrak, and the railroads. I am led to believe that everyone is encouraged by the progress that this memorandum, that is the latest memorandum represents, but that the railroads in particular have some difficulties with it and I think all I can characterize at the moment, Mr. Chairman, is that we have made progress; but I am not optimistic that we will be able to settle this in the next day or so.

In the event this memorandum of agreement is not secured and the litigation which would fall out of the Amtrak suit were to proceed, the Secretary would be forced to withdraw his continued support for the project and probably that would have to be done by Friday of this week.

Mr. GRAY. Again for the record, you are stating that the Secretary of the Interior and Amtrak have reached an understanding, that is between the two agencies and DOT on a memorandum of agreement that up to this point the railroads have not agreed to that memorandum of agreement; is that an accurate statement?

Mr. CLARKE. I will let the railroads speak for themselves, Mr. Chairman.

Mr. GRAY. What I am saying is the Government agencies in this particular case seem to be in agreement.

Mr. CLARKE. We have no problem with the memorandum of understanding at the moment that we think cannot be resolved.

Mr. GRAY. By "we," do you mean Interior, Amtrak, and DOT?

Mr. CLARKE. I was told by Mr. Lewis, president of Amtrak, that he felt he could sign an agreement essentially under these lines; and in some private conversation several moments ago with Chessie I am led to believe they are very encouraged, but that they need some more time on, frankly, have some problems I believe with the language presently in the agreement.

Mr. GRAY. What I am trying to get for the record, Mr. Clarke, as far as you are concerned, is that you believe that all Government agencies are in agreement on this memorandum?

Mr. CLARKE. Transportation and Interior.

I am not sure that I would characterize Amtrak as a Government agency.

Mr. GRAY. Well, all of the parties?

Mr. CLARKE. Yes, sir, and the second thing which we are here to appear before you to accomplish and that is to make certain technical amendments to the legislation required by the banks which

would be presently a precondition for their financing the project and those amendments have been discussed with your staff.

I believe, there are probably some other amendments which will be proposed this morning and we will be prepared to argue on their behalf.

Mr. GRAY. Could you briefly tell the committee what these technical amendments are that you propose to pass out today that are requested by the banks?

Mr. CLARKE. I would like to defer to Kent Frizzell.

Mr. GRAY. Mr. Solicitor, you are recognized.

Mr. SULLIVAN. Pardon me, do you have a copy of the bill in front of you, Mr. Frizzell, H.R. 16615?

Mr. FRIZZELL. Yes, I do.

Taking H.R. 16615, section 1 is intended to clarify the fact that the Secretary of the Interior is authorized to commence rental payments for the Visitors Center upon completion of the improvements to be built by the railroads, \$16 million investment even though such improvements at the time of commencement of rental payments are not available for public use as a practical matter.

Presently, the language of the statute would not allow the Secretary to commence the leasehold payments and repay the railroads on the \$16 million until the facilities are available for public use.

It is a practical matter that is not acceptable to the railroads and we well understand that and are willing to commence the payments once they have expended the \$16 million.

They may, in fact, have to expend additional moneys.

Mr. SULLIVAN. Are you saying the \$16 million will not do the job; is that the point you are making?

Mr. FRIZZELL. We want to cover that eventually should that occur.

Mr. SULLIVAN. The anticipation that additional funding will be necessary to complete the project.

Mr. FRIZZELL. That may be true and if it is true we feel that the railroads are in truth and fact, entitled to repayment of the \$16 million once they have expended that amount.

This language in section 1 authorizes the Secretary to commence payments at that time.

Mr. SULLIVAN. In other words, will there be additional funds needed above the \$16 million to complete the work?

Mr. FRIZZELL. I do not think so at this time.

Mr. GRAY. I think what the general counsel is referring to is the fact that we are going to spend in addition to the \$16 million money, hopefully we will be spending Federal money authorized by Congress and appropriated by the Congress.

Mr. FRIZZELL. To complete the ramping, et cetera.

Mr. GRAY. The gentleman from California, Mr. Johnson.

Mr. JOHNSON. In other words then, the additional Federal funds would make it usable for the public.

We recognize the \$16 million and the Secretary would be authorized to start payment on the \$16 million but the additional moneys would be Federal moneys to be appropriated by Congress to complete the facilities and make it usable for the public.

Mr. FRIZZELL. That is correct.

Mr. GRAY. You may go ahead, Mr. Frizzell.

Mr. FRIZZELL. Section 2, this section clarifies the Secretary's authority to construct the Visitors Center parking garage to accommodate as many vehicles as funds will permit as opposed to any particular number as was suggested in the original act.

Mr. GRAY. Yes; we used the figure of 4,000 and at the time we were negotiating with the railroads way back in 1966 that money would have bought 4,000 places. They feel that this should be changed to whatever number we can give them.

Now, let me ask you this: Are we talking about 1,200?

Mr. SULLIVAN. Is the requirement for 4,000 spaces?

Mr. FRIZZELL. Yes. Section 3 of the bill permits the new railroad part of the station to be built either north of Union Station, a building as required under the legislation or in the east wing of the building at the discretion of the Secretary and it gives the Secretary in consultation with the Secretary of Transportation the authority to determine the adequacy of such a new station.

Mr. GRAY. As to location?

Mr. FRIZZELL. Yes.

Mr. SULLIVAN. Why the purpose of the language? Why the switch from the original language to the alternative, Mr. Frizzell?

Mr. FRIZZELL. It was an attempt on behalf of the Secretary of the Interior to resolve the differences between the parties to allow the use of the east wing for a passenger facility as opposed to construction of a new passenger facility north of the present building.

Mr. JOHNSON. What amount of space would that take out of the original agreement?

Mr. FRIZZELL. The Visitors Center?

Mr. JOHNSON. Yes.

Mr. FRIZZELL. Approximately one-third.

The east wing is in broad generalities a third of the Visitors Center space of the old gray building.

Mr. GRAY. Of course, let the record state though that the uses that this space would be put to are compatible with the needs of those people coming to the Visitors Center so we are not "giving away" a lot of space that would be required because the transportation, of course, is a vital part of what we are trying to do here of setting up a transportation system hopefully later intermodal, but certainly parking that would bring people closer to the informational services that they would get inside the station, so transportation and parking is an integral part of that so we are not really giving up one-third of the station that could be used for something else because we think we would still have adequate room for all the other informational services.

Mr. FRIZZELL. The National Park Service feels with the large amount of square footage available in that building that the remaining two-thirds is more than adequate for their purposes for a National Visitors Center.

Mr. SULLIVAN. May I ask a question, Mr. Frizzell.

Is one of the reasons for this alternative of the authority that the east wing approach would be less cost for remodeling the station than building a new one?

Mr. FRIZZELL. No doubt about it; yes.

Mr. GRAY. You may proceed.

Mr. FRIZZELL. Then the bill has one remaining section, section 4 and that section merely raises the limit on authorized appropriations for the Visitors Center from \$8,868,000 to \$21,580,000.

Mr. SULLIVAN. This is the Federal contribution?

Mr. FRIZZELL. That is accurate, in essence, an additional \$12.9 million.

Mr. GRAY. And you as Solicitor feel these technical amendments are needed in order to effectuate an agreement between all parties?

Mr. FRIZZELL. Not only that, but to give the Secretary of the Interior authority to do what is necessary to try and make sure that the Nation's Capital has a Visitors Center in time for the Bicentennial.

Mr. GRAY. Thank you very much. We appreciate that.

Any comments or questions?

Mr. SHUSTER. Yes.

Mr. GRAY. The gentleman from Pennsylvania.

Mr. SHUSTER. Who made these original estimates that we are going to be able to have 4,000 cars in the parking lot in the garage?

Mr. CLARKE. Congressman, I do not know the answer to that question. It was in 1966 and 1968.

Mr. SHUSTER. These are the kind of things that need to be nailed down. Somebody comes in here, some phantom and tells us that for  $x$  dollars we are going to get 4,000 parking spaces and then the years go by and somehow the people of America end up getting less than one-third of that for twice the cost and these things need to be nailed down.

Who did it? I want to find out. Who is the bureaucrat or who is the Government contractor that made such outrageous projections? Let us put his name up in neon lights.

Mr. GRAY. My friend from Pennsylvania raises a very important point.

Let me say having sat on both the Visitors Center Advisory Committee and the original author of the bill this estimate of 4,000 parking spaces was made by an architect and engineer and this was back in 1966 and of course you can see a simple escalation of 10 percent for 8 years plus the fact it seems every time we try to do something for the public we are always the poor boy.

We started out here with not one nickel of taxpayers' money involved. We are building \$2 billion worth of Federal bureaucracy at this time but when it comes to facilities for taxpayers we decide to go private enterprise because the railroads back in 1966 assured us they could come up with all the money.

Well, they procrastinated for 4 years before a contract was signed and then interest rates went up and they came back 4 years later and amended that again, so I can tell you exactly how it happened. It was a bad estimate to start with and private enterprise did not come up with the money. They kept telling us we have to wait for this agreement and that agreement and here we are 9 years later still trying to amend this thing to please the railroads and the banks.

We probably could have taken \$8 million or \$10 million and built this facility and had it in use now.

So it is the old American tradition of allowing private enterprise which has not worked very well to the taxpayers in the Nation's Capital and that is why we find ourselves in this dilemma; but I agree with you implicitly.

Mr. CLARKE. Mr. Gray, that concludes our testimony unless there are other questions.

Mr. GRAY. The gentleman from California.

Mr. JOHNSON. If we were to agree to this particular bill that is before us with the amendments just explained would this eliminate the Amtrak suit? Would this clear it up?

Mr. CLARKE. No, sir, it would not?

Mr. JOHNSON. What happens then?

Mr. CLARKE. If we do not solve or reach a negotiated settlement for the present Amtrak suit and the suit is not withdrawn with prejudice, then the project will collapse.

Mr. JOHNSON. I understood you to say that Interior and Amtrak were in agreement, and also the Department of Transportation.

Mr. CLARKE. We are prepared with very few modifications to sign this draft of a memorandum of understanding which we have been working on up until this very moment.

If that memorandum of understanding were signed, the memorandum provides for Amtrak as a condition to withdraw its suit in exchange for certain other things that they will do, that is the railroad will do and we will do.

If a memorandum or similar memorandum of understanding were signed which provides for the withdrawal of that suit, then presumably we have the basis to go forward.

If the suit cannot be resolved out of court, then the B. & O. has said they will not proceed with the continuation of construction costs and we cannot continue to spend Federal funds on speculation and the contractor will leave the job and it will be litigated in court.

Mr. JOHNSON. Then the memorandum would have to be agreed upon prior to the bill being enacted.

Mr. CLARKE. That is correct.

Mr. JOHNSON. Because, I presume, the bank just will not make the money available as long as there is a cloud on the title.

Mr. CLARKE. It is a chicken and egg situation.

I think the banks will testify this morning that they wish two things to occur before they will commit their \$16 million.

One, they wish changes in the legislation which we have just discussed here previously.

And, they wish withdrawal of the suit with prejudice.

If one is accomplished and not the other, I am led to believe that they will not provide financing.

Mr. JOHNSON. Thank you.

Mr. SULLIVAN. Can I ask one further question to clarify the point that Mr. Johnson asked, Mr. Clarke, and that is for the record you are stating really that the essential item here today is the question of agreement on the memorandum of understanding; is that correct?

Mr. CLARKE. The essential point that the parties must accomplish is an agreement which would have the effect of withdrawing the Amtrak lawsuit.

Mr. SULLIVAN. Even if this legislation passed, the lawsuit pending, the money will still not be available, is that correct?

Mr. CLARKE. That is my understanding.

Mr. SULLIVAN. You also indicated that the Secretary did indicate that if there is no agreement by tomorrow he will withdraw his support for the project, is that correct?

Mr. CLARKE. We have been funding the ongoing construction of the project on a day-to-day basis.

The Secretary's position which I am sure he will relate to you this afternoon before the full committee is that he is prepared to continue to underwrite the construction if it is necessary in the short term, meaning to cure the defects that are presently in the project, meaning a matter of days. The major one is the negotiated settlement of the Amtrak suit.

If it becomes clear that that is something beyond our reach, then we believe it would be folly to incur additional cost and we would withdraw our commitment to the contractor to underwrite his continued costs and I think from our position if there is no reason to believe we will not have a settlement out of court by tomorrow night that my recommendation to the Secretary will be for him to withdraw his financing for the project.

Mr. GRAY. Mr. Frizzell, I would like to ask you a question before we move on to our next witnesses.

I have a copy of the original lease dated 1968 and the amended lease dated 1972 between the Secretary of the Interior and Chessie.

On page 8 of that agreement, subsection (c), it states:

It is agreed that the lessor's noncompliance with the provisions of this section shall constitute a material breach of this lease.

In the event of such noncompliance the lessee may take appropriate measures to enforce compliance, it may terminate this lease or pursue such other remedies as provided by law.

In event of termination the lessor shall be liable for all excess costs of the Government in acquiring substitute spacing including but not limited to the cost of moving to such space.

Is it not the feeling of the Department that this is a binding lease, that the lessor in this case, Chessie, speaking for Penn Central does have the responsibility to comply with this lease of obtaining this financing and constructing this facility and in the absence of that compliance the Government does have some remedy upon the railroads either to force them to comply through provisions provided by law or to get compensation for certain of the taxpayers' money that has been expended to date and in moving to another space if that were desirable?

Mr. FRIZZELL. That is and constitutes the position of the Department.

Mr. GRAY. I thank you.

Any questions or comments?

Mr. CLARKE. Mr. Chairman, I might add that, there have been a number of drafts of proposed memoranda of understanding in an attempt to solve this in a negotiated way in fairness to all of the parties.

The latest draft was exposed to all of us only about 1 hour or so ago and I am sure everybody is pondering the words at the moment.

I will let each of the witnesses decide, you know, how serious their reservations are and how far they believe the parties are apart.

Mr. GRAY. But you are stating for the record that the Department of the Interior is going to be diligent, going to be fair, going to be reasonable and going to make every conceivable effort to get all parties together as you have in the past so that this matter can move forward for the benefit of the American people.

Mr. CLARKE. Yes, sir, and further that at the moment the latest version of the agreement gives us no serious problems.

Mr. SHUSTER. May I see that document?

Mr. GRAY. Yes.

Mr. SHUSTER. I have a question perhaps directed to you, Mr. Chairman, or the witnesses.

Does the language which you just read mean that Chessie has a contractual obligation to provide this center for approximately \$16 million?

Mr. FRIZZELL. That is accurate.

Mr. SHUSTER. Then why are we negotiating?

Why are we talking about increasing the Government share in the last section 4 here of spending more public funds?

Why are we not suing Chessie?

Mr. GRAY. If I can answer that very briefly, the improvements we proposed in the additional \$12.9 million are over and above the work that Chessie had planned to do.

Chessie had planned to spend \$11 million on parking and \$5 million on renovation of the station.

Since that time the costs have gone up. Steel has gone up 25 percent plus we have cranked in some additional informational services and some additional ramps so the \$12 million we propose here has nothing to do with the \$16 million, I would say to my good friend from Pennsylvania.

Mr. SHUSTER. Thank you very much.

Mr. FRIZZELL. The additional \$12.9 million requested in this section 4 is essentially for our own improvements within the building for purposes of the National Visitors Center.

Mr. SHUSTER. Chessie's figure is \$16 million?

Mr. FRIZZELL. Yes.

Mr. GRAY. But it is not feasible and we certainly would not recommend to this committee that we spend that kind of money unless Chessie comes along with their improvements because we would have a bridge as it were halfway over the river and it would not help anyone very much.

Well, thank you, gentlemen; we appreciate all your work and look forward to your continued diligence in trying to solve this problem.

Our next witness is Mr. A. Barton Lewis of A. Barton Lewis & Associates of Philadelphia, Pa., who is completely familiar with this project and also has been helpful in negotiating bank loans.

Mr. Lewis, will you please come forward.

Mr. Lewis, let me say that I appreciate your coming. You have been most helpful in the past not only in negotiating this matter but advising this committee on financing and ongoing matters.

Mr. Lewis, I have before me a letter dated August 27, 1974, addressed to the Honorable Rogers C. B. Morton, Secretary of the In-

terior, signed by John F. Hanifin, president, Baltimore & Ohio Railroad and Hays Watkins, chief executive officer of the Baltimore & Ohio Railroad.

I will not belabor you with reading the letter but quote from it:

In light of the termination by Chemical Bank and Emigrant Savings Bank of their commitments to finance this project we cannot devote to the project any funds from the corporate account.

I would like to ask you as an expert in the financial field if knowing that the \$3.3 million-plus lease per year which aggregates more than \$82 million knowing the value of the Union Station property and the air rights in the back where the parking facilities will be constructed, do you feel that the railroads or anyone else would have difficulty in borrowing \$16 million on an \$82 million lease and a piece of property that the railroads contend is worth more than \$29 million?

**STATEMENT OF A. BARTON LEWIS, OF A. BARTON LEWIS & ASSOCIATES, PHILADELPHIA, PA.**

Mr. LEWIS. Mr. Chairman, subject to financing in a form that is acceptable to the financial community, that is the instruments in the usual form, I believe the financing is obtainable in the market today.

Mr. GRAY. It is obtainable in the market today?

Mr. LEWIS. Yes.

Mr. GRAY. Since you did help negotiate this matter, is it not a fact that both of the banks that have been enumerated in this letter here did make a commitment to finance this project to the B. & O. and C. & O. railroads?

Mr. LEWIS. Yes.

Mr. GRAY. They did make a firm commitment?

Mr. LEWIS. Yes, sir.

Mr. GRAY. So as far as you know there is no reason why this project did not go forward, that it is within the capability of the railroads to borrow the \$16 million?

Mr. LEWIS. Provided that the supporting documents are in usual form acceptable by the financial community.

Mr. GRAY. Well, of course those documents were considered by the banks and you are telling this committee that based upon the documents submitted, the banks did in fact give a commitment for \$16 million?

Mr. LEWIS. Yes, sir.

Mr. GRAY. We thank you very much. I appreciate that.

Our next witness is Mr. Hays Watkins, vice chairman of the board, Baltimore and Ohio Railroad; accompanied by Mr. John W. Hanifin, president, Baltimore and Ohio Railroad and the C. & O., better known as Chessie.

I appreciate you gentlemen coming. I want the record to reflect that this hearing was not called or precipitated by any action of our committee but by actions on the part of the railroads, whatever the reasons may be.

With that understanding I want to welcome you here. If you have a statement we will be glad to hear you. If you do not we will be glad to ask you questions.

