USRA AUTHORIZATION

HEARING

BEFORE THE

SUBCOMMITTEE ON
TRANSPORTATION AND COMMERCE

OF THE

COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 4049

A BILL TO AMEND THE REGIONAL RAIL REORGANIZATION ACT OF 1973 TO AUTHORIZE ADDITIONAL APPROPRIATIONS FOR THE UNITED STATES RAILWAY ASSOCIATION

MARCH 15, 1977

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USRA AUTHORIZATION

TUESDAY, MARCH 15, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2218, Rayburn House Office Building, Hon. Fred B. Rooney (chairman) presiding.

Mr. ROONEY. The subcommittee will come to order.

This morning, we will have hearings on H.R. 4049. This bill amends the Regional Rail Reorganization Act of 1973 to authorize additional appropriations, not to exceed $12 million, for the U.S. Railway Association, for the period beginning October 1, 1978, and ending September 30, 1979.

A total of $65.8 million has been previously authorized. This authorization would bring the total amount authorized to USRA since its inception to $77.8 million, of which $64.3 million has already been appropriated.

It is my understanding that most of these funds will be necessary to obtain legal assistance to litigate controversies which have arisen from the reorganization of the bankrupt railroads. In addition, some of those funds are necessary to carry out the additional supervisory responsibilities of the association imposed upon it by the Railroad Revitalization and Regulatory Reform Act of 1976 and by the Rail Transportation Improvement Act of 1976.

Without objection, the text of H.R. 4049 will be printed at this point in the record.

[The text of H.R. 4049 follows:]

95TH CONGRESS
1ST SESSION

H. R. 4049

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1977

Mr. STAGGERS (for himself, Mr. ROONEY, Mr. DEVINE, and Mr. SKUBITZ) introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

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A BILL

To amend the Regional Rail Reorganization Act of 1973 to authorize additional appropriations for the United States Railway Association.

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 214(c) of the Regional Rail Reorganization
4 Act of 1973 (45 U.S.C. 724(c)) is amended to read as
5 follows:
6 "(c) ASSOCIATION.—For the fiscal year ending Sep-
7 tember 30, 1978, there are authorized to be appropriated
8 to the Association for purposes of carrying out its admin-
9 istrative expenses under this Act such sums as are necessary,
10 not to exceed $12,000,000. Sums appropriated under this

1 subsection are authorized to remain available until Septem-
2 ber 30, 1979.".

Mr. ROONEY. The chairman notes the ranking Republican member is here. I don't know whether or not everyone has heard the news but over the Lincoln Day recess Mr. Skubitz announced that he is going to retire at the end of this Congress.

We both came to Congress together, in the 88th Congress, and it is with sadness and happiness I make this announcement—sadness because of the tremendous contribution he has made to this committee over the years, and happiness because in the next session of Congress, our committee meetings will begin on time.

Mr. SKUBITZ. Thank you, Mr. Chairman.

It made me think. I had John Erlenborn out to address my Lincoln Day celebration and John didn't know I was retiring until the moment I announced my retirement. John looked at the audience and said, "I view this with mixed emotions." He said, "You know what mixed emotion means? That is when you see your mother-in-law drive your Cadillac over a cliff."

I will be with you to harass you and needle you for 2 more years, anyway.

Mr. ROONEY. Our first witness today will be Mr. Arthur D. Lewis, chairman of the board and chief executive officer, U.S. Railway Association, 2100 Second Street SW., Washington, D.C.

For the benefit of the record and the chairman, I would appreciate it very much if you would introduce your colleagues.

STATEMENT OF ARTHUR D. LEWIS, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, U.S. RAILWAY ASSOCIATION, ACCOMPANIED BY DONALD C. COLE, VICE PRESIDENT AND SECRETARY TO THE BOARD OF DIRECTORS; CARY DICKIESON, GENERAL COUNSEL; RUSSELL MURPHY, VICE PRESIDENT, FINANCE AND OPERATIONS; AND ALAN DEAN, VICE PRESIDENT FOR ADMINISTRATION

Mr. LEWIS. Yes, sir. I would like to introduce Mr. Russell Murphy, on my extreme left, Vice President for Finance and Operations. On my immediate left, Mr. Cary Dickieson, General Counsel. On my right is Alan Dean, Vice President for Administration, and Mr. Donald Cole, Vice President and Secretary.

Mr. ROONEY. You may proceed.

Mr. LEWIS. We are very honored to be here. Mr. Skubitz, I would like to say on our behalf we wish you well when you leave here. It has been a very real and pleasant relationship in the last year and a half that we have had.

Mr. SKUBITZ. I would much rather you say you hate to see me leave than, "Thank God, he is leaving."

Mr. LEWIS. I have submitted a statement, Mr. Chairman.

Mr. ROONEY. Without objection, the statement will become part of the record.

Mr. LEWIS. Mr. Chairman and members of the subcommittee, I am pleased to testify on behalf of an authorization of $13 million for the administrative expenses of the U.S. Railway Association for fiscal year 1978.

As required by the Regional Rail Reorganization Act of 1973, as amended, the Association transmitted to the Speaker of the House, the President of the Senate, and the Office of Management and Budget, on November 19, 1976, its appropriations request for fiscal year 1978 in the amount of $10.1 million. The Association subsequently transmitted to Congress by letter of February 10, 1977, its request for a fiscal year 1978 authorization of $13 million to provide for a $2.9 million contingency authorization to cover certain events unanticipated in September, but which now appear likely to impact adversely the Association's administrative expenses.

Approximately 80 percent of our authorization request will be utilized in the litigation efforts of the Association, 15 percent will be used in financing ConRail and monitoring its operations, as well as monitoring the loans provided for the D. & H. and Katy, and 5 percent will be needed to process and monitor the loans provided under the 211(h) programs. This present mix of activities represents a substantial shift during the past year from planning to litigation support.

We anticipate that our current staff of 146 will decline moderately, to 132, by the end of fiscal year 1978. Contractual services will continue to be substantial for litigation support, primarily for outside counsel, for documentation, and for asset valuation. In fact, we may have been much too optimistic in our budget forecast when we forecast that contractual services would decline from $7 million in the current fiscal year to $5.1 million in 1978. Since that assumption was made last September, it has become evident that there will be little, if any, decline.

I would like to emphasize the Association has made every effort to reduce its staff to a level consistent with its current mission. At the end of fiscal year 1975, we had a staff of 311; at the end of fiscal 1976, we had a staff of 162; and today, our staff totals 146.

This reduction would have been greater if the litigation had not required an increase in our legal staff from 17 to 48 with an additional 20 people involved in direct litigation support. Thus, the way we use our personnel is significantly different from what it was 1 year ago.

I would also like to emphasize, as part of the staff reduction, we have sharply reduced the number of high-salaried positions. For example, the number of officers of vice president rank or higher has been cut from 11 to 5. Substantial reductions have also been made in the monthly rate of expenditures for travel, communications, and office supplies.

Skipping now to page 4 of my statement, I would like to reiterate, it is, I believe, appropriate to raise a word of caution concerning our administrative expense estimate of $10.1 million for fiscal year 1978. This estimate was prepared in September, 1976, and reflected the Association's best judgment as of that time as to how the litigation would proceed.

We did not know then, and do not know now, how the special court will decide to try the issues in this very complex litigation. The special court has not yet ruled on such vital matters as the valuation theories under which the parties will be permitted to introduce evidence, the order, or the pace, at which the many issues will be heard, and the number of special masters, and therefore, the number of spearate proceedings, that the special court will use in the fact-finding process.

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We do not anticipate that these uncertainties will be resolved until later this year. Back in September, we anticpated that the factfinding process would have begun by June 1977, and would be winding down in the latter part of fiscal year 1978. Based on that assumption, our expense estimates projected a reduction in our contract and personnel expenditures for litigation counsel and consultants in fiscal year 1978. Were we to provide our best judgment as of today, we would probably project those efforts continuing at their present level and this would imply an expenditure in fiscal year 1978 of approximately the full $13 million for which have we requested on authorization.

I would like to emphasize, on the other hand, it is also possible that actions could occur which would permit our expenditures to remain within the $10.1 million budget estimate. For example, it is possible that any ruling by the special court preventing the transferors from introducing evidence on theories of value they are advocating would be appealed to the Supreme Court this summer.

If the Supreme Court were to hear such an appeal, it is unclear what actions the special court would require the parties to take during the period while the case was before the Supreme Court. One possibility is that the special court would direct the parties to pursue further the current discovery process with the commencement of hearings delayed until after the Supreme Court's ruling. In that circumstance, our expenditures could probably be kept within the $10.1 million estimate for fiscal year 1978.