**STATEMENT OF HAYS WATKINS, VICE CHAIRMAN OF THE BOARD, BALTIMORE & OHIO RAILROAD; ACCOMPANIED BY JOHN W. HANIFIN, PRESIDENT, BALTIMORE & OHIO RAILROAD; OWEN CLARKE, VICE PRESIDENT, BALTIMORE & OHIO RAILROAD; AND FREDERICK DOOLITTLE, JR., ESQ., GENERAL COUNSEL**

Mr. WATKINS. My title is vice chairman of the board, Baltimore and Ohio Railroad. I am chief executive until the next meeting of the B. & O. at which time Mr. John W. Hanifin, the gentleman on my left who is now president will be president and chief executive officer.

Mr. GRAY. I appreciate that correction but let me say having been in the service I always call corporals sergeants and sergeants lieutenants. You can always go up but never go down.

Mr. WATKINS. Thank you, Congressman.

On my right is Mr. Owen Clarke, vice president for law of the B. & O. and C. & O.; and on Mr. Hanifin's left is Mr. Frederick Doolittle, Jr., general solicitor and the gentleman probably most familiar with the activities of this center over the last several years.

Mr. GRAY. We are familiar with Mr. Doolittle and appreciate his fine cooperation.

Mr. WATKINS. We have other members of the Chessie group in here in case the need arises.

Just a couple of statements if I may, sir.

Mr. GRAY. You may proceed in your own fashion.

Mr. WATKINS. We have tried as the chairman knows for 7 years to facilitate this project.

We have gone primarily on promises, hopes and intentions rather than agreements and facts.

Both the chairman and our group seem to be educating new people in various governmental agencies from time to time.

I would, Mr. Chairman, beg to disagree with two statements that were made earlier when you indicated the railroads have withdrawn from financing. We have not withdrawn from financing.

We have something over \$5 million of our own funds, B. & O. and Penn Central funds tied up in this. We just feel that until some of the added items are settled that we are not justified either legally or from the appropriate legislation or from our own corporate standpoint to advance more funds.

Mr. GRAY. Mr. Watkins, I apologize for interrupting but since you do make the point and take issue with my statement I would like for the record to reflect at this point that I have before me a telegram dated August 22, 1974, signed by you and Mr. Hanifin. I will not read it all but I would like to put this part in the record. It says:

In response to your telegram—

If you will recall I wired you and asked you to reconsider the project because of its importance and you state in response in your telegram:

Reference Visitors Center. Our first observation is that you are entirely wrong—meaning me—

with respect to the financial commitment you attribute to former president Watkins because nowhere in the legislation or contracts pertaining to the Visitors Center is it in any way contemplated that the B&O Railroad, Washington Termini

nal or any other carrier would provide the necessary financing to the Visitors Center.

Mr. Watkins, how could you possibly sit here before this committee and tell us that anywhere did you contemplate providing any money when the two negotiated contracts here that stick to the Sears Roebuck catalog is replete with lessor shall, lessor shall, lessor shall, and I am a little put out that you would come here after appearing in public in a number of places including one in the Secretary of the Interior's office at which time I was there saying we are happy to be able to join together with private enterprise in providing the financing.

Let me give a direct quote here out of the Washington Post at the ground breaking ceremonies here in 1974 at which time you said:

The sole responsibility for private financing and construction of the Center may surprise those who do not know that the great majority of the Nation's railroads are still arranging their own financing privately.

This situation has occurred because of public attention given the prior six bankruptcies in the Northeast.

You stood there with great fanfare and rightly so bragged about the fact that B. & O. and C. & O. was a viable ongoing entity doing a great job and you state:

It may surprise those who do not know that we can go out and borrow our money.

This was the whole crux of your remarks and for you to send the committee a telegram saying we do not know what we are talking about and we are saying you have a contract and you say you have no contract to provide \$16 million.

Mr. WATKINS. Mr. Chairman, you have covered so many points there I do not know where to respond.

Mr. GRAY. Addressing my remarks to the statement you made that I was correcting you when I stated you had an obligation both contractually and publicly to provide the money to finance this Center.

Mr. WATKINS. Let me address myself to that.

The role of the railroads in this entire project from the day 1 has been to facilitate the creation of a Visitors Center and the construction of a parking garage on behalf of and in anticipation of a take out lease with the United States of America through the Department of the Interior.

You will recall, sir, back from 1967 on when we discussed the alternatives, one of the alternatives was that the Government would purchase the property and put its money in.

At that time it was determined I believe it was the view of this committee in which the railroads concurred that that would not be politically feasible at that time and instead we would work an arrangement that the railroads would, in effect, be the financing vehicle and at such time as the construction were completed, that the project would be leased to the United States of America with the further provision that at any time the Department of the Interior could, in effect, take over the lease by buying out the unpaid amounts.

Mr. GRAY. I do not quarrel with that statement at all.

Mr. WATKINS. Sir, my point is that the B. & O. has been and initially Penn Central and B. & O. were the financing vehicles. Then, after Penn Central's going into bankruptcy it then became obvious and I

believe there is no testimony or feeling to the contrary that this project would not stand on its own feet, but would require some modifications.

Well, B. & O. was in what we felt was in an appropriate legal and organizational position and was able to work out an arrangement with Penn Central and B. & O., in effect, then did stand behind the construction work on the Washington terminal on the Visitors Center.

Up to this time B. & O. has financed together with Penn Central the work on the project, some \$5.5 million. If this project does not continue, then B. & O. and Penn Central will have their corporate money in it.

Whether we agree or not, the railroads are financing this project.

However, the intention was that the Government would merely use the railroads as a financing vehicle so I must say, sir, that I do not believe any of the statements that you have quoted are inaccurate when we use and look at the full context.

Mr. GRAY. Mr. Watkins, all I can do is read from a lease that I might say parenthetically took over 4 years for you and the Secretary of the Interior to reach an agreement on.

I think that is a long time to negotiate a lease.

Mr. WATKINS. Sir, we do not take credit solely for the length of time.

Mr. GRAY. Once a lease is consummated it ought to be binding on both parties. I have a copy of that lease entitled U.S. Government Lease on Real Property, dated March 1, 1972. It is page 1. It is not hard to find and down at the bottom it says:

The Baltimore and Ohio Railroad Company will for compensation from Penn Terminal Realty assume responsibility for continuing with said proposed alterations and construction and lease on their credit alone for the account of both owners.

So you not only commit B. & O. and C. & O. but you commit Penn Central which had long ramifications of a bankruptcy court approving the transaction between you and Penn Central.

Mr. Doolittle can tell you we probably spent months and months on the telephone waiting patiently to find out when the bankruptcy court would agree to the provisions of your commitments between Penn Central and B. & O. and C. & O. and that for approximately 2 years there was a hangup upon signing this 1972 lease and when finally the bankruptcy court agreed with that, you people meet in the Secretary of the Interior's office and I was there and you signed on the dotted line that you not only would assume the responsibility of Penn Central but that you would also take care of the financing alone on both the lease, construction and alterations.

Now, that is a 180° departure from your telegram to this committee stating in no way do you have any financial obligation to make these improvements at Union Station.

Then I would refer you to page 19 of the same lease dated March 1, 1972 on subparagraph 20 it says:

The terms and provisions of this lease and the conditions herein shall bind the lessor and lessor's successors and assigns.

Now, if that is not about as tight a contract as I have ever read, I do not know where you would go to find one. Yet, you are telling this committee well, we put up \$5 million of our money but we have no

obligation to fulfill this commitment which was a \$16 million commitment and because of that we are going to stop this contract. We are going to say "No" to the 212 million Americans who may want to come here for the Bicentennial. We are not concerned about whether we have parking facilities. We are not concerned whether we go ahead with our commitment or not.

Now, Mr. Watkins, I have great respect for you and Mr. Hanifin and Mr. Doolittle and great respect for your company. You have run a good, tight ship and I can bring here under oath two or three witnesses in this room who will say you told me, "Money is no problem."

You told me the only problem of B. & O. and C. & O. making these improvements was (1) getting together with Penn Central and working out that problem and (2) if we would renegotiate a contract and change that interest rate from 7 percent up to what you could get at that time, that is money in the market at the going rate of interest, that you would then be able to sign and we took another year. We allowed all those things. We went that last mile. We did everything you asked us, now you are here saying you cannot borrow the money, that you are terminating the contract "because the banks have withdrawn their support."

You told me, as I said, money was no problem.

You said, "We borrow money all the time. We borrow money to buy boxcars, we make improvements to our rails and money is no problem."

I have two ladies that work on this committee that heard you if you would like to swear them in under oath.

I am a little bit put out with you coming here today saying you put up \$5 million of your own money but we have no commitment by public contract or promise or negotiation to do anything to provide this \$16 million that we negotiated over this long period of time.

Mr. WATKINS. May I respond?

Mr. GRAY. Yes.

Mr. WATKINS. No. 1, you are getting into legal obligations and I will defer to Mr. Hanifin and Mr. Doolittle and Mr. Clarke.

Let me just say as a policy matter any agreement that we entered into we intend to live up to fully, completely, without any reservations; and I regret that you, sir, or members of the committee might have the feeling that we have any intention of not living up to the contract.

I would submit, however, that we should review all of the facts and all of the contracts and all of the provisions and all of the representations before we approach one and point out and with that I should like to defer to Mr. Hanifin and Mr. Doolittle for the specific references which I believe are pertinent here.

Mr. GRAY. Mr. Hanifin and Mr. Doolittle, we will be delighted to hear from you.

Mr. HANIFIN. Thank you, Mr. Chairman.

Referring, sir, to the contract that I believe you quoted from on March 1, 1972, it says that whereby the Baltimore and Ohio Railroad Co. will, for compensation from Terminal Realty Penn Co. assume responsibility for continuing with said proposed alterations, construction and lease on their credit alone.

Now, this does not say that we are going to do anything more than try to exercise our credit. Our credit has been destroyed we believe in this particular venture by the action of Amtrak in filing a suit.

Now, If I may elaborate on that again, sir.

Mr. GRAY. You may.

Mr. HANIFIN. Fine.

Subsequent to this agreement which was in 1972, there was an agreement which was signed by Secretary Morton and the Hyman Co.—I do not recognize their name—and myself, and Secretary Morton is addressing me as the president—I suppose at that time I was the president of Washington Terminal Co.—and it says:

It is understood that your undertaking to proceed with the project pursuant to the terms of Attachment A is subject to your ability to obtain continued financing for your responsibilities.

Now, if I may continue here.

Mr. GRAY. We recognize that.

Mr. HANIFIN. Continued financing, excuse me, sir, I just had a little thread of thought.

Mr. GRAY. I do not want to be argumentative, go ahead.

Mr. HANIFIN. This is Secretary Morton speaking:

We will assist you in this effort and will designate one or more representatives to accompany you in presenting this proposal to the banking interest.

Now, I would like to address myself to something that has occurred since that time.

When we went to the banking interests and really Mr. Doolittle is the authority on this rather than me, we have a letter to Chemical Bank signed by one of our vice presidents which indicates that we accepted their condition that unless the current legislation on the Visitors Center is modified that their financing to us is tentative.

Now, that information was presented to this committee because this committee, I do not know, sir, whether it was the chairman or another member of the committee, they asked the drafting service of the Department of the Interior for corrective or revised statutory authority.

Now, I believe that that occurred as early as April of this year, that this committee was cognizant of the fact that we did not have firm financing. We had tentative financing which would become firm only if this committee met by revising the conditions and I do not want to sound like I am putting the bee on the back of the banks but they said this is only good if you get the statute revised.

Now, again to repeat, this committee was requested by the Department of the Interior to attend to it, and this was back in April and I think some revisions were submitted to this committee in April and they have been in this committee's lap since April.

I have just two more things to say.

Mr. GRAY. Let me correct on that point so we will have a continuity in the record.

No. 1, we have not had those proposals since April.

No. 2, we could not get a reading both from your company, your contract with Mr. Hyman who you hired as to how much additional money would be required so this committee has not been dilatory. We have not delayed. We have not procrastinated.

This committee has tried to wait and incorporate those technical amendments and additional authorities to finish the Center.

We have done that now and we have before us H.R. 16615 which incorporates every single thing that you and the banks have asked for.

You took the precipitous action of just arbitrarily notifying the Secretary and notifying your contractor to stop.

If this was an impediment in getting your long-term commitment, why was not a simple letter addressed to either the Secretary or us saying if we do not have legislation we will have to cut this off.

We were never notified. I found out about your letter not through even the courtesy of a copy to me but I found out about your letter last Thursday and we have immediately called this meeting. Congress reconvened yesterday and the very next day after reconvening we scheduled a meeting and we plan to report this bill out.

Why did not, if this was a problem and an impediment on financing, why did not someone notify us that the loan was not going to be closed until this legislation was enacted?

Mr. HANIFIN. Two observations if I may.

I was not suggesting that this committee was procrastinating in any way.

I was simply making the point that our commitment, that is financial commitment from the bank was tentative and this committee was cognizant of the fact that it was tentative and could be withdrawn at any time. It was withdrawn.

Now, as far as you being notified, sir, our letter of August 27 unless the U.S. mails have failed to deliver it to you, shows that a copy was sent to you.

Mr. GRAY. I did not receive it.

Mr. HANIFIN. In fact, I will hand you a copy of the letter now.

Mr. GRAY. I have one now. I obtained it from the Department of the Interior, but be that as it may, the point is the horse was out of the barn.

Mr. HANIFIN. You said we did not apprise you of what we were doing and we did send you a copy of the letter.

Mr. GRAY. You appraised me that you had shut the project down.

What I was saying is the prudent way to proceed was to give us a reasonable amount of time to act on this legislation if that were a contingency, but the point I am trying to get at, Mr. Watkins told this committee that money was no problem and I am sure that the Union Terminal Co. is not the only asset that the B. & O. and C. & O. have.

Mr. HANIFIN. They are not either. We were not asked to be the legislative adviser to this committee.

I think that I can find correspondence in here where the Department of the Interior recognized that it was their obligation to keep you apprised of what the statutory provisions would be that would be required.

I have one or two points that I would like to make if I may.

We unfortunately were not certain of the course of this committee's deliberations so we did not have a prepared statement.

No. 1, and this is stepping aside a little bit from the subjects we have been talking about, about the fact that our financing was only

tentative was withdrawn when the Amtrak suit came along but after that occurred we found ourselves being importuned by the Interior Department and that demands had been made upon us by Amtrak that at least one-third of this Visitors Center would be devoted to, and I am not really sure what, but it is considered to be a railroad station.

Now, the original bill approved by this committee in 1966 or 1968 said the only part of the property known as the National Visitors Center that will be devoted to the railroad passenger station will be beneath or adjacent to the parking facility and the demands of Amtrak had we acceded to them would have been at complete odds with the legislation which was pending.

Now, we could not call you up every time we got a new proposal and this is, in effect, what really we were faced with because we were getting different proposals—oh, I do not want to exaggerate, but maybe everyday or every other day, but the simple fact is that there was no authority in my opinion, and maybe counsel for the Interior should speak to this subject rather than me, but there is no authority on the part of the Secretary of the Interior to give away one-third of the Visitors Center to anybody.

Now, I think the proof of this was that they took us to court and tried to get a temporary restraining order, Interior did, and order us to continue financing the construction of the station and the court refused this temporary restraining order and the court said to us, you are correct, no one can make that kind of an agreement, such as giving away one-third of the Visitors Center to someone until the statute has been changed.

Now, we have been confronted with all kinds of demands.

We have to live and we can only get our financing if it is consistent with the statute.

Mr. GRAY. Mr. Hanifin, I agree with parts of what you said, but if you go back and check the record, when Mr. Watkins was president, you will find the committee was told in 1966, 8 long years ago, that you planned to build your own \$3 million station immediately behind and adjacent to this facility.

You engaged the same architect and engineer that the Department of the Interior engaged at that time and had you gone ahead and built your facility you would have had it finished long before Amtrak was born.

This is a bed that you kind of made and you are going to have to lay in it for awhile.

I am not subscribing to everything Amtrak is trying to do, but the point is for almost 9 years B. & O. has not turned a first shovel of dirt to provide a train facility in the Nation's Capital, to provide the commuters who come in by rail, 5 or 10 percent of the people who come here by rail, and you have taken no action whatsoever, so had you taken some action and built this station, you could have obviated a lot of these problems brought on you because what Amtrak is looking at the position here, is 300,000 square feet of space that the rails are now using, and when that is preempted, where are they going to go, out in the open space?

I hope they will drop their suit and I am against their suit and I want the record to show that the B. & O. and C. & O. is not completely

blameless because if they had gone ahead and built the station, we would not have been in court.

Mr. WATKINS. Mr. Chairman, you are absolutely right.

We are guilty of not building the station in 1968, and if we had, rather than attempting to conciliate with the Department of the Interior, Amtrak, the Department of Transportation, and Penn Central's bankruptcy, we would all be better off, sir.

To the extent that we have attempted to the utmost of our ability for 8 years to work with these continuing and constantly increasing demands, we would have been better off.

Mr. GRAY. A lot cheaper on you, too, Mr. Watkins.

Mr. WATKINS. Although I must correct the record in one place.

I do not believe, sir, I have ever appeared before this committee in my life, to my recollection.

Mr. GRAY. Mr. Watkins, we sat there at that very table on at least two or three different occasions. I am not talking about open, public hearings, but we had all the parties here about 1 year ago.

I think Mr. Lewis, or at least one of his representatives came from Amtrak and Mr. Doolittle can tell you that we met.

We met here in the Rayburn Building. I met with you and Mrs. Vitali, my chief clerk, can tell you that financing was no problem as you said.

It was either in this room or the one upstairs, our smaller subcommittee room, when we met and talked about this.

You say you do not recall that?

Mr. WATKINS. I have no recollection of ever being here in this room.

Mr. GRAY. In this building?

Mr. WATKINS. I have been in this building many a time.

Mr. GRAY. And you talked about the Visitors Center.

Mr. WATKINS. But never in any committee or subcommittee.

Mr. GRAY. Not in open hearings.

Mr. HANIFIN. We had not had the financing withdrawn from us until just very recently and so there was no reason for Mr. Watkins to be here.

Mr. GRAY. Mr. Watkins was here on the occasion of us trying to get them to proceed with the \$16 million improvements and the impediment at that time.

Mr. Watkins, why did we renegotiate a lease of 1968 to 1972 if the railroads did not balk because they said at the time Congress put a statutory limitation of 7 percent on the borrowing.

We cannot borrow the money for that. The money is no problem, but we are not going to subsidize this project, so somewhere between 1968 and 1972 we met a number of times.