On the other hand, there are other contingencies that could impact the Association administrative expenses beyond even the $13 million authorization request. One, no provision has been made for the funding that would be required if the special court's ruling made it necessary for the Association to prepare evidence based on theories of value in addition to its own or to respond to such theories as the court may allow the transferors to pursue.

Two, the budget does not include funds for studies that may be required in connection with the transfer or conveyance of additional rail properties under the supplemental transactions provision of the Rail Act.

Three, funds have not been established in the budget to cover reimbursement to ConRail for expenses incurred in seeking payment from a bankrupt estate for an obligation paid on its behalf under section 211(h)(1) of the Rail Act. This reimbursement from Association funds is required by a section 211(h) amendment contained in Public Law 94–555.

Beyond that, the special court has not established the basic procedures that will be followed in the conduct of the litigation resulting from their reorganization of the railroads covered by our basic legislation and the Association's budget for fiscal year 1978 was premised upon our judgment as to the appropriate litigation procedures.

At this time, we do not possess the precise data, unfortunately, upon which to base an increase in either our $10.1 million appropriations request or our $13 million authorization request. All we know today is that several things could occur or decisions could be made by the special court which would have a significant impact on the total line of expenditures, as well as the timing of when they will occur.

We believe that any modification to our current budget for 1978 should await further rulings by the special court that will enable us to advise this committee more precisely as to our needs.

Mr. Chairman, I would be happy to respond to any questions which the Committee may have.

[Mr. Lewis's prepared statement and attachments follow:]

STATEMENT OF ARTHUR D. LEWIS, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, U.S. RAILWAY ASSOCIATION

Mr. Chairman and members of the subcommittee, I am pleased to testify on behalf of an authorization of $13 million for the administrative expenses of the United States Railway Association fof fiscal year 1978.

As required by the Regional Rail Reorganization Act of 1973, as amended, the Association transmitted to the Speaker of the House, the President of the Senate, and the Office of Management and Budget, on November 19, 1976, its appropriations request for fiscal year 1978 in the amount of $10.1 million. The Association subsequently transmitted to Congress by letter of February 10, 1977, its request for a fiscal year 1978 authorization of $13 million to provide for a $2.9 million contingency authorization to cover certain events unanticipated in September, but which now appear likely to impact adversely the Association's administrative expenses.

These funds are required to permit the Association to conduct the litigation on behalf of the government which has arisen from the reorganization of the bankrupt railroads; to supervise the provision of funds to Conrail for working capital and rehabilitation and to monitor the use of those funds; to assess Conrail's progress toward attainment of financial viability; to provide and monitor the use of funds for the payment of certain pre-conveyance claims against the estates under Section 211(h) of the 3R Act, as amended; to administer Section 211(a) loans to the Delaware and Hudson and the Missouri-Kansas-Texas railroads, and to ensure some margin of safety for unforeseen contingencies.

Approximately 80 percent of our authorization request will be utilized in the litigation efforts of the association, 15 percent will be used in financing Conrail and monitoring its operations, as well as monitoring the loans provided for the D. & H. and Katy, and 6 percent will be needed to process and monitor the loans provided under the 211(h) programs. This present mix of activities represents a substantial shift during the past year from planning to litigation support.

We anticipate that our current staff of 146 will decline moderately—to 132—by the end of fiscal year 1978. Contractual services will continue to be substantial for litigation support, primarily for outside counsel, for documentation and for asset valuation. In fact, we may have been much too optimistic in our budget forecast when we forcast that contractual services would decline from $7 million in the current fiscal year to $5.1 million in 1978. Since that assumption was made last September, it has become evident that there will be little, if any, decline.

The association has made every attempt to reduce its staff to a level consistent with its current mission. At the end of fiscal year 1975, we had a staff of 311; at the end of fiscal 1976, we had a staff of 162; and today our staff totals 146. This reduction would have been greater if the litigation had not required an increase in our legal staff from 17 to 48 with an additional 20 people involved in direct litigation support. Thus, the way we use our personnel is significantly different from what it was 1 year ago. As part of the staff reduction, we have sharply reduced the number of high-salaried positions. For example, the number of officers of vice president rank or higher has been cut from 11 to 5. Substantial reductions have also been made in the monthly rate of expenditures for travel, communications, and office supplies.

LITIGATION

The special court is now hearing arguments on the valuation to be assigned to the properties conveyed to Conrail. I know that the committee is very interested in this litigation and the possible effect it may have ultimately on Federal expenditures. Of course, the stakes in this litigation are very high and are impossible to measure accurately at this time. Currently, we are in the final stages of preparing briefs which will be submitted shortly to the special court covering basic constitutional issues, primarily those concerned with the determination of a a "constitutional minimum" compensation for the properties conveyed to Conrail

on April 1, 1976. Argument on these briefs is expected in April with a court decision several months later. Just how the special court will proceed after these events is unknown.

Every office of USRA is deeply involved in helping to prepare for and support the association's litigation effort. Inevitably, the leadership of this effort lies with the General Counsel's Office. The General Counsel has recently expanded its staff from 25 to 47. We anticipate that this staff level will continue throughout fiscal year 1978. We are now hoping to perform a significantly larger proportion of our legal work inhouse rather than through the use of outside counsel. This will produce substantial savings to the association since the hourly rate for inhouse attorneys is less than one-third the hourly rate for outside counsel. When fully staffed, the General Counsel's Office will contain 25 attorneys, 11 para-legals, and 11 secretaries.

The association will continue to employ two law firms with special expertise to augment our inhouse staff. We are currently using these firms at a monthly rate of about $180,000. We expect this rate to decline over the next year to a level of less than $150,000. The association will employ outside resources to design and institute an automatic storage and retrieval system for all of the documents that have been or will be produced in connection with this case. The retrieval and litigation support system we have adopted is based on the JURIS system developed by the Department of Justice. Setting up and operating this system, including reimbursement of the Justice Department, is expected to cost $800,000 during fiscal year 1977 and approximately $350,000 during fiscal year 1978. It has been estimated that well over a million separate documents have already been produced which must be introduced into this litigation support system on a full text or abstract basis.

The litigation support work of the Office of Finance and Operations includes responsibility for the basic work required to develop values for all of the rail properties which were conveyed on April 1. The final system plan included the results of extensive work concerning property valuation, but this information is now being verified in order to bring the historical documentation up to a sufficient evidentiary quality to support the association's valuations in the special court proceedings.

Counsel have designated a number of areas, the so-called "cut-across" issues or assumptions, in which they feel further analysis and documentation is necessary to bolster the master liquidation plan presentation. These issues include the costs of liquidation, discount rates, real appreciation, and other problems that significantly affect property values. Counsel have also requested the asset valuation staff to engage a panel of senior real estate appraisal experts to direct a substantial field project to audit and verify the land valuations developed for the final system plan.

The operations staff of the Office of Finance and Operations will support the litigation effort during fiscal year 1978 as issues concerning Conrail's profitability begin to surface. At that time, further analysis will be required to update the final system plan projections of Conrail operating results. This analysis will be benefited by 2 years' operating experience.

Financial requirements for litigation support can be summarized as follows:

	Fiscal year—	
	1977	1978
General Counsel's Office	$3,587	$3,272
Office of Finance and Operations	5,113	2,948
Other support	1,600	1,390
Total	10,300	7,610

CONRAIL MONITORING

The association must be capable of independently assessing Conrail's financial viability and identifying appropriate alternative actions for the Board of Directors and the Finance Committee in the event that a positive judgment concerning financial viability is not possible. Through analysis of reports and onsite observations, USRA will maintain an understanding of what Conrail is doing, the whys of Conrail's actions, and the basis for Conrail's own expectations for the future.

Onsite observations will be used to monitor track and equipment rehabilitation, equipment utilization, and rail operations. Regular statistical reports will be available on all of these factors and the reports will be analyzed and assessed by the Office of Finance and Operations.

Specific attention must be focused on progress relating to each of the major "turn around" efforts of the railroad. Special reports and meetings will be held to assess progress. The major "turn around" items as we view them are:

Rehabilitation program.
Capital programs.
Equipment utilization planning.
Profit margin analysis systems.
Marketing efforts.
Intermodal traffic.
Labor relations.
Management systems.
Passenger and low density line subsidies.
Trackage rights agreements.
Organization, intergration and consolidation.

Monitoring efforts will, of course, involve the review and analysis of the various reports required by the financing agreement between the association and Conrail. These include:

Monthly, quarterly, and annual financial statements.