Mr. Doolittle can tell you that you said to try to negotiate a lease that you could live with and on March 1, 1972, we signed this in the Secretary's office in your presence, saying we are now ready to go and we have two gentlemen from the bank who were there at the time and said we are ready to lend the money.

There is the press over there who can tell you that.

I have dozens of stories in the newspapers covering those meetings saying we have all reached agreement.

You said, we can borrow the money.

Mr. WATKINS. That is true.

To the best of my knowledge I never appeared before the committee, but that is immaterial.

Mr. GRAY. I did not say in an open, public hearing.

I said you told this committee, meaning the Chair and other representatives.

Mr. WATKINS. I must. On the record I beg to disagree, but that I do not think is germane here.

The years that you referred to between 1968 and 1972, I think we all recognize there were changed conditions.

There was the requirement for the architectural firm to follow up with plans.

There was the problem of the Penn Central.

We all recognized that it was impossible to go forward with the project as originally envisioned and as authorized and the 1972 revision was one more attempt on our part to make sure that this thing did fly because we have been dedicated for 7 years, frankly, against perhaps the better judgment of some of us, to make this thing go.

I believe, sir, that you are imputing all of the delays or a preponderance of the delays to us, and while it would not serve the purpose of this committee, again, I must very respectfully disagree.

Again, be that as it may.

Mr. GRAY. Just one more point on that subject, and we will pass on to something else.

It is the American taxpayer that is paying because the original lease that we negotiated with you in 1968, I pointed out to the gentleman from Pennsylvania, called for a much larger parking facility.

All of the improvements, not the \$20 million we are going to have to crank in, but all of the improvements to be made while we have gone and shrunk down in size in the improvements for the public you are still committed, sir, to receive \$3.3 million a year for the next 25 years, which aggregates more than \$82 million the Government is committed to pay to you, so you paid no penalty for whatever the cause, whether it is Penn Central's bankruptcy, procrastination, or what.

You are sitting there as this project goes, and God hopes it does get to go, getting exactly the same amount of money over the next 25 years for that property, and we are sitting here getting much less than we would have gotten, so it is the poor taxpayers that have been ripped off on this proposition, not the railroads, because they are still sitting there with a \$82-million-plus lease for a \$16 million expenditure that they do not even want to make.

Mr. WATKINS. Sir, the \$82 million that you refer to, the \$3.5 million was directly at the request of this committee, that this was the financing that the United States preferred, rather than investing its money initially.

Mr. GRAY. And at that time we did and we wound up with a contract that we are hung with because we now have spent a considerable amount of money.

Otherwise, I can tell you, sir, we would deauthorize that project, forget about Union Station and go down on the Mall someplace with \$5 or \$10 million, and build a facility we can all be proud of.

You have us where we cannot extricate ourselves without spending several millions of dollars worth of taxpayers' money and that is why

we are too far from shore to turn back, and that is the purpose of this hearing.

Let me ask you this very pointedly.

What is it going to take to get this project and the railroads to fulfill their commitment?

If you will lay it out, one, two, three, I can assure you we will do everything we can to comply.

Mr. WATKINS. Sir, after talking with the Interior Department, having meetings, we wrote the letter to Mr. Secretary Morton indicating the three things which we felt were necessary—the amendment of the legislation, the firming up of the financing, and an agreement, that is, definitive agreement between all of the parties including Amtrak, for the way the station and the Visitors Center would work, because we have no authority to proceed as things now stand, and in my letter to the Secretary, which is two pages, I feel it adequately describes our position.

Again, let me repeat and let me say and reiterate again, that we have not been the ones that have delayed this project for 7 years.

We are not the ones that are delaying the project now.

We have cooperated. We will continue to cooperate when we know what is desired by the Interior Department and Amtrak and when we are able to proceed under existing legislation.

Mr. GRAY. You are telling the committee, then, that you are willing to proceed.

Mr. WATKINS. I am saying that your question was, what do we request.

Mr. GRAY. Let me answer the first one.

We do have H.R. 16615 that does amend under section 4, the company, its successors or assigns shall and is hereby authorized to construct a new railroad passenger station either in the area beneath or adjacent to the parking facility referred to in paragraph 3 of the original act.

This does give you that authority you are asking for and I can assure you we will move with dispatch to get this bill out.

Mr. BAFALIS. Will the chairman yield?

Mr. GRAY. Yes.

Mr. BAFALIS. This legislation disturbs me.

I think we are going to be hard pressed to bring legislation to the floor until we resolve the Amtrak suit.

As a matter of fact, I could not vote for this legislation if you bring it to the floor at this time.

Mr. GRAY. We have the President of Amtrak here who will testify later.

Mr. BAFALIS. Mr. Watkins, if that suit is dismissed, is the system willing to deposit in escrow a sum of money to build that terminal which can then be leased to Amtrak?

And if so, how much?

Mr. WATKINS. Our position is that the legislation in 1968 requires us to build a suitable passenger facility below or beneath.

We have always been and are now ready to proceed.

If the Interior Department and Amtrak reach agreement that a part of the Visitors Center should be used as a passenger station and if the legislation authorizes us to do that, we are prepared to advance

up to \$5 million in furtherance of that objective, of building a suitable passenger station.

I specifically think as a requirement for the station we would want some input into how it was spent to make sure that we do not gold-plate the ceiling, for example.

Mr. BAFALIS. Mr. Watkins, let me interrupt you.

Mr. WATKINS. To that extent, we would, yes.

Mr. BAFALIS. My concern is that I do not think we can bring this legislation to the floor until we have a firm commitment from your company that if this suit is dismissed that you are going to obligate yourself to put money in escrow to build this terminal because, otherwise, I would not want to see us pass this legislation and then 6 months from now have you give us other reasons why that money has not been advanced by your company.

Mr. HANIFIN. Sir, if we can reestablish the financing, even if we agree to put in escrow a certain amount of money for a passenger station, our ability to build the National Visitors Center as has been outlined up to this point is our ability to borrow money and that depends on the attitude of the lenders.

I just do not at this point see how we can speak for them.

Mr. BAFALIS. Mr. Chairman, I think we are being very premature until we can get some kind of a commitment.

Mr. GRAY. We do have Amtrak here and it is our feeling that Amtrak is willing to drop this suit.

Mr. BAFALIS. But we are being told now at least the answer that I assume I just received is that there is no commitment to put money in escrow until they know whether or not they can get money from a lending institution.

Mr. GRAY. We have the lending institution here this morning.

They will be next on and will reaffirm that they are willing to commit the money.

Mr. HANIFIN. May I comment with respect to that?

In the original agreement on page 7, provision 9, as of March 1, 1972, this first sentence in paragraph 9 says:

The owners and the Secretary—

the Secretary being Secretary of the Interior Morton—

mutually agree that the commencement and performance of the undertakings set forth in this agreement are subject to financing the cost of said alterations and construction at rates and terms no less favorable than those reflected in attachments 1 and 2.

Now, how we are going to be able to make a determination and in what period of time because it would require a new agreement.

Mr. GRAY. The Assistant Secretary of the Interior testified that the banks did reaffirm their commitment to this loan contingent upon these technical amendments and we have the bankers here and if they do on the record reaffirm it, then there should be no problem, and if we could reach agreement on the memorandum to drop the suit, there should be no problem.

What else is there?

Mr. WATKINS. Let me address myself again to the Congressman's questions about financing.

We have a requirement to furnish a rail passenger station.

The legislation authorized and we initially intended to spend \$3 million to \$3.5 million on the station in the parking garage.

Now, if legislation is approved and all the agreements regarding the use are adequately resolved, we are willing to say that our requirement to build the passenger station may be changed to modifying an existing part of the station, namely, the east wing and in furtherance of that requirement that we are prepared even though not required, to advance not the \$3 million or \$3.5 million, but up to \$5 million.

Our only reservations on that are two; No. 1, that we are not willing to take \$5 million immediately and put it aside for someone else to spend without any strings on it.

No. 2, we do feel that in furtherance of our requirement to furnish a station, that we should have a voice in how that is spent, but subject only to those requirements that we are willing, and are prepared, to advance funds on a timely basis up to \$5 million.

Mr. BAFALIS. Would the Chairman yield again?

Mr. GRAY. Yes.

Mr. BAFALIS. Mr. Watkins, my concern is that for a period of 8 years, long before I came to the Congress, this matter has been negotiated, contracts have been signed, commitments have been made, promises have been made, and I think that this committee now needs to know whatever conditions you put on that money, that good-faith money is put in an escrow account with conditions contingent on this legislation passing both the House and Senate so we know that once it is done we can move forward with this project. For you to make promises that if certain things are done you will do this is not sufficient from my standpoint.

Mr. SULLIVAN. Mr. Watkins, in regard to section 3, the question of the east wing of the Visitors Center as regards the other place where you are going to build the railroad, will this cause further problems if the legislation passes in its present form?

Will it require further negotiation between yourself and the railroad to where it will be built?

Will it be a handicap to the completion of the Visitors Center?

Do you see that problem?

This is an optional situation as I see it.

The Secretary can have it built where it was originally intended to be built.

Will that, in itself, create a problem?

Do you see a problem there?

Mr. GRAY. For the record, let me state that most of the money now is being spent on parking and the concourse is being set aside for, in effect, just for the construction of a garage.

Mr. HANIFIN. May I give a partial answer to that?

The trustees of the Penn Central Railroad together with the Baltimore and Ohio, jointly, own the Washington terminal. We have obligations to our tenants. Our tenants are not Amtrak alone.

There is also the Southern Railway Co. who did not join Amtrak.

There are other operations in and out of the station which are not Amtrak operations.

Yes, sir, it will require some considerable negotiations because as an illustration the Southern Railway put a restriction on our use of the station for a Visitors Center.

Mr. WATKINS. The cost of a new station on which the Southern would pay rental cannot exceed \$3 million.

Mr. HANIFIN. So if we contribute \$5 million does this mean we get no return on our money from the Southern?

There are things such as that in this and how far do we have to travel down this road to demonstrate good faith?

There are other things.

Mr. GRAY. The purpose of this hearing is to find out about the \$16 million worth of improvements that have been negotiated.

I personally would be satisfied if we could build a parking facility and make those \$16 million worth of improvements and we could open this up to the public while you people quarrel about the size of your station, as you have been doing for about 8 years.

I do not want to get off the track and have the press pick up that the east wing of that concourse is going to delay 1,200-parking facility or the \$16 million worth of improvements you people are committed to make other than this station.

Here is the thing. There is nothing in the law that says you have to spend \$5 million or \$20 million. That is a quarrel between you and Amtrak and has nothing to do with this agreement or the purpose of this hearing.

With all respect to my general counsel, I do not want to get us off the track here by saying that the station argument is contingent upon you continuing construction on the concourse.

Mr. HANIFIN. But the financing has been withdrawn because of the Amtrak suit.

Mr. GRAY. But if that is dropped?

Mr. HANIFIN. We cannot without legislative revision satisfactory to the lending institution proceed.

Mr. GRAY. Mr. Hanifin, I know that, but Mr. Lewis is willing to drop that suit with prejudice, which means it cannot be filed again, and we are telling you that we are going to report out this bill.

If you people can get together, that relieves the two objections.

Mr. HANIFIN. That relieves one of the problems.

The next problem is to see if we can reestablish the financing.

Mr. GRAY. Well, that is up to the lending institutions who will testify and they told the Secretary that they are willing to go ahead with their commitments, so that should be no problem.

Mr. WATKINS. Can I make one comment?

Mr. GRAY. Yes.

Mr. WATKINS. As far as the parking garage, you are absolutely right.

There is no reason why that one cannot go forward.

However, this whole package is built together and if the Visitors Center is now or, that is, the old Union Station is now to be two-thirds a Visitors Center and one-third a passenger station, I think then that is the place that complicates it.

Mr. GRAY. It complicates it if you want it to complicate it.

Mr. WATKINS. No, we do not want to complicate it.

Mr. GRAY. Because if we can set aside and this is just something the parties have tried to reach an agreement on, but if we set aside that space on the end of the concourse and go ahead and put in all of our informational services, movie theaters, and finish that parking facility, we can open this facility to the public for the Bicentennial, and that is what we are trying to do.

In the meantime, you people can get together, Amtrak and your railroads, and agree on what type of a station you are going to build, and as the gentleman from Florida points out, it can be done very easily by setting aside an escrow with contingencies, and I think those two contingencies you laid down are reasonable and should be complied with.

After all, it is your money and you should have some say about the type of improvements that are going to be made down there.

You are going to have to build a station someplace.

Mr. WATKINS. There is no question we are willing and ready.

Mr. GRAY. Then let us separate the two arguments and get on with building the Center and we will help you resolve the other problems, but do not mix the two together.

Mr. WATKINS. If they can separate it.

Mr. GRAY. Under the legislation we give authority for you to do that.

Mr. WATKINS. I saw the committee print, but I have not read it.

Mr. GRAY. Do you want to read it?

Mr. WATKINS. No. I would not understand the language, anyway. I am going on the assumption that it does cover these points.

Mr. GRAY. It does.

Mr. SULLIVAN. Is there any reason why the station cannot be built in the original proposed site rather than be built and take away one-third of the National Visitor Center?

Mr. HANIFIN. None whatsoever, and as a matter of fact, this is one of the things that we do not understand, as to why Amtrak needs all of this property.

There are approximately 15 tracks which will remain for trains to come in and out on, in the absence of the Visitors Center, devoting one-third of it to Amtrak's own individual uses and I just cannot imagine what kind of passenger service where 15 tracks are not adequate.

Mr. SULLIVAN. It is not a question of cost, is it?

Mr. HANIFIN. No, sir.

Mr. GRAY. I think Mr. Lewis can address himself to that when he testifies.

I tend to agree with you, Mr. Hanifin.

I have gone to New York many times and, you know, under the Madison Square Garden, New York City, that station is much smaller, I think, than you envisioned for your \$3 million facility back in 1966 and certainly I did not see any long lines waiting to get tickets or anything else, and I have been there many times.

So I think a big, grandiose station is not what the people want.

They want escalators and to be able to get to the trains and leave.

Mr. HANIFIN. That is exactly our point, and what we are trying

to say, I think, is let us not build any more station than we need and let us go on with the Visitors Center.

Mr. GRAY. It can always be expanded.

You have 300 acres in the back.

Let us get on with the building and get this one operational.

Thank you very much, gentlemen.

You have been helpful and let us hope we can work this out.

Our next witness is Mr. Jervis Langdon, president of the Penn Central Railroad Transportation Co.

Mr. Langdon, we are always pleased to see you.

**STATEMENT OF JERVIS LANGDON, PRESIDENT, PENN CENTRAL RAILROAD TRANSPORTATION CO.; ACCOMPANIED BY CARL HELMETAG, JR., GENERAL COUNSEL FOR REORGANIZATION**

Mr. LANGDON. Mr. Carl Helmetag is with me and is counsel for the trustees, sir.

Mr. GRAY. We appreciate you gentlemen coming and we know you followed this with great interest and since we did not give you much advance notice, you may not have a prepared statement, and if you do not, just proceed in your own fashion.

Mr. LANGDON. No, sir.

I do not have a prepared statement.

As you know, our participation in this has been authorized by the bankruptcy court, and if this arrangement is modified in a way that would require a modification of the proposals submitted to the court, we would, through the trustees, have to go back to the court again.

Mr. GRAY. You mean if additional financial obligations were taken on. But you can live with this original agreement dated March 1, 1972, in which it says B. & O. for compensation from the Penn Central will assume responsibility for the proposed construction and lease on their credit alone for the account of both owners.

Do you still subscribe to that?

Mr. LANGDON. Yes, sir.

We have undertaken, however, to participate with the B. & O. in the cost of the station on a \$3 million limitation.

Mr. GRAY. I am referring strictly to the improvements for the National Visitors Center.

You would not have to go back to the trustees if the original agreement were complied with?

Mr. LANGDON. That is right, sir.

Mr. GRAY. That is all we are addressing ourselves to.

Mr. LANGDON. We have authority to move with that.

Mr. GRAY. Any questions or comments?

We are not trying to rush you but are trying to get out before the House has a roll call and we want to hear from the banks.

Well, thank you very much.

Our next witness is the distinguished president of the National Railroad Corp., Mr. Roger Lewis.

Please identify your associate.

STATEMENT OF ROGER LEWIS, PRESIDENT, NATIONAL RAILROAD PASSENGER CORP.; ACCOMPANIED BY ROBERT MEDVECKY, VICE PRESIDENT AND GENERAL COUNSEL

Mr. LEWIS. Thank you, Mr. Chairman.

My associate Robert Medvecky, my general counsel.

Mr. GRAY. Mr. Lewis, you seem to be whipping boy for filing that lawsuit and before you make any comments I would merely want to show for the record on April 1, 1974, you appeared before a Senate Subcommittee on Service Transportation and you had this to say:

I want to stress at this point that Amtrak is wholly in favor of a National Visitor Center at the Nation's capital, and also that we are wholly in favor of the development of a fully intermodal transportation facility at the Union Station site.

Now, of course, we are all in agreement on that statement that the Visitor Center be completed and we are all for intermodal.

We did handle separate legislation that is enacted and in addition to that, Senator Hartke has reported out and passed on the Senate floor and is pending in Congress, a bill that would give you several million dollars to move forward on the intermodal.

Maybe that would save a lot of time to ask you now that we are moving on both directions, is there any reason why you cannot drop this suit?

Mr. LEWIS. Yes; Mr. Chairman.

I cannot drop the suit until I am sure that we have a program to actually bring into being a satisfactory railroad passenger station for this city.

Mr. GRAY. You do not feel that the increase from \$3 million to \$5 million commitment on the part of the railroads, plus our willingness in this committee to approve, preempt some of our space which would give you what we consider the grandiose type of facility is adequate assurance?

You have it both from the railroads that own the station, that is, both companies, and you have it from this committee.

I do not know who else you would want it from.

Mr. LEWIS. Mr. Chairman, dealing with that point, as a matter of fact, the proposal that is before the parties now is one which I think we initiated.

This is a proposal to deal with the immediate problem the facts of the real world and the facts of life.

Mr. GRAY. This is the memorandum that was circulated this morning?

Mr. LEWIS. That we have said we would sign, and it provides for an escrow of \$5 million to be used for the modification of the east wing and the adjacent concourse; that is, this amount of money is inadequate, of course, that would be on us.

That is a flat sum.

On the other hand, we said if by any chance, and I must say this is an expensive business, as I am sure the members of this committee know, if by chance the cost of doing this should exceed \$5 million, that is on us.

Mr. GRAY. Well, you heard B. & O. say they were willing to commit the \$5 million, and the only two stipulations they made and I think both are reasonable, is they would have some input as to the design and type of facilities to be provided.