A Business Plan concerning the use of financing proceeds, as well as anticipated revenues and expenses.

Interim projections indicating the extent to which Conrail is tracking its Business Plan.

Quarterly maintenance reports which will cover maintenance of way expenditures and indicate progress on the facilities and rehabilitation program.

Comparison and variance analyses which will assist the Association in understanding the reasons for differences between actual results and the Conrail Business Plan.

Copies of reports to SEC, security exchanges, lenders, ICC, and shareholders.

Daily cash receipts and disbursement and two-week forecasts of the same.

All of this information will provide the data on which the staff will base its recommendations concerning the financial viability of Conrail.

In addition to the monitoring of Conrail, the Office of Finance and Operations must monitor USRA loans to the Delaware & Hudson Railway Co. and the Missouri-Kansas-Texas Railroad Co. These loans, amounting to $28 million and $19 million, respectively, involve periodic visits to each of the railroads and regular and frequent review and analysis of reports on the use of loan proceeds and on the operating results of the railroads.

	Fiscal year—	
	1977	1978
General Counsel's Office	$52	$59
Office of Finance and Operations	1,295	1,081
Other support	854	741
Total	2,201	1,881

SECTION 211(H)

Section 211(h) of the Regional Rail Reorganization Act authorizes the Association to borrow funds using its Section 210 authority in the amount of $350 million to pay the following classes of claims against the estates: supplier claims, shipper claims, employee wage-related and collective bargaining claims, Federal Employees Liability Act claims, and pension fund claims. The funds are loaned to Conrail which acts as agent for the estates in making eligible payments from the loan funds.

The statute provides that Conrail has a direct claim for reimbursement from the estate for any claims paid with loan funds. The statute also provides that Section 211 loans to Conrail can be forgiven under certain conditions if Conrail is unable to collect on its claim against the estates. However, with minor excep-

tions, the forgiveness of the Conrail loans will occur after three years from the date of advance. Once Conrail is forgiven then the USRA succeeds to the claim against the estates.

The Association has employed a contractor to provide monitoring and audit of Conrail's role under Section 211(h). It is expected that this contract will be funded during fiscal year 1978 at a level of approximately $20,000 per month, or $240,000 for the year.

We are optimistic that repayments on Section 211(h) loans over the years will recover a substantial portion of the funds loaned. The Penn Central estate has agreed upon, and the bankruptcy court in Philadelphia has approved, a settlement which essentially assures repayment of its Section 211(h) loans to the Association. It appears that the Penn Central estate has sufficient resources to discharge this obligation in full. This settlement may provide something of a model for settlement with the other estates and thus provide for repayment of most of their Section 211(h) obligations. We believe that the various estates will have sufficient resources to make full payment, however, we cannot say that with certainty at this time.

The General Counsel's Office is expected to be regularly involved in Section 211(h) problems and may have to undertake rather extensive work in connection with collection actions against the estates. These later actions, however, are not likely to become burdensome until fiscal year 1979.

	Fiscal year—	
	1977	1978
General Counsel's Office	$51	$60
Office of Finance and Operations	569	364
Other support	213	185
Total	833	609

It is, I believe, appropriate to raise a word of caution concerning our administrative expense estimate of $10.1 million for fiscal year 1978. This estimate was prepared in September, 1976, and reflected the Association's best judgment as of that time as to how the litigation would proceed. We did not know then, and do not know now, how the Special Court will decide to try the issues in this very complex litigation. The Special Court has not yet ruled on such vital matters as the valuation theories under which the parties will be permitted to introduce evidence, the order, or the pace, at which the many issues will be heard, and the number of Special Masters (and therefore, the number of separate proceedings) that the Special Court will use in the fact-finding process. We do not anticipate that these uncertainties will be resolved until later this year. Back in September, we anticipated that the fact-finding process would have begun by June, 1977, and would be winding down in the latter part of fiscal year 1978. Based on that assumption, our expense estimates projected a reduction in our contract and personnel expenditures for litigation counsel and consultants in fiscal year 1978. Were we to provide our best judgment as of today, we would probably project those efforts continuing at their present level which would imply an expenditure in fiscal year 1978 of approximately the full $13 million for which we have requested an authorization.