I know if I were to put up \$5 million I would at least know what the plans were going to look like.

You would not object to those two stipulations, would you?

Mr. LEWIS. I probably would.

We have been a number of years at this and the railroads have had an obligation to provide the railroad passenger station ever since this agreement was first signed.

I would not consider any commitment that was subject to subsequent and continual approval by the railroads as being a satisfactory basis on which to settle the lawsuit.

Mr. GRAY. Well, I appreciate your position, Mr. Lewis, but do you not believe you have some public obligation?

There are 70 percent of the people that come to Washington to see the Capitol that come by car and between 5 and 8 percent that come by rail and the other 25 or 30 percent come by air and bus, and as old John L. Lewis used to say in the coal mines, you do not kill a dog to get rid of the fleas.

I hope your position is not so adamant that you are going to say 70 percent of the people that come here just because we cannot get a little station we are not going to allow you to have a place to park, and I hope you do not say to the people who fly here we are not going to have a place to park when you rent a car because we want a little larger station.

Mr. Lewis, this is a give and take proposition. This committee and the people have given an awful lot to get a National Visitors Center and certainly Amtrak has a legitimate right to make sure that people traveling on rail have a decent station, but I would say a \$5 million station here is not a small station, and I can give the Madison Square Garden-Penn Central Station in New York City as a very small station, but I think it is most adequate.

I have never had any delays up there and I have been up there quite a bit, so I feel that at least I hope that you will be able to tell this committee that if the railroads would put that money in escrow, you would be willing to drop the suit.

That is what is contained in a memorandum, is it not?

Mr. LEWIS. Mr. Chairman, I am perfectly prepared as the president of Amtrak, to stand on the memorandum as now drafted.

Mr. GRAY. Fine. I appreciate that.

I did not mean to cut you off but you made your statement and I did want the record to show that you were not completely responsible as a whipping boy because you did say publicly you were for the Visitors Center.

Mr. LEWIS. Mr. Chairman, we are somewhat of a late arrival on this tortured scene, and I do have a rather lengthy statement which I would like to submit for the record.

I do have a summary here which is very brief.

Mr. GRAY. Your full prepared statement will be put in the record at this point.

[The prepared statement of Mr. Lewis follows:]

## STATEMENT OF ROGER LEWIS, PRESIDENT, AMTRAK

Mr. Chairman: My name is Roger Lewis, and I am President of the National Railroad Passenger Corporation, Amtrak. I welcome the opportunity to appear here this morning to testify on an important matter, which is of serious concern to me and to the corporation that I represent.

We first learned in mid-July that the continued construction of the National Visitors Center was threatened because of possible withdrawal by two New York banks of their undertaking to finance construction. At that time, we were told that the banks might withdraw because of uncertainties as to their collateral which they felt were raised by the lawsuit which had been brought by Amtrak against the Washington Terminal Company, Baltimore & Ohio Railroad, Pennsylvania Railroad, Penn Realty and Baltimore Realty.

Let me explain the lawsuit just referred to. In 1968, Congress authorized the Interior Department to enter into a lease with the Washington Terminal Company for a 25-year period calling for an annual rental of \$3.5 million. Those payments represented \$87.5 million over the period of the lease and we understand were to be used by the Washington Terminal Company up to \$16 million for the construction of the Visitors Center and related garage and for the construction of a new passenger station. Since the enactment of the statute, the Washington Terminal Company conveyed the Union Terminal property to two realty subsidiaries, Penn Realty and Baltimore Realty. Washington Terminal Company then conveyed the stock in the realty subsidiaries to the railroads which owned the Terminal Company. As a result of this transaction, all profits resulting from the Visitors Center lease with the Department of the Interior would flow directly to the railroads and be subject to the prior obligations of the parent company. Shortly after the property was transferred without the prepayment of any consideration by the parent companies, the real estate entities entered into a 25-year lease with the Department of the Interior. This lease provides for the annual rental of \$3.5 million. The lease gives the Department an option to acquire the property paying off or assuming \$42 million in mortgages. Since the railroads were only required to commit \$16 million for the Visitors Center and the garage, the transfer would net the railroads at least \$27 million. The lease requires the railroads to build a passenger station, and does, however, not specify any limit to the amount of money to be spent. Neither does the statute limit in terms of monetary amount the obligation of the railroads to provide a suitable passenger station. The railroads, however, have stated repeatedly since that time that they would spend for this purpose no more than \$2.3 million which is equivalent to the sum they received from a sale of certain station property to Washington Metropolitan Area Transit Authority.

Furthermore, the railroads have made no progress in the start of construction on the facility they said they were going to complete by 1975. Since Amtrak is unaware of the existence of approved architectural plans, we doubt they will be able to complete the facility within the Bicentennial Year. Unable to obtain any commitment by the railroads to invest more than \$2.3 million toward the new passenger terminal, and given the availability of not only the \$2.3 million proceeds of the sale of land to METRO but also the \$27 million made available from the Interior, Amtrak was forced to bring suit. We were particularly concerned that the transferring of assets by the railroad would leave us in the position of trying to force a shell corporation to honor the obligation to build the station.

On July 24, 1974, we met with Assistant Secretary of the Interior. We assured the Department of the Interior at that time that it was not our intention to interfere in any way with the construction of the National Visitors Center; and further, that we did not feel that the lawsuit, which we had filed, constituted any impediment to the financing which could not be cured. We offered immediately to meet with the banks involved to ascertain their specific problem so that we might make suggestions to resolve the problem. No such meeting was arranged. On August 19, 1974, I attended a meeting, called by Secretary Morton at the Interior Department, to discuss the problems. We again assured the Department of the Interior of our support of the Visitors Center project. Representatives of the Baltimore and Ohio Railroad were also present at that meeting. They read a letter which the railroad received from the New York banks notifying the railroad of their intention to withdraw their financial commitment. The letter stated that the reason for the withdrawal was the failure of the railroad to meet the conditions of the loan agreement. That letter made no reference to the Amtrak lawsuit.

Nevertheless, we reiterated our offer to meet directly with the New York banks to explore the problem. Secretary Morton requested that such a meeting be held.

On August 22, we attended a meeting in New York City with representatives of the Department of the Interior, Department of Transportation, the railroad, Chemical Bank and Imigrant Bank, and the Title Insurance Company, insuring the title. After discussion, it became apparent that the problem in the minds of the bank was that the bank's loan was secured by a mortgage on property given by Penn Realty and Baltimore Realty. Amtrak lawsuit alleges, among other things, that this property was fraudulently conveyed by the Washington Terminal Company to the two subsidiaries which the Terminal Company had created and further asks as relief that the property be reconveyed to the Washington Terminal Company. The banks were concerned that if the suit were successful and the property reconveyed to the Washington Terminal Company, the security for their loan would no longer exist since the two subsidiaries that had signed their mortgage would no longer have any assets. The banks indicated that since they did not feel Amtrak's lawsuit was frivolous, the lawsuit represented a real threat. The railroad representatives suggested the only solution was for Amtrak to withdraw its lawsuit with prejudice. Our representatives pointed out that the problem could be resolved merely by having the Washington Terminal Company join in Penn Realty and Baltimore Realty mortgages, since this would give the banks a mortgage from whatever company proved to be the rightful owner of the property. The representatives of the Title Company present stated, when asked, that if the Washington Terminal Company were on the mortgage, the Title Company would insure the title. The railroad representatives present stated that they were unwilling to consider this suggestion to solve the financing problem but would only accept a complete withdrawal of the Amtrak lawsuit with prejudice.

Following this meeting, Amtrak made a specific proposal to settle the entire controversy. Amtrak proposed that it acquire from the Department of the Interior the east wing of the existing building as a permanent railroad passenger station for the city of Washington. It further proposed that the railroad make a cash payment to Amtrak and in return Amtrak would withdraw its lawsuit with prejudice. Amtrak finally agreed to accept a \$5,000,000 payment from the railroads on the condition that the entire amount be spent within the east wing Visitors Center complex for creating a proper facility for railroad passengers in the east wing. Several meetings occurred between Amtrak and the Department of the Interior to resolve the various specific details of the proposed settlement. On Tuesday, August 27, Amtrak had reached agreement with the Department of the Interior as to all of the details concerning the proposed settlement. At this point, Amtrak thought that there had been a settlement.

On Thursday, August 29, Amtrak learned that the railroads were imposing new conditions and that the entire settlement was threatened. On Thursday, August 29, we attended a meeting at the Department of the Interior, at which the railroads were represented by three individuals who had not been present nor participated in any of the prior discussions. The railroad announced at this meeting that it now did not accept the settlement because it was too attractive from Amtrak's point of view. The railroad insisted that they would not recognize the \$5,000,000 payment as a payment to settle the lawsuit, but stated that they must be paid a rental by Amtrak, and that Amtrak would be obliged to pay the railroad "a return on the railroad investment as well as ownership cost and depreciation." These were conditions which had never previously been mentioned or discussed according to the representatives of the Department of the Interior who attended this meeting. Amtrak stated that in its view it would be wholly impossible to meet these conditions since it was acquiring the east wing from the Department of the Interior and since the railroads have no right to use or possession of the east wing for a minimum of 25 years under the proposed arrangement, it would be improper to pay the railroad any rental or payment reflecting ownership cost or depreciation.

On September 11, I wrote a letter to John W. Barnum, Undersecretary of Transportation, with a copy to the Secretary of the Interior stating precisely what Amtrak thought had been agreed to and what Amtrak would accept as a full settlement of its lawsuit.

Amtrak has only had one interest in this entire affair: that is, to see that railroad passengers are adequately and properly accommodated in Washington, D.C., one of the most important Amtrak terminals. As matters now stand, Amtrak has lost the use of the Washington Union Terminal. There is a large

excavation of what had been the passenger waiting room. The public using Amtrak trains, in very substantial numbers, has been inconvenienced as a result of the current situation. We are most anxious to resolve this state of affairs. We believe that we can more than adequately accommodate the needs of railroad passengers in the east wing of the terminal on a permanent basis and that the Visitors Center construction should go on as planned. We believe that the entire complex, if completed as planned, would be an asset not only to our nation and city but to our railroad as well. We are thoroughly committed to do anything reasonable and possible to see that this occurs. Thank you very much for giving me the opportunity to appear here today.

Mr. GRAY. You may proceed.

Mr. LEWIS. First, of course, I welcome the opportunity to appear briefly here because this problem has to be solved.

I have been told that the continued construction of the National Visitors Center is threatened because of possible withdrawal by two New York banks that are undertaking to finance construction, and that the reason for the action of the banks is a lawsuit which has been brought by Amtrak against the B. & O. and others.

It is not clear to me that the lawsuit is the primary reason for the action of the banks.

However, I would like to make it perfectly clear that when I learned of the facts which are the basis of the lawsuit referred to and was advised by my counsel, I felt that I was obligated as chief executive officer of Amtrak, in order to protect the interest of Amtrak, to direct that the suit be filed.

I felt and I continue to feel that that suit has substantial merit and I have no other alternative but to file the action and that I must now pursue that action to its conclusion unless a settlement is reached which adequately satisfies and protects the interest of Amtrak and the Nation's intercity railroad passengers.

I have spent a substantial amount of my time in recent weeks discussing settlement proposals and I am prepared to spend what additional time is required to settle this lawsuit satisfactorily.

I am certainly in favor of an early disposition of the controversy and even more in favor of continued construction of the National Visitors Center.

However, I am compelled if I am to fulfill the duties of my office, to pursue the litigation to judgment by appropriate court if a satisfactory settlement cannot be reached.

I am prepared, and as I have said, to continue discussions with regard to the settlement.

I have gone further than that since I wrote this, Mr. Chairman.

I have seen the draft prepared by the Department of the Interior and the Department of Transportation, and it would be satisfactory as written from Amtrak's point of view and would be the basis for our dropping the suit.

But this is all I can do.

The only possible course of action in the event a settlement cannot be reached, if this agreement is not satisfactory, is that we might get together with the parties and ask for an expedited handling by the court of the suit.

I am prepared to do this and am prepared to do anything else.

Mr. GRAY. That suit is in the District Court for the District of Columbia?

Mr. LEWIS. Yes.

Mr. GRAY. When was it filed?

Mr. LEWIS. June 28.

Mr. GRAY. Do you have any idea as to when it would be reached on the docket?

Mr. MEDVECKY. Mr. Gray, the response of the railroads was due last week and they asked for an additional period of time to make their response and right now they are asking for a continuance.

Mr. GRAY. Mr. Lewis, it is my understanding that this matter transcends the Union Station problem.

Is it not a fact that you are having some difficulty with not only B. & O. and C. & O. and other railroads, and that this could set a precedent, this suit?

Is this suit strictly aimed at the problem at Union Station?

Mr. LEWIS. It is aimed strictly at the solution of this problem.

Mr. GRAY. The reason I asked this, someone told me that this suit was now pending and had something to do with rate structures and you were willing to submit this to arbitration by the Interstate Commerce Commission if the railroads refused to arbitrate.

Mr. MEDVECKY. There are two suits pending in Washington, the one subject to this hearing this morning, which has nothing to do with the rates and charges for the services out in back.

There is a 1973 suit entirely.

Mr. GRAY. But that suit does involve other stations?

Mr. MEDVECKY. That suit involves the Washington Union Terminal but the principals involved in that suit might be applicable in other terminals.

Mr. GRAY. Is it a fact that the information I received that you did agree to submit to arbitration was rejected?

Mr. MEDVECKY. That is correct.

Mr. GRAY. Even though it was agreed to by the railroads to submit to arbitration that would not resolve the 1974 suit?

Mr. MEDVECKY. That is right.

The two are not related.

Mr. GRAY. The reason I bring that out here, again I am not accusing anybody, but some parties have been reluctant to solve this on the grounds it might set a precedent on the other suit, is that not so?

Mr. MEDVECKY. No.

The provisions of the memorandum of understanding, we saw them this morning, the last provision is we would agree to the settlement of the 1974 suit without precedent in any other situation.

Mr. GRAY. So they could not use that as an argument to reach an agreement.

Any questions?

Mr. SHUSTER. I can understand Mr. Lewis' desire to have a large station based on the performance of Amtrak, at least in my congressional district, and some of the horror stories I have put in the Congressional Record I can foresee the need, that if we do not improve the scheduling. I find it most disturbing that Amtrak, it appears to me and perhaps unjustifiably so, is behind in its construction and I would urge Mr. Lewis to do everything in his power to bring about the construction and settlement of this lawsuit.

I would want to compliment you, Mr. Chairman, for your diligent efforts here to bring about a solution to this problem.

Mr. GRAY. Thank you.

I yield to my friend from California, Mr. Johnson.

Mr. JOHNSON. Mr. Lewis, as I understand it, you figured the proposed railroad station in the original agreement would be inadequate to service the railroad passengers coming into the Nation's capital.

Mr. LEWIS. Mr. Johnson, there is no station and there are no plans for one.

That is our difficulty.

Mr. JOHNSON. In the original agreement a railroad station was to be built by the railroad people north of the Visitors Center.

The Visitors Center was to be completely occupied as a Visitors Center.

Now, what is wrong with that?

Did you object to that?

Mr. LEWIS. We had a number of discussions.

I think that we all understand that this plan was developed before there was an Amtrak, developed before there was a revival of interest in railroad passenger service.

I can only say what the chairman said this mornnig, if the station had been built, we would be using it and we would not be here today.

The problem before us is that there is no station and we are out on the street.

Mr. JOHNSON. Question No. 2: You recommend using one-third of the Visitors Center, the east wing, to perfect a railroad station and, as I understand you to say, you would want the railroads to guarantee an amount of \$5 million for that station.

Mr. LEWIS. It is my opinion and, of course, this has not been studied in absolute detail, we do not have architects' drawings, I do not have bids and contractors, but this is now going to be a permanent station.

It is going to be there for 25 years or longer and will serve the Nation's Capital.

This has to be done with that in mind.

I believe it is going to cost more than \$5 million.

Mr. JOHNSON. That is what I was referring to.

You also stated for the record that the additional cost would be on you.

Mr. LEWIS. In an effort to bring a resolution in this matter, and to give the parties something on which to base negotiations, we have made that commitment.

Mr. JOHNSON. The third point that you raised suggested that you may let them have something to say about how the station is to be built.

Did I understand that right?

Mr. LEWIS. Look, we want to get along with everybody.

Mr. JOHNSON. I think we should.

Mr. LEWIS. We have been very plain.

We will make space available to the other railroads.

This is a railroad station, not an Amtrak station.

Let us understand that, but I have to say that my great concern is further delay and I do not want the \$5 million tied up in ways which would require a chain of approvals which will perhaps never lead to rejection, but never lead to a center, either.

And I want to have that money free to spend for this purpose.

Mr. JOHNSON. You do not want a veto power included, then, in the agreement?

Mr. LEWIS. I could not live with one.

Mr. JOHNSON. Well, do you think that this would be negotiated with the railroads so that we could get on with the job of doing what we have to do with legislation, to continue the construction on the Visitors Center?

Mr. LEWIS. I see no reason why it could not be done but I am only one of the parties.

Mr. JOHNSON. Have you discussed that particular point with them?

Mr. LEWIS. Not with the railroads.

Mr. JOHNSON. Has this discussion only been between the Department of the Interior and yourself and the Department of Transportation?

Mr. LEWIS. Really, the Department of Transportation has been trying to merge the views of the parties here and they have spoken to the railroads, but I have not.

Mr. JOHNSON. It was said here this morning that the agreement was put together and the memorandum was agreed to by those parties only 2 hours ago.

Mr. LEWIS. That is correct.

We got a first look at it then.

We have been working on this for weeks, of course.

We got a look at this this morning, a couple of hours ago.

We know the subject pretty well by this time and as now written, it would be acceptable to us.

Mr. JOHNSON. Let us get down to the nitty-gritty here.

For you to withdraw the suit, state what should be done to satisfy you.

Mr. LEWIS. If this agreement were signed, it would provide that the money would be put in escrow and that when it was there and it was available to us for the purpose intended, and the east wing was made available for the modification for this purpose, we would withdraw the suit.

Mr. JOHNSON. That is all I have.

Mr. GRAY. Thank you.

Mr. Lewis, would you have any objection to having, say, the Department of Transportation, or some third party in government, if they would agree to it, to work up the plans for the station and abide by whatever decision may be reached?

Mr. LEWIS. I would have no objection, Mr. Chairman, so long as it was something that was not drafted in a way that would delay getting on.

Mr. GRAY. That is the only reason?

Mr. LEWIS. I do not think anybody is going to object to the plans we finally agree on then for that terminal.

It has to harmonize with the Visitors Center.

It has to be worthy of its importance in this city and it has to last for a long, long time.

Mr. GRAY. I think with the building already there you can do an awful lot with \$5 million.

Mr. LEWIS. Sometimes it is more expensive to fix up an older building than to build a new one.

I just do not know, but we will work with the Department of Transportation and would, in any case.

Mr. GRAY. But you are willing to stick with the memorandum presented to the railroads this morning?

Mr. LEWIS. I am.

Mr. BAFALIS. Mr. Chairman, I have several questions that you may be able to clarify for me.

First of all, do we have a commitment from the banks to the railroads that they will loan this money at 7.5 percent?

Mr. GRAY. We do, and they are here to testify.

Mr. BAFALIS. We know that is a fact?

Mr. LEWIS. How do you determine the \$50,000 yearly payment figure to Chessie?

If Chessie is going to pay out 7.5 percent interest, that would be \$375,000 a year.

Now, there may be some other evidence that I am not aware of.

Mr. GRAY. If I can interrupt you, the poor taxpayer is going to pick that up and the \$3.3 million a year.

We are buying it back as a lease purchase contract.

Charged in the \$16 million purchase price is the cost of the money.

Mr. BAFALIS. You are missing what I am saying.

In the agreement I have reviewed this morning, in addition to that \$5 million escrow deposit, it calls for a \$350,000 payment which I assume would cover the interest that they had to pay to borrow the \$5 million.

If they have to pay 7.5 percent their cost would be \$375,000 not \$350,000.

Mr. GRAY. Let me delineate these two problems.

The 7.5 percent commitment on the \$16 million improvement is for the Government's improvement. The railroads, I do not know where they are going, and evidently they have \$5 million on hand so the loans from the banks for the \$16 million have nothing to do with the loan they may have made to build their own station.

Mr. BAFALIS. Mr. Chairman, we want to build this Visitors Center.

I think it is fine that Amtrak, DOT, and Interior sit around and draw up an agreement.

Then you have to get the railroads to agree to the agreement.

All I am trying to find out and I guess the question I should have asked is whether or not they can live with that \$350,000 figure.

Mr. GRAY. I would ask Mr. Watkins to answer that.

I did not see the agreement the gentleman alludes to.

It was presented at 5 minutes to 10 and I have not seen it. This is something that transpired this morning.

Mr. Watkins could answer that.

Mr. BAFALIS. They asked for \$500,000.

Mr. WATKINS. Two points.

One, I have not seen this memorandum of agreement that has been referred to.

Mr. GRAY. Mr. Doolittle has.

Mr. WATKINS. I have not had a chance to talk to Mr. Doolittle.

Second, as far as the \$350,000 is concerned, yes and no.

Our position is whatever the railroads put into a new station, it shall be \$5 million.

All we need is the ability to recoup through depreciation and thus charge to the tenants over a period of time, and we are willing to agree to 7 percent interest rental on the undepreciated portion.

In other words, the unrecovered portion which would go down.

It would be more than \$350,000 the first year. It would be far less than \$350,000 in the 20th year.

Mr. BAFALIS. The gentleman from California made a very valid point.

You were concerned about placing money in escrow without having any control over how this money would be spent.

Mr. Lewis said he did not want any strings attached to it.

Mr. Johnson suggested possibly that the third party, the governmental agency, not Amtrak, not any other, could administer those funds.

Might there be an area of agreement whereby you could accept that kind of proposal?

Mr. WATKINS. I think there is some area of agreement.

I would question whether the Department of Transportation because I believe Secretary Brinegar is a member of Amtrak's board, and I am not sure he would be a neutral third party, but yes.

Mr. BAFALIS. If we could find a neutral third party, is it conceivable that you would consider escrowing the money so that we would all know that we are going to go ahead with this project?

Mr. WATKINS. If escrowing the money indicates to the committee and the public that nobody believes us, that we are going to commit \$5 million, and we have to do it, I suppose we would.

Mr. BAFALIS. It is not a matter of disbelief, just a matter of 8 years.

Mr. Chairman, I have no further questions.

Mr. Chairman, before this committee takes final action on this matter I would hope that all of these gentlemen were here, would sit down and meet and would work out something and report back to the committee what that arrangement is, so when we bring this to the floor, we could go ahead.

Mr. GRAY. I agree with you completely, and I can assure you even if we take action in the committee and report out the bill we will not ask for floor action until everyone has reached agreement.

The banks will testify that they are not going to go ahead and disburse this loan without the corrective legislation.

I think if we all move together and take committee action and let them reach an agreement, if then a final loan closure is contingent on for passage, I am sure we will take that action.

Thank you very much, Mr. Lewis.

Secretary Morton will be here at 2:30 to consider H.R. 16615.

Our next witness is Michael J. Wechsler, senior vice president, Chemical Realty Investment Co., accompanied by Timothy Harwood, realty trust officer, Chemical Bank of New York, William White, Emigrant Savings Bank of New York, and Seymour Auerbach, architect, offices of Seymour Auerbach, FAIA Architect/Planners.

Mr. Harwood, I will recognize you or Mr. Wechsler.

STATEMENT OF MICHAEL J. WECHSLER, SENIOR VICE PRESIDENT, CHEMICAL REALTY INVESTMENT CO.; ACCOMPANIED BY TIMOTHY HARWOOD, REALTY TRUST OFFICER, CHEMICAL BANK OF NEW YORK; WILLIAM WHITE, VICE PRESIDENT, EMIGRANT SAVINGS BANK OF NEW YORK; JOHN T. CUFF, ASSISTANT VICE PRESIDENT, EMIGRANT SAVINGS BANK OF NEW YORK; AND SEYMOUR AUERBACH, ARCHITECT, OFFICES OF SEYMOUR AUERBACH, FAIA ARCHITECT/PLANNERS

Mr. WECHSLER. Mr. Chairman, I am Michael J. Wechsler, and I am accompanied by William White and others, who you have identified.

Mr. GRAY. Do any of you gentlemen have a statement?

Mr. WECHSLER. I would like to make one or two comments.

Mr. GRAY. Please give your title to our reporter.

Mr. WECHSLER. I am senior vice president of the Chemical Realty Corp., which is the real estate advisory service of Chemical Bank.

The statement has been made a few times that the banks have withdrawn their financial support.

In effect, we have not withdrawn it. We have merely ceased to advance funds pending the working out of various problems.

I might say that the Chemical Bank stands ready to meet its previous obligations under its previous commitments.

We stand ready to continue funding under that \$16 million commitment when the requirements of a prudent lender have been met.

We believe at the outset of this loan when the loan was originally closed that most of the prudent requirements had been met.

There were some loopholes in order to begin the construction, to begin advancing funds and an arrangement was made whereby we advanced funds against certain securities deposited with us by the railroad pending the resolving of the other matter that had to be taken care of.

Those have not been resolved.

Mr. GRAY. Would you care to enumerate those?

Mr. WECHSLER. Basically we as a construction lender are concerned only with the timely completion of a defined project. And upon completion of that project, we are concerned with being repaid and in this case, as in most cases, we are repaid out of the Department of Financing of the long-term lender.

We have made a decision to stop funding based on certain things.

Those things were the Amtrak suit, which suit was instituted and which our counsel feels clouds the title to the property.

The title insurance company believes the same and so advises us they would not insure subsequent advances of our loan and therefore we were insured to date and would not be insured subsequently unless the Amtrak suit was withdrawn with prejudice.

The long term lender has the same question with respect to the state of the title and therefore, with the inability of the long term lender to give us an unequivocal title we, of course, ceased to advance funds.

Mr. GRAY. Is it my understanding that you are handling the interim construction financing and the long term financing?

Mr. WECHSLER. The Chemical Bank, sir, is handling the construction financing.

We are the construction lender. The Emigrant Construction Bank is our participant and is the long term lender.

Mr. GRAY. The representatives here, you do speak for the construction financing and the long term financing?

Mr. WECHSLER. Yes.

Mr. GRAY. We are not talking about another entity someplace?

Mr. WECHSLER. That is correct.

The technical problems to be cured other than the withdrawal of the Amtrak suit amounted to the amending of the enabling legislation which has been discussed here this morning.

Mr. GRAY. Have you seen a copy of the bill?

Mr. WECHSLER. Very briefly, as I walked in.

We made some comments known to the representatives of the Department of the Interior and I believe they have told us the comments we have made are easily included in the bill.

I believe that it clears it up.

One of the problems is the change in scope.

The original loan was concluded and the financing of the \$16 million not only for the visitors facility, but the parking for the 4,000 cars and under subsequent agreements between the Government Department of the Interior and the borrowers, that scope was reduced.

The Visitors Bureau is no longer being financed under the \$16 million and, in fact, the number of cars to be covered in the parking facility was reduced originally to 2,000 cars, then to 1,000 cars, and in fact, the present amount of funds available in the \$16 million will finance the completion of what has been designated section A, which is an 82.5 level which I am told will include the bus parking level and possibly parking for 300 cars.

Mr. GRAY. In that connection, Mr. Wechsler, do you not believe that the legislation that provides additional \$12.9 million would make your equity position much better, because this does insure the completion of the 1,200 car parking garage and all of the other improvements which you would have first mortgage on?

Mr. WECHSLER. Well, not quite.

Mr. GRAY. Simply we would be cranking about \$21.9 million versus the \$16 million loan and for that you would have a first mortgage for all of the property.

Mr. WECHSLER. I believe that question should be addressed to the long term lender.

As the construction lender, I am concerned with advances of \$16 million completing a project well defined and which definition is accepted by the long term lender, so upon completion of those specified improvements, my loan would be repaid.

The benefit from having the U.S. Government behind me only accrues to the long term lender, not to the interim lender.

Mr. GRAY. Yes.

But as you crank in \$16 million the public is cranking in additional moneys to see the parking garage and other improvements finished.

We have \$8.6 million already appropriated by the Congress.

In fact, the project is continuing on a temporary basis under the direction of the Secretary of the Interior and that is Government

money going into that project which is the project you are also funding.

I am sure the banks feel the Congress ought to move to see this project finished.

Otherwise you would not have as good a loan.

Mr. WECHSLER. Frankly, I agree.

I am not concerned with the quality or value of my collateral but it is the Amtrak suit that is involved and I am really not concerned with the value there or the value added by the infusion of Government funds or the taxpayers' funds.

I am merely concerned with completing that defined project.

I am willing to do so. The bank is willing to continue funding and resume funding pending resolving of the Amtrak suit, and the amendment of the legislation.

There are certain technical problems to be ironed out which are merely documentation and frankly do not pose any problem to the resumption of funding.

There is a new survey that is required.

The long term lender has reviewed the terms and specifications and must give his approval, but those things I would not anticipate would cause a problem.

We are most concerned with the Amtrak suit and the legislation.

There have been many agreements between the parties which agreements were drawn up in an eight- or nine-party agreement which have never been executed.

I believe it was a meeting of the minds on most of those things, Mr. Gray.

That document can be executed.

That was one of the conditions based upon which we would continue funding past the amount of \$3.4 million.

We were not to go beyond that \$3.4 million until that agreement was signed.

Mr. GRAY. But you are telling the committee on record that you have not withdrawn your financial obligation to this project.

You are merely foreclosing and disbursing. You are asking that certain conditions be met and that you feel that those conditions are one, dropping of the Amtrak lawsuit, and two, that these technical amendments be passed by the Congress.

Is that an accurate statement?

Mr. WECHSLER. Yes.

The technical amendments in the authorizing statute and the minor documentation problems we have got which I personally do not feel we have a problem.

I might also say that all of these items except the Amtrak suit have been in existence since the first day our loan was closed.

These were conditions precedent to any advances over the \$3.4 million.

Mr. GRAY. You have not disbursed any of the \$16 million?

Mr. WECHSLER. We have disbursed \$2.3 million against a pledge of \$3 million in securities.

We have advanced \$2.3 million.

Mr. GRAY. The railroads testified they spent \$5 million of their money.

Are we being told that \$8 million has been spent on this parking facility already?

Mr. HANIFIN. I wish you would listen to what the witness said. He has disbursed how many dollars of pledge we have put in?

Mr. WECHSLER. \$3 million.

Mr. HANIFIN. So they have not disbursed one dime, not one dime, and you heard the gentleman also say that from the beginning, as I tried to advise the chairman and the committee, they apprised us that we did not have a firm commitment from them; that all the conditions which today are now part of this general review by the committee were made to us tentative.

And this is one of the things that is only the B. & O. that has put up any money, yet they are only going to allow us what he is saying to you, he is only going to loan us where we get to the \$3.4 million.

Mr. GRAY. Mr. Hanifin, I appreciate that, but I think we have a problem here that should maybe be turned around and put in a little different perspective.

You have stated in a telegram to me that you were unable to obtain financing and the gentlemen that are appearing here have stated that that is an accurate statement, that they are willing to make the loan on contingencies, and if those contingencies can be made, then your statement that we cannot obtain financing is an inaccurate statement.

Mr. HANIFIN. No, sir, I do not consider it to be inaccurate because they have not given us final, complete, unrestricted financing.

Mr. GRAY. If you said you are having trouble obtaining it, that would be an accurate statement, but you say you cannot obtain it and therefore the contract we signed is null and void.

I think that is going a little beyond the shore.

Mr. HANIFIN. In a letter to us they say they would lend no further money.

Mr. GRAY. In a meeting with all other parties in 30 days or less you agreed you would recommit, is this not a correct statement, Mr. Wechsler?

Mr. WECHSLER. At the meeting the statement is the same I am making this morning.

The items that are open other than the Amtrak suit are the items stated at the original closing of the loan.

This is not nothing new. Nothing new has come up. This has been here since day one.

Mr. GRAY. Any other questions or comments? The House bells have sounded. We have a quorum call to answer.

I did want for the record, while Mr. Auerbach is here, to ask him to state for the record whether or not he does, in fact, have any plans at all for a railroad passenger terminal at Union Station.

Were you not hired by the B. & O. and C. & O. to design plans for a railroad station?

Mr. AUERBACH. Mr. Chairman, that is so.

Mr. GRAY. Are you in the design plans?

Mr. AUERBACH. If you will grant me just a few minutes, I would like to run through the chronology of the railroad station.

Mr. GRAY. I think it is important because Mr. Lewis stated that no plans at all had been made for a station, and I am not trying to quarrel with him, but I think it is important, particularly with the press

here, that we not say there are no plans at all once we build a Visitors Center for people to use the visitor facilities.

Mr. AUERBACH. It is very important for me to get on the record where we stand on the various designs for railroad stations.

Mr. GRAY. You may proceed.

Mr. AUERBACH. There was a railroad station design included in the report of the National Visitors Center Study Commission in 1967, which I was the architectural contributor.

In 1969, the interest in that terminal got expanded into the intermodal phase when Greyhound and Trailways came into the act, and before an NCPC meeting indicated an interest in expanding the railroad station into an intermodal terminal.

In 1970, or some particular date—I do not remember the month—we submitted a report on behalf of Greyhound, a feasibility study for an intermodal terminal.

In June 1973, the bus companies again authorized me as the architect to do schematic designs for the intermodal terminal carrying out further details.

Prior to that, in 1971, both the Fine Arts Commission and the Planning Commission here in town had approved the intermodal terminal concept.

I do not know exactly where this fits in with Amtrak's involvement. I believe Amtrak was born in 1970 and they began to sit in and so on.

In November of 1973, Amtrak joined in those studies that we were performing for the Greyhound and Trailways Bus Cos.

In January of 1974 there was a meeting in my office of representatives of Amtrak, the bus companies, DOT, the railroads, and a number of consultants, including architectural transportation consultants hired by Amtrak, at which time they gave verbal approval to the intermodal terminal design.

That design is represented by these photographs and graphs and drawings here.

Mr. GRAY. What would be the cost of that, Mr. Auerbach?

Mr. AUERBACH. There was a cost performed for Greyhound, Trailways and Amtrak through my office by MDA Associates, which is a construction consultant presently retained by the Parks Service on this project of \$29 million.

Mr. GRAY. Could that be parceled out and cut down the size we are talking about here without a long delay?

Mr. AUERBACH. No, that is in a section of the building which is further beyond what is presently within the confines.

Mr. GRAY. That would be in the back and would face on H Street?

What I am saying, if you proceeded with that type of a facility, you would not need as large a facility, or maybe no facility at all in the east side.

Mr. AUERBACH. In January of 1974 we submitted drawings of the intermodal terminal of Amtrak.

In March of this year a series of meetings were held, at which time the question of an interim terminal, and I want to underscore that, an interim terminal was brought to the service.

We have three different sketches on that, all of which have been discussed with DOT on a number of occasions, and with Amtrak representatives.

Now, one of them involved the east wing. One of them involved the west wing, and the third one involved a space under that portion of the parking garage which is already under construction.

That is, in my estimation, the one that is the least expensive to build on an interim basis, which brings the passengers closer to the tracks to which they must get, which allows the most convenient traffic access to that terminal.

MR. GRAY. What would be the estimated cost of that?

MR. AUERBACH. I am afraid, sir, that I cannot answer that at this point. But I am certain that it will not approach \$5 million, because that is assuming that the work is being done for the parking facility right now, which, in effect, becomes the roof and walls of this terminal, of this proposed terminal and remains in that accounting column.

MR. GRAY. What you are saying, an agreement should be reached immediately as to which one of these options we are going to stick it in.

Do you see any reason why the parking facility cannot put it in the east wing and still cannot have it ready by the Bicentennial?

MR. AUERBACH. Put it in the east wing?

MR. GRAY. Could your drawings be changed to put a \$5 million facility in the east wing?

MR. AUERBACH. I have a drawing of an east wing facility which I did for the railroads.

What Amtrak's particular enlarged requirements for that east wing might require, I do not know. They have never discussed that directly with me.

I would caution on one thing, that a change like this might very well involve the Fine Arts Commission and other historic preservation agencies.

MR. GRAY. So it is your feeling as a professional, following this since 1968, that the quickest, the cheapest and the best facility would be to put it in the grounds level of the parking facility?

MR. AUERBACH. Yes.

MR. GRAY. And could be done within the \$5 million certainly, and probably for less.

MR. AUERBACH. Without any question.

MR. GRAY. Have you studied other terminals throughout the country? Could you give us some idea?

MR. AUERBACH. Over the 8 years, as a matter of fact, my thesis in architecture is on that.

MR. GRAY. You are saying Amtrak's objection to this being too small a station, founded on good basis of fact, because you have looked at other stations and you feel the parking facilities, the railroad spaces, the parking spaces they hold would be adequate for now and the foreseeable future?

MR. AUERBACH. It is in excess of 52,000 square feet, plus the opportunity of inserting a mezzanine, which would permit offices and other such facilities, a direct escalator, an elevator for the handicapped.

MR. GRAY. Could we still get 1,200 cars in the parking garage?

MR. AUERBACH. It would have no effect on anything presently committed for parking.

MR. GRAY. And you have completely finished your plans on the 1,200 parking lot?

Mr. AUERBACH. Yes, they are being used on the job now. They have been finished for a year and a half.

Mr. GRAY. What you are telling this committee is there is no reason to delay this project to get in long quarrels between Amtrak and the railroads over the size of the station. It could be, if they really wanted to get together, solved at this juncture without any delay and within the \$5 million cost?

Mr. AUERBACH. Without any question.

Mr. BAFALIS. I have a question of the Chair.

In this contract or this lease agreement between Chessie, are they saying they do not have the ability to borrow the money on this particular project, or are they released, if they do not have the ability to borrow the money somewhere with some collateral?

Mr. GRAY. That is the way it reads.

The only way this can be null and void is their "inability" to obtain financing; and we are stating for the record that the companies, the banks represented here are stating if they will do two things, and certainly one of them is incumbent upon this committee, and that is, change the technical language; and the other is to drop the suit and they will give them the money.

I feel the triggering mechanism for canceling this contract has not been fulfilled by the railroads, because they "can obtain financing".

Mr. BAFALIS. That is my point. I think the banks have confirmed this.

What the railroads have said is this, the banks refuse to lend money on this particular project until certain things are worked out. That, as I understand it, will not release them from the liability under this contract.

If they do have sufficient credit they can borrow the money on other collateral.

Mr. GRAY. The gentleman is correct. If there is a cloud on the Union Station title, put up Cincinnati, or some other collateral.

Mr. BAFALIS. If the Chessie borrowed this money on some other project, I think what the railroad is saying, they could not borrow on this particular project, and the bankers said they cannot borrow on this project, they are relieved from liability. I do not think that is the case.

Mr. GRAY. I agree with the gentleman.

Mr. WATKINS. In connection with this agreement, I do not believe there has been any intention that the railroad would borrow on its other credit provisions to finance the Washington Visitors Center.

Mr. GRAY. Where is that in your agreement, Mr. Watkins, that says if we cannot borrow on Union Station we cannot borrow—period?

Mr. WATKINS. I think it was implicit in all of this.

First, the property itself will serve as the collateral, and did in 1968. The banks had verbally committed to the lending of the funds with the station property being adequate and complete collateral.

Later, when the Penn Central went into bankruptcy, then this required some additional support.

Mr. GRAY. I agree that was your intention, but I say there was a big difference between intention and signing the agreement.

The signed agreement does not say anything about contingent about Union Station property being given as collateral.

I cannot understand, for the life of me, why the railroad would not want to go borrow \$16 million from any source to get back over the next 20 years over \$80 million; and, at the same time, get a serviceable station that will meet your needs and the public needs.

I just cannot visualize why you are throwing all of your arguments into the Union Station property at this time, when, after all, all we are trying to do is get the improvements so we can pay you \$3.4 million a year back, so it does not matter whether you put up a mortgage on Union Station or some other property, because I know you are not going to default; and we are not going to default, because you would lose, over the next 25 years, your \$82 million in revenues.

I know you are not going to default, so, really, what difference does it make what collateral you put up?

Mr. WATKINS. The \$82 million you keep referring to is not our figure and is not at our request, and, as far as we are concerned, that was done solely as an accommodation to the Government and this committee, so that I hope the record will indicate that this whole bonanza that you seem to imply coming to us is not; and was done only at the request of the committee to facilitate this project.

Mr. GRAY. Mr. Watkins, you are the reluctant dragon here, to assume the responsibility of collecting \$3.4 million a year; but, in my arithmetic, that comes to over \$82 million.

Are you saying, then, that after these improvements have been made, you would not expect the Government to pay you \$3.3 million a year in rent for a lease purchase?

Mr. WATKINS. We certainly would.

Mr. GRAY. Why did you sign an agreement if it was not agreeable to you?

Mr. WATKINS. It was agreeable, the \$3.5 million was the lease rental to take care of the cost of the station, the rehabilitation initially, the parking garage, the inside of the station and the value of the station.

I can only repeat, as apparently I am unable to make myself clear to you, that that was done to facilitate the work at the request of this committee, and the United States, not at the request of the railroads, because the railroads, I think it is obvious, would have been better off had they not cooperated in the development of the Visitors Center.

Mr. GRAY. I know we would have been, that is for sure. That is the way it has worked out.

Mr. WATKINS. We have cooperated. We have continued to cooperate.

Mr. Auerbach has illustrated some of the problems we have been faced with through this delay, with additional problems and the changes and proposals throughout the 8 years.

Mr. BAFALIS. Mr. Chairman, I would like to point out, and I am sure it is on the record, on the first page of this contract, the bottom line, it states the Baltimore & Ohio Railroad Co. shall borrow money, "on their credit alone."

Mr. GRAY. That is right. That is exactly what I said.

Mr. BAFALIS. It is very specific.

Mr. GRAY. The gentleman is eminently correct. It is in the contract, and if they did not want to borrow on their credit alone, they should not have signed the contract, and we had a big ceremony, almost 2 years ago.

In fact, it was September 26, 1972, down in the Secretary of the Interior's office, and Mr. Watkins was there, and he made the same speech he did at the ground-breaking ceremonies, bragging how these viable railroads are able to go out and borrow money, and there is no Government money involved; and I am absolutely for those statements.

Mr. WATKINS. I am getting out of my field here, sir, because I am not a lawyer; but I would only refer to this, and counsel indicates to me the contract was signed between the United States of America and the Terminal Realty Baltimore Co. and the Terminal Realty Penn Co., which are subsidiaries of the two railroads, and corporately, the project was to be financed entirely on the credit of the signatories to the contract, to the extent these two subs approved it; yes.

Mr. GRAY. Mr. Watkins, you would not tell this committee that you are coming here repudiating the action of one of your own companies, are you?

Mr. WATKINS. No, sir, I am telling you we are going to live up to the letter and spirit of every agreement.

Mr. GRAY. Well, Mr. Bafalis is making the point that your subsidiaries said, on your credit alone we will obtain this money.

Mr. WATKINS. On the subsidiaries' credit alone, I do not want to get into a legal argument, but nowhere in here does it say that the parent company guarantees that if the subsidiary will not do it that the B. & O. will do it.

I do not want to get into legal technicalities with you, and that is what you are implying.

Mr. GRAY. I would think you would want to bail out one of your own.

Mr. BAFALIS. Has your subsidiary made an effort on their credit alone, to go out and get that loan?

Mr. WATKINS. For 8 years, sir, yes.

Mr. BAFALIS. And they have been turned down?

Mr. WATKINS. Initially, the Visitors Center project was to be financed—

Mr. BAFALIS. No, I am asking you a specific question.

Based on their credit alone, forgetting the Visitors Center, has your subsidiary attempted to get a loan based on their credit alone?

Mr. WATKINS. Yes, that was the basis of the whole project, their credit alone; because these companies sold their assets. One had an interest in this property.

Mr. GRAY. If the gentleman will yield at that point, I think it is very important.

Let me ask the question the other way, Mr. Watkins.

If you consider this a rejection of the request of the Washington Terminal Co., did you go to any other financial institution and say, Chemical Bank and the other bank turned us down, would you lend us the money?

Has there been any effort made since you feel this is not a strong commitment?

Mr. WATKINS. We have no reason to think Chemical and Emigrant Bank would turn us down.

Mr. GRAY. You have not sought out other sources?

Mr. WATKINS. We have not gone to other banks with arrangements that one of the leading American banks said would not fly, to that extent, no.

Mr. BAFALIS. Mr. Chairman, I would like to make one other comment. If disturbs me, from what I hear now, that a corporation may have been established in order to handle this thing, so that Chessie would not have any liability with the U.S. Government.

I hope that is not the case.

Mr. GRAY. Let me turn the pancake over. You can bet that \$82 million will not wind up in the coffers of the Washington Terminal Co. when we pay the \$3.3 million a year.

Mr. JOHNSON?

Mr. JOHNSON. I just want to make one observation.

Seemingly, this project is well under way, from what I have been able to view over there on the two or three times I took a trip over there to see how things were coming along, and construction was under way.

Who entered into the contract with the contractor?

Who is in there working now?

Mr. DOOLITTLE. The contractor is with the realty company that owns the property.

Mr. JOHNSON. With whom?

Mr. DOOLITTLE. The contract is with the two realty companies that own the property.

Mr. JOHNSON. Who is advancing the money, the progress of payments to the contractor?

Mr. DOOLITTLE. I am glad you asked that.

In order to keep the project going forward, in order to get it off the ground, the B. & O., parent of one of the realty companies, voluntarily agreed to use its credit to get the first \$3.4 million credit from the banks.

It was on that basis that the banks agreed to advance funds, and on mortgages paid, the banks said, we regret we must terminate our financing arrangement. We hereby demand that the B. & O. Railroad repurchase the portion of the loan in our hands.

B. & O. was a volunteer in this project.

Mr. JOHNSON. As I understand it, the Secretary of the Interior has taken over since September 3, and he is carrying the project at the present time; is that right?

Mr. DOOLITTLE. That is right. We have had it for about 5 years. He has had it for 10 days.

It is costing us \$25,000 a month to pay interest to the bank on \$3.3 million we have borrowed. We have a current cost to pay here.

Mr. JOHNSON. Now answer this: If we were to reach an agreement and the railroads would agree to the memorandum that has been prepared by the governmental agencies, would you, the B. & O. Railroad, then continue to finance and advance the moneys to these people?

Mr. WATKINS. No, sir.

Mr. GRAY. But you would pursue, would you not, Mr. Watkins, the closure of the loan if all contingencies were met which, in effect, provides \$16 million?

Mr. WATKINS. Terminal Realty in Baltimore, yes.

Mr. GRAY. That is what I meant.

Mr. WATKINS. We certainly would.

Mr. SHUSTER. This has certainly put in focus for me, as a former businessman, and I want to compliment the B. & O.

With whom in the Government did you negotiate this contract?

Mr. HANIFIN. I believe I signed the last letter with Secretary Morton and the Hyman Construction Co.

Mr. SHUSTER. From the Government's point of view, who was responsible for such a sweetheart arrangement, the Secretary of the Interior?

Mr. HANIFIN. I think you have to go back to the original statute, sir, and that original statute which conceived this whole program was originated in this committee.

Mr. BAFALIS. Mr. Chairman, we have the original statute, and it names the Washington Terminal Co.

I am curious as to when these two subsidiaries were formed.

Do you have a date as to when they were formed?

Mr. WATKINS. About the same time in 1968, and it was done to facilitate the project by making sure that the Washington terminal operations could continue.

Now, whoever did that, I must compliment on their foresight, because it was the intent to carve out of the Washington Terminal Co. that property that was to be subject to modification and change, meanwhile to continue the terminal operations for the passenger services unimpeded.

Mr. BAFALIS. I would have to grant to the gentleman, as I read the legislation, it speaks about its success, but I would think the Congress, at the time it passed this legislation, Mr. Chairman, thought it was doing business with the Washington Terminal Co. and not a subsidiary which was set up to handle this matter.

Mr. GRAY. No doubt about it.

Let me ask you this: I think we have made a very good record here as to what the problem is, but talking about problems does not provide answers.

The hour is getting late.

We have the Interior people here. We have the Amtrak people here. We have the principal involved, B. & O. and Penn Central.

Would it be possible to get together on this memorandum, have a recess for lunch and have the Secretary here at 2:30, between now and 2:30 when the Secretary comes to explain what we already know here, frankly? We will have to have a meeting of the minds.

Would it be possible to get everyone together up in room 2251 and see if we cannot come to some resolution before the Secretary appears here?

Would this be possible?

Mr. WHITE. Mr. Chairman, if we could have only a few minutes, we might finish with the testimony of the bank representatives.

Mr. GRAY. We intend to do that, but what I was intending to do was to talk to some of the people before they leave, and, after lunch, maybe to get everybody to go upstairs, Penn Central, B. & O., C. & O. and the banks.

Is there an affirmative response to this?

Mr. WATKINS. We will be represented here. Unfortunately, Mr. Hanifin and I have commitments that we feel cannot be changed at this late hour; but Mr. Doolittle and our representatives will be here and will be able to get in touch with Mr. Hanifin and me periodically during the afternoon.

Mr. GRAY. We have great respect, Mr. Watkins, for Mr. Doolittle; but it has been our experience that either you or Mr. Hanifin must approve the agreement, and there is no way in the world, if you leave and merely have Mr. Doolittle go up there and talk about it, and have to come back later, there is no way we can resolve this by 2:30.

It was our intention, if we could reach an agreement between now and then, to report this bill to the House of Representatives, which would answer half of the complaints of the banking group and you already have an agreement with Mr. Lewis, so I think we are right at the crossroads where, if we do not meet, then we are not going to get the legislation out at 2:30 this afternoon, which I want to show that we are using good faith in this committee.

Could not one of you stay?

Mr. HANIFIN. With respect to this particular whole new scope of statutes, without the approval of the board of the various companies that are involved in this—there is the Penn Central trustees, which must approve any new agreement, as you know, and there is the Terminal Realty.

Mr. GRAY. I realize that, but if we could get a meeting of the minds and reach a tentative agreement subject to the approval of your board, we can then report this bill and hold it for floor action awaiting until you have made all of these confirmations; but as long as you are back in Cleveland, and as long as we are all scattered out, we are never going to get this issue resolved, and we are so close to a settlement, it looks like 30 minutes of your time maybe would resolve this, because we have the other two parties in this tripartite agreement, agreeing on this memo. And I have not looked it over in detail, but it looks like something you people can agree to, maybe with minor modifications.

If we could just have one of you here in this room for a few minutes, I will even buy your lunch. Let us stay over and try to get a tentative agreement that would be subject to the approval of your board.

Mr. WATKINS. It appears that we are not cooperative to you.

It is just, Mr. Chairman, that it would be unwise, as well as improper, for something of this magnitude to even imply that we can get it resolved in 2½ hours.

In the first place, I have not read the memorandum of understanding.

Mr. GRAY. That is why we wanted to break for lunch, so you can go over it.

Mr. WATKINS. We will go over it, and we will go back. But the question is whether we drop everything else, all of our commitments in the time grace of 1 hour and 30 minutes and imply to this committee that we can come to an agreement.

I am sorry, I do not see how we can consider it in that period of time.

Mr. GRAY. Do you not think, Mr. Watkins, we ought to at least look at it and see where we are in disagreement, if we are?

Mr. WATKINS. We will try.

Mr. GRAY. Can you remain informally for a few minutes after we recess and look it over, to give us a reading as to what we can tell the other parties?

The Secretary of the Interior is coming at 2:30 and there is no use going over the same ground, and he is busy also; but a project of this

magnitude, that is so important to all Americans, you could give us at least 30 minutes of your time.

Mr. WATKINS. We have seven top officers of the corporation here, and that is ample indication of our interest, Mr. Chairman.

It is just that I do not want to imply that we can reach an agreement.

Mr. GRAY. I am not asking that, Mr. Watkins.

I am asking you to consider the proposition handed down this morning in that memorandum, and tell us what you think of it.

Mr. WATKINS. We intend to discuss it right now. The point is, though, we do have commitments.

We will be represented here by Mr. Doolittle.

I just do not see how, in all sincerity and honesty, I can say that we can review it, discuss it, find out what the implications are, and be back here within one hour and a half.

We will try.

Mr. GRAY. We understand from Penn Central that they are in agreement with this memorandum.

Mr. WATKINS. I will defer to the counsel from Penn Central.

Mr. HELMETAG. We have not seen the agreement. We will not back off of that commitment.

We have not seen the memorandum of understanding. We would like to see it.

Mr. GRAY. I will propound the same question to you.

Would you be willing to look over this memorandum and give your opinion to Mr. Doolittle as to whether or not you can go along with it?

Mr. HELMETAG. I am here to serve the committee.

I would advise the committee it is going to involve a larger commitment by Penn Central or by the Philadelphia, Baltimore and Washington railroads, that we will have to have trustee approval and also court approval.

Mr. GRAY. We understand that, but it is my understanding that that memorandum does not broaden the scope or responsibility of Penn Central Railroad.

Mr. HELMETAG. We have not seen the memorandum.

Mr. WATKINS. Mr. Chairman, may I just suggest, to avoid further delays, that our group does intend to meet on this subject right now for the period of time, and for whatever time we can get it immediately we will do it, and we will be back to the committee.

The only point is, I do not want the committee to think that Mr. Hanifin and I will be in a position to make binding commitments this afternoon.

Mr. GRAY. We are not asking that at all. We are asking you to give us a reading on this as soon as possible.

Mr. WATKINS. Mr. Doolittle will have input.

Mr. GRAY. The reason I was asking you to stay for a few minutes is to look it over.

Mr. WATKINS. We are both going to.

Mr. BAFALIS. Mr. Chairman, I hate to be redundant, but Mr. Watkins made a statement, and I have looked at this first page again, and I want to put in the record what I think is a contrary statement of fact made by Mr. Watkins.

He said there were two companies set up, Terminal Realty, the Baltimore company, the Terminal Realty Penn Co., and those two companies had the obligation to go out and borrow.

As I read this first page, it says, whereby the Baltimore & Ohio Railroad Co. will, for compensation of the Terminal Realty Penn Co., assume responsibility for continuing the said proposed alterations, construction, and lease on their credit alone.

We are not just looking at the Terminal Realty Baltimore company and the Penn company, we are looking to the Baltimore & Ohio under this lease, and they have not made good-faith efforts under other collateral to go out and borrow this money; and the taxpayers, to continue this project, will have to spend \$25,000 and \$50,000 a day to keep this project going. And I do not think your company has acted in good faith under this contract, and it behooves all of us to sit down and get this thing resolved.

Mr. HANIFIN. As president of B. & O., I respectfully disagree with your observations.

Mr. BAFALIS. You can read what is on here, and B. & O. does agree to back up Terminal Realty Penn Co., based on the full faith and credit of B. & O. to borrow this money, and no effort has been made by you. We have been told that by everybody here.

Mr. SHUSTER. Would the gentlemen agree that B. & O. Co. does have the obligation to go out and secure this credit?

Mr. HANIFIN. No, sir, this property was carved out of the Washington Union Terminal, a carrier which has an obligation.

Mr. GRAY. Let me set the record straight.

Here is the lease for real property, dated March 1, 1972, and the gentleman from Florida is eminently correct.

The Baltimore and Ohio Railroad assumes the responsibility on their credit alone. It is in black and white.

Mr. SHUSTER. Does the gentleman disagree with that?

Mr. HANIFIN. Yes.

Mr. GRAY. Tell us how that differs, Mr. Doolittle, with the facts here in writing.

Where are we in error? It is the latest negotiated agreement, signed in the Secretary's office on March 1.

I have great respect for you as a lawyer, but I cannot read anything except what is down here, and it says, B. & O. with compensation from Terminal Realty Penn, agreed that they have agreed to this stipulation to give compensation, that B. & O. will on the lease and their credit alone obtain credit on the account of both owners—I emphasize "both owners," that means Washington Terminal and the Penn Transportation.

Mr. DOOLITTLE. The antecedent of the word "their" is Terminal Realty of Baltimore and Terminal Realty Penn, that is, the owners.

B. & O. is solely in this as a management agent for both realty companies in view of the Penn Central bankruptcy.

Mr. GRAY. It says B. & O. will assume responsibility. That is pretty strong language. I think a fifth-grade school-kid can understand that—will assume responsibility on their credit alone.

Is there anyway we can get your good faith that you will look it over? This is all we ask for.

Mr. SHUSTER. Mr. Chairman, I want to make part of the record, should this not go together, I would hope the Interior Department or Justice Department, or whoever would pursue this matter to the fullest extent of the law against these people who cannot seem to read what the rest of us seem to be able to read.

Mr. WHITE. May I help, Mr. Chairman, just so we can get along here?

If it said a lease on its credit alone, it might be referring to a singular entity, but when you say their credit alone, Mr. Doolittle is suggesting that you are suggesting several parties.

Mr. GRAY. Is it your feeling that B. & O. and C. & O. is responsible under this lease?

Do you have a copy of the lease?

Mr. WHITE. I have it, but I am wondering if we cannot get along to the guts of it, and get down and accomplish the result of resolving it.

Mr. GRAY. We would be so delighted to hear from you. Go ahead.

I thought you had another statement. I was going to quote page eight of the agreement in reference to the gentleman from Pennsylvania's comment about noncompliance. There is a provision that calls for the railroads to comply with this contract.

Mr. WHITE. I just thought I would be helpful.

Obviously, you are not reading it correctly. "Their" refers to two companies. "It" refers to only one.

Mr. BAFALIS. The fact remains no one has attempted. B. & O. has not attempted, on its own initiative, to go out and attempt to borrow the money, sitting here in Washington.

Mr. GRAY. The point I was making, they are using that in order to cancel this lease, and that is the only stipulation in the lease that allows them to cancel it.

You gentlemen have any further comments?

Mr. WHITE. May I, Mr. Chairman, I would like to suggest that on the bill that is about to be introduced you make some changes. I mentioned these before.

Mr. GRAY. Give us those proposed changes.

Mr. WHITE. H.R. 16615 proposes that the language would be the company in consultation with the Secretary, shall construct a parking facility.

I would suggest that it be all or part of a parking facility, and the reason is that the \$16 million will only buy the cellar of the parking facility, that is where the buses will come in, possibly an additional 300 spaces for cars. And if you have, let us say, 300 people or 500 people working in the Center, those 300 spaces might well be used up by the workers and not be available to the visitors.

What I suggest is you say that the company in consultation with the Secretary shall construct all or part of the parking facility.

The \$16 million will only buy the basement.

Then on the next page, at the foot—well, in the second line from the top, instead of using the words "interpretive visitor," I would take those two words out and put in "other," so that it will say that the parking facility will have the necessary approaches and ramps for adequate circulation to accommodate automobiles, charter buses, and other transportation.

There, where the word in the fifth line, "facility" appears, I would delete that and use the word "structure."

Now, it would seem to me, then, that—and may I just say for the Emigrant bank, we never backed away from our contract and we are willing to honor it tomorrow.

It was the conditions which we agreed to, which were not fulfilled by others to the contract and we, of course, will honor it tomorrow, and we would expect everybody, the Government and the borrowers, and everybody else to honor theirs.

We will go forward and we will modify and make further concessions, if the Amtrak suit is discontinued with prejudice. If the Emigrant Bank will have a first mortgage on the entire facility, if the legislation will be amended, if there will be adequate assurances that the whole project will be completed.

Mr. Chairman, with that we will not withdraw in any way.

We have never withdrawn, and we are perfectly willing to go forward on the contract that we now have, if some reasonable modification is asked of it on the basis I have suggested, and we will certainly go forward with the modifications.

Mr. GRAY. That is the long term financing?

Mr. WHITE. Yes.

May I say that the New York State law requires that the decisions on matters like this be made by the board of trustees, so that my suggestion here is a suggestion that I would recommend to the board of trustees for their consideration.

Mr. Chairman, I think they intend to be very generous. As you know, thrift organizations have small people as their depositors. They have butchers and bakers and candlestick makers, and they are now giving the U.S. Government a 7.5-percent rate of interest on this kind of a loan, when I think Mr. Lewis could have advised you this morning that if you went out and borrowed the money now you would pay 10 percent.

Mr. GRAY. We appreciate that, and I want to publicly thank both banks for sticking with that rate of interest.

Mr. WHITE. Thank you, Mr. Chairman.

Mr. GRAY. I see no objection.

Mr. WHITE. May I say what we really expect, as one of these gentlemen said, when the \$16 million is expended, then, at that time the Government lease will go into effect.

Mr. GRAY. Yes.

At this time the subcommittee will go into executive session for consideration of H.R. 16615.

[Whereupon, at 1:10 p.m., the subcommittee proceeded into executive session.]

## NATIONAL VISITOR CENTER ACT AMENDMENTS

THURSDAY, SEPTEMBER 12, 1974

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON PUBLIC WORKS,  
*Washington, D.C.*

The committee met, pursuant to notice, in room 2167 Rayburn House Office Building, at 3:02 p.m., Hon. Robert E. Jones presiding.

Mr. JONES. The Committee on Public Works will come to order.

I understand that the report of the subcommittee has been made to the full committee, and the purpose of the first item of business in the full committee is to hear from our valiant former colleague, now the Secretary of the Interior. Mr. Secretary, it is a great pleasure for us to receive you, sir, and to have your recommendations and your observations as to the procedures that you would like to have this committee to consider.

Mr. GRAY. Mr. Chairman, would you yield to me?

Mr. JONES. Yes.

Mr. GRAY. I appreciate you yielding. I just want to state for the record that this matter under consideration, that the subcommittee considered this morning, has had the full cooperation of our esteemed distinguished colleague, and now the distinguished Secretary of the Interior, and I wanted to personally thank him and all of his subordinates for the weeks and literally months that they have put in on this subject.

So I wanted the record to reflect that certainly the stoppage, or the slowdown of this project does not result in any delaying tactics on the part of the Interior Department.

I want to personally thank him and all of his associates for the work that they have put in over the past several months on this project.

I thank you, Mr. Chairman, for yielding.

Mr. JONES. We will hear at this time from Mr. John W. Warner, Administrator, American Revolution Bicentennial Administration.

### STATEMENT OF HON. JOHN W. WARNER, ADMINISTRATOR, AMERICAN REVOLUTION BICENTENNIAL ADMINISTRATION

Mr. WARNER. Mr. Chairman, in my capacity as the Administrator for the Bicentennial Administration, a new independent agency, established by the Congress January of this year, I have had the unique opportunity to travel throughout the United States and observe bicentennials in its early beginnings, and I prepared a brief statement, which I would propose to read, 3½ pages, I wrote it myself this

morning, which reflects my judgment regarding the Visitors Center, and then I would be pleased to receive any questions that the Chair or members of the committee may have.

I am pleased to have the privilege of speaking with you today about the Bicentennial—or more specifically, about the Bicentennial traveler and his needs.

It has long been a goal of the Bicentennial that our citizens have the opportunity during the Bicentennial to become reacquainted with our land and with each other, and that our foreign visitors find the kind of hospitality for which Americans have always been known. This objective entails the responsibility to take whatever steps we can to insure that the experience of the visitor is as pleasurable as possible while minimizing the disruptive aspects of travel on the community and its residents.

While we want each community to undertake projects for the Bicentennial that manifest its pride and priorities, we also want people to share in this experience. It is, therefore, of considerable concern that the 1976 tourist not be lost, misplaced or misguided. We want him to spend his time savoring the sites, the monuments, the vistas, and the activities that bespeak a celebration of 200 years of the growth and the development of this Nation. Yet it is undoubtedly true that the visitor in the United States, whether he be a domestic traveler or from a foreign nation, is subject to many frustrations—primarily from the lack of basic visitor services. While tourism is reportedly the second largest industry in the United States, the reality is that there is inadequate planning or services between buses, trains, planes, restaurants, hotels, motels, sightseeing and information centers.

I make this general observation to strengthen my resolve in lending the strongest support to the establishment of a National Visitors Center in the Nation's Capital.

First of all, as planned, it will be responsive to many of the visitors' needs. It does provide the opportunity to improve coordination of services between buses, trains, sightseeing, hotels and information centers. It is located in a place which, while servicing visitors, minimizes disruption to the resident and the life of the community.

Second, the Center is in Washington, D.C., our Nation's Capital. In a fairly recent survey conducted for the Bicentennial Administration, we asked a representative group of Americans where they would like to travel during the Bicentennial. The results were remarkable in that the American public has a broad view of what constitutes Bicentennial destinations. Yet for the purpose of our business here today, it is worthy to note that the number one selection was the Nation's Capital. This is not surprising. Washington, D.C. is the seat of our Republic, the living symbol of the continued vitality of our form of Government. It is entirely fitting and appropriate that in the renewal of dedication to our founding principles, our people would take the opportunity to see firsthand the work of our legislative branch; to understand the functions of the various executive departments and to visit our Nation's highest court.

If I might digress, that survey further shows that the second choice, and the third choice is as follows:

Boston is the third, and the second is the Grand Canyon. So that shows the diversity of the thinking of our citizens.

Mr. JONES. I thought it was up on the Snake River.

Mr. WARNER. I think, Mr. Chairman, were we to run the survey, that might well be the number one.

There are the great national museums—chartered as belonging to the people of the United States. In addition to the National Gallery and the various museums of the Smithsonian Institution, there will be new openings by 1976—the National Air and Space Museum, and the Hirshorn Collection. Washington is the symbolic home for all our citizens yet it is also the community in which many of us live. It is a special city—a city that belongs to all Americans, that welcomes all from abroad. It is appropriate that the community itself become a model for the Nation in 1976; and it is, therefore, timely that improvements in visitors services take major steps forward in our Capital.

The difficult thing about assessing the need for visitor services in your own hometown is to orient your thinking to that of the visitor.

You live in the community, you are familiar with its streets; you even know what the visitor should want to see and where to find out the details about events, times, places, and how to get there. For some of you, L'Enfant's city plan may be a compelling example of a logical and handsome street design for a Capital City, and thus it becomes very difficult to even consider that a visitor could find Pennsylvania Avenue a mysterious, meandering, mercurial maze!

The proposed Visitors Center is an intelligent and much-needed response to ease the pain and enrich the experience of the millions of Bicentennial visitors to our Nation's Capital in 1976.

I would like to make one last point. In our opinion survey, the question was also asked of the American people, "Where do you get information about your travel destination?" To some extent, they get it from the newspapers, travel agents, T.V. and radio. But the chief—indeed the overwhelming—source relied on by the traveling public is "friends and relatives."

It is my hope that this esteemed committee can find a solution to the current impasse on the Visitors Center construction and provide the direction that all parties involved in this vital project can follow, so that we can become the "friends and relatives" of the visitors to Washington in 1976.

Thank you, Mr. Chairman.

Mr. JONES. Thank you very much, Mr. Warner.

Of course, we appreciate the observations that you have made in your statement. We held the views in the original disposition of the act creating this enterprise, and we have been steadfast in the recognition of the principles of which you have enunciated today.

Mr. WARNER. Thank you.

Mr. JONES. Are there questions?

Mr. GRAY. No, if I may, I would like to commend Mr. Warner on his statement, and thank him for it.

Mr. JONES. Are there further questions?

Again, we are obliged to you Mr. Warner, and thank you for your testimony and your coming here today.

Mr. Morton?

**STATEMENT OF HON. ROGERS C. B. MORTON, SECRETARY OF THE INTERIOR; ACCOMPANIED BY KENT FRIZZELL, SOLICITOR, OFFICE OF THE SECRETARY; AND LARS HANSLIN, OFFICE OF THE SOLICITOR**

Mr. MORTON. I have with me Mr. Lars Hanslin, Office of the Solicitor, and Mr. Kent Frizzell, Solicitor, Office of the Secretary, who have been working on this very difficult problem.

Mr. Chairman, members of the committee, I thank you for this opportunity to discuss the current status of the National Visitors Center project.

We are grateful for your strong support and continuing interest in the project, which has its origins in recommendations of the National Visitor Facility Advisory Commission and the National Visitor Center Facilities Act of 1968.

I must report to you today that the future of the National Visitors Center is clouded by a continuing dispute between the owners of Union Station—the Chessie System and Penn Central—and Amtrak, principal users of the existing facility.

As you know, the Visitor Center Facilities Act of 1968 contemplates the expenditure of not more than \$16 million by the railroads to refurbish the terminal building as a National Visitors Center and to erect an adjacent parking facility. Upon satisfactory completion of the project, it would be leased to the Secretary of the Interior for a 25-year term at an annual rental of \$3.5 million, with an option for fee purchase by the Secretary after 25 years at a cost of one dollar. The 1968 act further provides that the railroads will build a replacement passenger terminal at their expense to provide passenger services which would be displaced by conversion of Union Station to use as the National Visitor Center.

Despite difficulties experienced in obtaining construction financing, redesign necessitated by rapidly rising costs of material and labor, and bankruptcy of the Penn Central, construction was commenced early in 1973 with completion scheduled then and now for January 1, 1976. Supplemental Federal funds in the amount of \$8.68 million were authorized by the Congress in 1973, and have been appropriated for fiscal years 1974 and 1975.

Our current difficulties arise from a suit filed by Amtrak which charges the railroads with failure to provide an adequate replacement terminal, as required by the 1968 act, and which challenges disposal of certain assets which might otherwise be available to assure construction of the replacement terminal. This challenge resulted in a decision by the mortgage lender to withdraw its offer of construction financing, and a decision by the railroads thus to cease construction, effective August 30, 1974.

To assure continuity of construction while negotiations continued which could result in withdrawal of the suit, I sought on September 5 a temporary restraining order against the railroads. There is now effective a court-sanctioned stipulation between the parties which permits continued construction at Government expense. The George Hyman Construction Co., which has cooperated in every way possible, remains on the job.

Because I continue to feel strongly that the National Visitors Center is an important undertaking for the Bicentennial, and for the Capital City in years ahead, the Department has spared no effort to save this project. I and several members of my staff have conducted extensive negotiations to resolve issues between other parties which threaten the National Visitors Center. We have offered the east wing of Union Station as the site for a new railroad passenger facility, and have secured agreement in principle that the owners would pay to Amtrak the sum of \$5 million for renovation of the east wing.

The legislation before you consists of technical amendments which would be necessary to accommodate the agreement we seek between the railroads and Amtrak. The enactment of these amendments is also a condition of bank financing, which could be reinstated upon settlement of the Amtrak suit. Thus, even in the event of a settlement, Mr. Chairman, this project cannot now be undertaken at the railroad's expense, as originally contemplated, without prompt assistance from the Congress.

I regret that we have not yet been able to achieve a solid settlement. On the basis of progress to date, I must very soon decide whether a continued investment of public funds is in the national interest. Despite our commitment to the National Visitors Center, we can see no prospect for success in the absence of earnest cooperation from the other interested parties, including Amtrak and the railroads. Without that cooperation, I will have no alternative but to withdraw our financial support and to seek restitution from those who must be held accountable for termination of the Visitor Center project.

Mr. FRIZZELL. Mr. Chairman, at the subcommittee's meeting, the question of identification of the parties to the leasehold agreement was raised, and a misunderstanding, I think, resulted, and I would like to share with the committee what the Department of the Interior's position is with respect to that.

The original act gave the Washington Terminal Co., its successors, and assignees, all obligations respecting the Visitor Center project.

Washington Terminal Co. was, and is owned jointly by B. & O. and Penn Central RR.

In 1968, Washington Terminal Co. conveyed Union Station and adjacent air space to Terminal Realty Baltimore Co. and Terminal Realty Penn Co. as joint owners. Stock of each of these companies—

Mr. JONES. What was the justification of that change in title, or were they just assignees?

Mr. FRIZZELL. They are wholly owned subsidiaries of B. & O. And inasmuch as the original act gave Washington Terminal Co., its successors, or assignees the obligations—

Mr. JONES. What of the new corporate authority, the same principals that were in the original arrangement—were they not? Is that what you are saying?

Mr. FRIZZELL. The owners of the subsidiaries are the principals involved in the agreement.

Mr. JONES. And they were the original principals, were they not?

Mr. FRIZZELL. The original principal was Washington Terminal.

Mr. JONES. Yes, which was owned—

Mr. FRIZZELL. Which was owned by B. & O. as are the subsidiaries to whom the obligations were assigned.

B. & O. and Penn Central have entered into a management agreement whereby B. & O. makes all management decisions, and uses its credit where necessary in order to finance the Center project.

Now, Interior's March 1, 1972, agreement and lease is with Terminal Realty Baltimore Co., and Terminal Realty Penn Co., although the Department has always, and does now look to B. & O. and Penn Central as the real parties in interest.

December 21, 1973, the subsequent year, is between the Secretary, Secretary of the Interior and John Hanifin, who signed in two capacities, president of B. & O., and president of Terminal Realty Baltimore Co.

We did that, and we do now look at B. & O. as the real party in interest. Because of all of these arrangements, our current litigation named B. & O. and Penn Central as defendants, along with the several subsidiaries.

The reference on page 2 of the March 1, 1972, agreement, which was the subcommittee's discussion this morning to the "credit of B. & O." reflects the management between Penn Central and B. & O.

Penn Central and B. & O. are not signatories to the March 1st agreement and lease.

Mr. MORTON. Mr. Chairman, I would be glad to answer any questions, if I can.

This is a very complicated proposition, as you can well understand.

Mr. JONES. Mr. Walsh?

Mr. WALSH. Does that mean that the credit of the B. & O. is involved, and we have a legal right to expect the C. & O. and B. & O. to use their credit resources to bring about the necessary borrowings to cause this project to be completed?

Mr. FRIZZELL. I think in that respect, as to who pledges their credit, the railroads were correct in their recitation this morning.

It is only the Washington Terminal Co. that gives successors or assignees, pledges their credit.

Mr. WALSH. So you are saying we cannot, under the terms of that agreement, look to the B. & O. and C. & O. to utilize their credit resources to bring about the necessary funds for this project?

Mr. FRIZZELL. Not for purposes of checking credit.

Mr. WALSH. In retrospect then, it is easy to second guess, but in retrospect does that suggest that we should be very careful in the future of entering into agreements where the corporation involved really has no resources, no assets beyond the assets of the particular deal it is involved in?

In retrospect it seems that we should have gone beyond that and insisted upon the B. & O.-C. & O. being on the line for their credit.

Mr. FRIZZELL. It would appear to have been a fruitful endeavor.

However, we would not have had the legal muscle to require it, because the original act, passed in 1968, and entered into with Secretary of the Interior Udall, only named Washington Terminal Co., and not the principals.

Mr. WALSH. So then really going from second hand to fifth hand back in 1968, we should have had the foresight?

Mr. FRIZZELL. But that was the enabling legislation, and that is when it changed—

Mr. WALSH. I understand.

Mr. GRAY. Mr. Chairman, Mr. Frizzell, I would like to direct your attention to March 1, 1971 agreement:

The Baltimore and Ohio Railroad Co., will, for compensation from Terminal Realty Penn Co., assume responsibility for continuing with said proposed alterations, construction and lease on their credit alone for the account of both owners.

Now, this is the latest agreement negotiated between the Government and the railroads.

Would this not give to the Baltimore and Ohio Railroad the obligation of taking up the proposition of credit for the Washington Terminal Co., and if the answer to that is no, then why would the Baltimore and Ohio Railroad already have put testimony before the subcommittee this morning, almost \$3 million of parent company money into this project?

They testified this morning that although the banks have made a commitment, that they made them pledge the assets of the B. & O. Corp. for the actual cash which has been expended at Union Station, and this seems to be pretty concise and precise language to me, that the B. & O. shall or will assume responsibility on their credit alone for the account of both owners, meaning both railroads, and both subsidiaries of those two railroads.

Now, that is pretty concise language. I am not trying to be argumentative, but I think the fact that the parent company, the B. & O., has put in almost \$3 million, is proof that they do expect to assume the liability, both on long-time commitments of their subsidiaries, which frankly they created for the very purpose of handling this transaction.

As I pointed out in the subcommittee this morning, you can rest assured that Washington Terminal Co. is not going to be the recipient of that \$3.5 million a year, or putting it another way, \$85 million over a 25-year period.

They are not going to be the recipients, going—so conversely, if they are going to be the recipient of the rent, why would they not have to assume the responsibility of providing the \$16 million, and I think this contract is very clear in that regard.

Mr. FRIZZELL. Mr. Gray, I want to make it clear that the position of the Department of the Interior is that we intend to pierce that corporate veil.

We do intend to hold B. & O. and Penn Central responsible for their obligations of undertaking this contract.

But the specific language that you speak of there, with regard to the credit of a company, I think that language pertains only to the provisions of the management agreement, not the lease agreement with the Government, only the management arrangement between Penn Central.

Mr. GRAY. Well, it goes beyond the word management. It says proposed alterations, construction and lease on their credit alone.

Mr. FRIZZELL. That is the management agreement. That is what the—

Mr. GRAY. Yes, but you have to have something to manage. That takes money, you have to manage the alterations, that takes money.

Mr. JONES. As I understand, Mr. Gray, the Solicitor's reply is based upon the assumption that the liability of the original contractors in the company, that is in the 1968 arrangement—is that not it?

Mr. FRIZZELL. Washington Terminal.

Mr. JONES. So therefore what occurred between the parties subsequent to that date you can perceive that, but will hold the liability to the original contracting parties, is that—am I correct in that?

Mr. FRIZZELL. We would seek to do more than that, because the original contract party is Washington Terminal, and B. & O. and Penn Central, and we feel that that corporate veil can be pierced in litigation.

Mr. GRAY. If the Chair will yield.

Mr. JONES. Yes.

Mr. GRAY. Do you not believe, Mr. Frizzell, that the precedent has been established by the parent company, and their obligations, when they have put up the almost \$3 million in cash for what we would consider a dummy corporation that has no assets, really?

Mr. FRIZZELL. I would like to call on Mr. Hanslin to reply to that, because he is more familiar with the early on agreements.

Mr. HANSLIN. I agree, Mr. Chairman, that it does set a precedent, and for the fact that B. & O. is the party of these contracts responsible, and we intend to hold them responsible.

Mr. GRAY. You were here this morning and heard the bankers, and they felt they were dealing with B. & O. Railroad?

Mr. HANSLIN. That is right, but we are getting sidetracked on the technicalities of the straw corporations involved. We are going out—the principals, there are technical and legal questions respecting some subsidiaries.

Mr. GRAY. The reason I dwell on that point is because you know the only way that this contract could be nullified is the inability of the parties not to be able to obtain financing, so if the railroads are using this as an excuse instead of a reason to get out of this contract by virtue of the fact that they cannot obtain financing, namely that the Washington Terminal is not able to borrow it, that will not hold water, because the bankers reiterated here today, in public testimony, that they did commit \$16 million, and they are willing to disburse such \$16 million upon the passage of the legislation pending before this committee here.

So I do not think the triggering mechanism to cancel this contract is a valid argument that the Washington Terminal Co. does not have assets to borrow \$16 million.

Mr. HANSLIN. We agree with that, and that is the contention in the litigation.

Mr. JOHNSON. You were here this morning when we asked who gave the instructions to the contractor to proceed.

We understood this morning that B. & O. made the money available up until the time that the Secretary had to take over, and on September 5, I believe you took jurisdiction and kept the job going?

Mr. MORTON. September 3.

Mr. JOHNSON. Also the Secretary said if the job does not go through, he is going back and seek restitution from the B. & O. Railroad.

Mr. HANSLIN. That is correct.

Mr. JOHNSON. They made it quite clear today that the bankers did not use any construction loan funds in the project so far.

Mr. HANSLIN. That is correct, sir.

Mr. JONES. Mr. Harsha.

Mr. HARSHA. Mr. Secretary, what is the position of OMB on this request for an additional \$13 million?

Mr. MORTON. They have not formally approved it. I discussed it with one of the associate directors, and we also have historical approval that was made before this thing fell apart.

I think we will pursue this, and I am confident that we will get approval from the Bureau.

Mr. HARSHA. You say they have not formally approved it?

Mr. MORTON. Not formally.

Mr. HARSHA. I have a copy of a letter of July of this year from Roy Ash, Director, Executive Office of the President, Office of Management and Budget, to Hon. Alan Bible, chairman of the Subcommittee on Interior, Senate Committee on Appropriations, where Mr. Ash requests an additional \$12,970,000.

Mr. MORTON. I said they have not formally approved this latter request. I think that this letter indicates their position at that time of July 30.

I think, since we have had a change in administration, that we would expect an item of this kind to be reapproved officially before we could say it was formally approved.

I have no reason to believe that this letter will not stand, but I have not yet received a formal endorsement.

Mr. HARSHA. It apparently is not in the 1974 or 1975 budget?

Mr. MORTON. That is correct.

Mr. GRAY. Would the gentleman yield to me on this point?

Mr. MORTON. It will come as a supplemental.

Mr. HARSHA. Yes, I yield.

Mr. GRAY. It was our intention, if we moved this authorizing legislation, it would be put in a supplemental this year.

Mr. HARSHA. You know, it seems rather strange to me when we hear these pronouncements out of the Office of Management and Budget that we have to cut back on the budget some \$10 million or \$12 million to stop inflation, I cannot get \$300,000 in the budget to start construction on a flood wall which will save the lives of people in my district, which will save their homes and businesses from being inundated because of budgetary requirements.

Then, to come up here to ask for \$13 million over the budget just does not wash, Mr. Secretary.

Mr. GRAY. Will the gentleman yield to me?

Mr. HARSHA. Yes, sir.

Mr. GRAY. I have great respect for my distinguished colleague, but I would tell you that in the last 30 days, our Subcommittee on Public Buildings has had projects cleared by the Office of Management and Budget aggregating more than \$1 billion.

One of them is \$74 million for the Law Enforcement Training Center located in Beltsville, Md., within 30 miles of an existing FBI Training Academy, and certainly it is important, but I do not think it is as important as our constituents not having any place to park.

The FBI Building has been increased from \$50 million to \$128 million, all by OMB sanction. And I could go on and on with \$30 million to \$50 million projects.

All I can say is if we can afford billions for bureaucracy, we certainly ought to come up with a small amount of \$12.9 million for all the 200 million people in this country.

I would hope my friend would not jump on what is so relatively small an appropriation and allow them to continue to ask for \$50 million, \$70 million and \$100 million for these big public works projects that continue to flow into our subcommittee every day.

Mr. HARSHA. I would say to my friend he is entitled to his opinion as I am mine.

Will the Secretary respond to my question?

Mr. MORTON. The whole question of new starts and the whole question of construction money in public works, of which I am sure your project is a part, is one that obviously has to be handled in the overall by the Bureau of the Budget. I cannot speak for the Corps of Engineers' projects, but I can speak for the Bureau of Reclamation projects.

What we are trying to do, the thing we are trying to do is put our money where we can get the most optimum return for it.

We will probably have, after it all boils down, a list of new starts, and we will probably have a figure that will require some slowing down of projects that are already underway. This seems to be the name of the game, particularly in an election year.

I suspect that that is the way that it will come out. I do not believe that you can weigh objectively a project of this kind against another project. I think that this is the job of this committee, among other things.

We have got to decide somewhere along the line how much of our Federal budget we are going to put into public works.

Mr. HARSHA. Do you think I could justify it to my constituents on that basis?

Mr. MORTON. I think you can. I think we all have to do that.

I tried to get the Chesapeake Bay model done for many years because I thought it would be a very valuable tool. It took a long, long time to get it started, and I am very thankful that the Congress did.

But it is one of those things that has to get in line. I could not obviously, with your experience and your knowledge of public works, having served on this great committee for the number of years that you have—you have a better idea how to value one project as against another.

Mr. HARSHA. Yes.

However, I must compete against the gentlemen in that hall there, and they have different ideas.

Allow me to ask you this.

Without any agreement, whether we pass this bill or not, it would not mean anything, would it?

Mr. MORTON. That is correct.

If we cannot get the parties together, I think this project is down the drain, and I do not think I can, in the national interest, expend any more funds to hold the contractor on the job.

I think, then, we have to look at the tragedy of it which is that we are going to have to look at a sunk cost and a restoration cost, and how all of that will come out in the litigation, I do not know.

But we will have spent a great deal of money for nothing.

Mr. HARSHA. We passed this bill in 1968 or 1967, and we told the Congress then there was no Federal money involved.

However, in 1973, we had to come right back and ask for \$8.6 million of Federal funds, and we also told them at that time that there would be no more Federal money involved.

Once again we are back. This is the history of projects in the District of Columbia. We always come back.

Mr. MORTON. I personally feel that these kinds of complicated projects are very difficult anyway because so many parties are involved.

The fact that the Penn Central turns belly up in the interim obviously has its effect. The rapid escalation of costs has had its effect. This just happens to be where we are.

It might be that we should look at the whole proposition of buying properties on time as far as the Federal Government is concerned, and in the future maybe a great many situations similar to this can be avoided if we decide how much we could spend and spend that in 1 year, and maybe we do not get quite as much brick and mortar but, at the same time, we spend less money over the long haul.

Mr. HARSHA. Do you have any agreement as of now, Mr. Secretary?

Mr. MORTON. I do not think we do.

The Solicitor told me the railroads had come in with some variances to the general understanding that we have, and it looks doubtful.

If Secretary Clarke has come back, he may have a more recent—

Mr. GRAY. Mr. Chairman, if I could interpose myself there.

We just had word from Mr. Sullivan that they are making some progress, and we may reach agreement momentarily.

Has the gentleman from Ohio concluded?

Mr. HARSHA. I yield.

Mr. GRAY. I think my friends in the press are writing down my friend from Ohio's remarks. I would not want the record to look as if we have misled the Congress.

This project has changed in complexities many times. There have been matters of extenuating circumstances far beyond the control of Congress.

What could we do to keep the Penn Central, for example, from going into bankruptcy?

We had to go through the long litany of going through bankruptcy courts.

What could we do about inflation and steel going up 25 percent the last year?

Every single construction project in this country, both private and public, has escalated from 40 to 80 percent during this year.

So I hope the press and others have not picked up that this is a white elephant that is continuing to cost money. Every project in the country has continued to increase in cost due to inflation.

As I said, the FBI Building started out with \$20 million, and it is \$128 million now.

We have got a request in here to build a \$100 million mint out in Denver, Colo. Every day it is delayed, it is going to cost more money.

When you compare the \$20 million, if this bill is approved before us, the \$8 million before and the \$12 million now, if you compare that \$20 million, the cost of that entire facility of taxpayers' money is infinitesimal compared to the moneys we are spending on short term.

I am not being critical. In fact, I applaud it.

We spent \$12 million of the taxpayers' money out in Spokane, Wash., for a 6-month world fair for a visitors center. I saw it a month ago and it has a beautiful 60-foot high screen and is very good.

But if we can spend \$12 million for a 6-month show out on the West Coast, for God's sake, we ought to be able to afford \$20 million in the Nation's Capital, so in the Nation's Capital, for the next 50 or 60 years, schoolchildren can find a place to get a hot dog and people can park their cars.

This is absolutely ridiculous to beat this horse at this kind of game.

I wanted to ask the Secretary if he does not agree with me, if these agreements fall through and we stop that project, it will cost us \$12 million or more to close the thing up without a facility.

Mr. MORTON. I think it will certainly cost us a great deal of money. I do not think we are bound to the line. You are in the ball park.

Mr. GRAY. It would cost millions to terminate the contract and the public would have nothing?

Mr. MORTON. That is correct.

I would like to associate my remarks with Mr. Warner's.

I think that the whole total National Bicentennial program would be dealt a very severe blow if this project, which is the only major Bicentennial project in the Capital City, were washed out.

I am very sympathetic with Mr. Harsha, that this thing has not gone the way I think that the Congress thought it would go. Certainly, I do not think it has gone the way that Secretary Udall or Secretary Hickel thought it would go.

It has been a very difficult problem for us because of circumstances, but we are in the middle of it. All you have to do is go down to Union Station and look at it and see what has been done in terms of alteration.

There is a big hole in the ground in the middle of it. It will have to be restored.

Much of the parking area now is above ground. The piling is under construction. There has been a lot of work done. That is where we are.

This is one of the things that irritates me so with the railroad's position in this.

This is an important national project. We do not want to get in the middle or between Amtrak and the railroads across the country and their effort to work out their differences between the various railroads' own terminal facilities and how they are to be financed and how they are to be rented and who pays for what. But this is a public facility for visitors to the Nation's Capital.

Therefore, it is a national facility, and I think it is up within reason for all parties to get together and do something about it.

That is why it has been so discouraging for me.

Mr. GRAY. While we are waiting, might I point out that we are going to dedicate next week a \$16 million art museum down the street that cost the taxpayers—and we handled the bill right out of this committee—we are finishing what I consider to be a meritorious project costing \$34 million to house antique airplanes down at the Air and Space Museum there on the Mall. We provided all of these facilities, the Kennedy Center, all of them, meritorious projects.

But the one real void in this town is parking.

I have five people on my staff that cannot find a place to park. They are spending money on the Senate side trying to build parking.

Mr. HARSHA. Would the gentleman yield?

That is why we are in the shape we are in. We can take that facility down there and pave it over and give you plenty of parking.

Mr. GRAY. Not with the railroad's position. They are pretty reticent about going along with anything.

Mr. JONES. Are there any further questions?

Mr. GRAY. May I make one comment?

I would hope that we could put over the consideration of the bill now pending, H.R. 16615, subject to the call of the Chair, in the hopes that we can reach some agreement; because, as you know, there is no sense to pass out the bill unless we can get all parties concerned, and I would hope that for the benefit of the banks and those that are here that are expecting this bill to be passed, that the Chair would agree with the request of the subcommittee chairman that if agreement is reached, that we will have an expeditious call of another committee meeting at some future date.

Mr. JONES. Do you make that in the form of a unanimous-consent request?

Mr. GRAY. I ask unanimous consent.

Mr. JONES. Is there objection to the unanimous-consent request?

If there is no objection, so ordered.

Mr. MORTON. May I just put one other thing in the record.

I do not know whether it was mentioned this morning, but this is a national historic landmark, Union Station is.

Mr. GRAY. That was not mentioned. I am glad you mention it now.

Mr. MORTON. This means that any alterations or any destruction of that building have to be approved through a process that has been authorized and developed by Congress.

Mr. JONES. Without objection, observations that might have been made by the Secretary which come to his attention and he wants to submit at a subsequent date will be received by the chairman and circularized to the members of the committee.

Mr. GRAY. I thank you and all the other members.

Mr. JONES. Let me assume that the members of the committee, if they find that the responses made by the Secretary require it, will have sufficient length of time to make proper inquiries as to the additions that he has added to the record.

Mr. JOHNSON. May I ask one question?

Prior to the next meeting, if there is agreement reached, are you going to continue the progress on the project that is underway now?

Mr. MORTON. Prior to the next meeting was the question, sir?

Mr. JOHNSON. Yes.

I mean during this period of waiting, if there is agreement reached, will you continue the construction program over there now?

Mr. MORTON. I feel this way about it, Mr. Johnson.

If there is really agreement, if we can see a substantive agreement, where everybody has agreed and it has been reduced to writing, I would ask the contractor, and would go ahead and provide the funds out of the \$8 million authorization that we have to carry this along,

until that agreement was actually signed, and then I do not think we have a problem.

But if the thing is going to keep going back and forth, and there is obvious stalling, just in good conscience, I do not feel authorized to spend that money.

Mr. JOHNSON. The only thing I say is, if we do have a contractor go down and he is forced to close down, then to get him back on the job—

Mr. MORTON. This will be a very difficult thing. It is not just the contractor himself. It is all the subcontractors. It would be a very, very difficult thing to resurrect this project with the contractor gone.

I say again George Hyman Co. has been exceedingly cooperative and have been magnificent in their efforts to help save this project.

Mr. JOHNSON. Very good.

Mr. JONES. Mr. Secretary, do you have enough money on hand to continue the project without disruption?

Mr. MORTON. Under the authorization and authority that I have, and the \$8 million plus authorization, the answer is yes.

Mr. JONES. Thank you.

The committee will stand adjourned.

Mr. MORTON. We have spent about \$2 million of the \$8 million, sir.

Mr. JONES. The committee will stand adjourned until further call of the Chair.

[Whereupon, at 3:50 p.m., the committee adjourned, subject to the call of the Chair.]