On the other hand, it is also possible that actions could occur which would permit our expenditures to remain within the $10.1 million budget estimate. For example, it is possible that any ruling by the Special Court preventing the transferors from introducing evidence on theories of value they are advocating would be appealed to the Supreme Court.

If the Supreme Court were to hear such an appeal, it is unclear what actions the Special Court would require the parties to take during the period while the case was before the Supreme Court. One possibility is that the Special Court would direct the parties to pursue further the current discovery process with the commencement of hearings delayed until after the Supreme Court's ruling. In that circumstance, our expenditures could probably be kept within the $10.1 million estimate for fiscal year 1978.

There are other contingencies that could impact the Association administrative expenses beyond even the $13 million authorization request:

1. No provision has been made for the funding that would be required if the Special Court's ruling made it necessary for the Association to prepare evidence

based on theories of value in addition to its own or to respond to such theories as the Court may allow the transferors to pursue.

2. The budget does not include funds for studies that may be required in connection with the transfer or conveyance of additional rail properties under the supplemental transactions provision of the Rail Act.

3. Funds have not been established in the budget to cover reimbursement to Conrail for expenses incurred in seeking payment from a bankrupt estate for an obligation paid on its behalf under Section 211(h)(1) of the Rail Act. This reimbursement from Association funds is required by a Section 211(h) amendment contained in Public Law 94–555.

4. The Special Court has not established the basic procedures that will be followed in the conduct of the litigation resulting from the reorganization of the railroads covered by our basic legislation and the Association's budget for fiscal year 1978 was premised upon our judgment as to the appropriate litigation procedures.

At this time, we do not possess the precise data upon which to base an increase in either our $10.1 million appropriations request or our $13 million authorization request. All we know today is that several things could occur or decisions could be made by the Special Court which would have a significant impact on the total line of expenditures, as well as the timing of when they will occur. We believe that any modification to our current budget for 1978 should await further rulings by the Special Court that will enable us to advise this Committee more precisely as to our needs.

Mr. Chairman, I would be happy to respond to any questions which the Committee may have.

APPENDIX

$10.1 Million Administrative Expense Budget

The Association had an unobligated balance of $1,334,000 at the start of fiscal year 1977. This amount plus the fiscal year 1977 appropriation of $12 million will be obligated during fiscal year 1977.

The following tables summarize the Association's administrative expense budget and provide information by organization, by major program, and by object of expense. A staffing summary by organizational unit is also included.

A. REQUIREMENTS BY ACTIVITY

[Dollar amounts in thousands]

	Fiscal year 1976 actual	Transition quarter actual	Fiscal year 1977 estimate	Fiscal year 1978 estimate
Executive direction	$1,446	$112	$418	$421
General counsel	2,559	972	3,690	3,391
Finance and operations	9,779	3,008	6,977	4,393
Administration	2,931	723	2,249	1,895
Total	16,715	4,815	13,334	10,100

PERCENTAGES BY PROGRAM FOR FISCAL YEAR 1977–78

	Litigation	Monitoring	Sec. 211(h)	Total
Executive direction	60	32	8	100
General counsel	96	2	2	100
Finance and operations	67	25	8	100
Administration	60	32	8	100
Total	75	19	6	100

B. PROGRAM BY FISCAL YEAR

[In thousands of dollars]

	Fiscal year 1976				Fiscal year 1977				Fiscal year 1978			
	Personnel related costs	Contracts	Other	Total	Personnel related costs	Contracts	Other	Total	Personnel related costs	Contracts	Other	Total
Litigation support:												
General counsel	$303	$1,172		$1,475	$932	$2,655		$3,587	$1,072	$2,200		$3,272
Finance and operations	438	1,073		1,511	930	4,183		5,113	841	2,107		2,948
Other support	727	95	$360	1,182	796	129	$675	1,600	706	105	$579	1,390
Total	1,468	2,340	360	4,168	2,658	6,967	675	10,300	2,619	4,412	579	7,610
Monitoring:												
General counsel	121	195		316	52			52	59			59
Finance and operations	438	215		653	903	392		1,295	729	352		1,081
Other support	457	60	227	744	425	69	360	854	376	56	309	741
Total	1,016	470	227	1,713	1,380	461	360	2,201	1,164	408	309	1,881
Sec. 211(h):												
General counsel	30	98		128	51			51	60			60
Finance and operations	103	215		318	104	465		569	112	252		364
Other support	135	18	67	220	106	17	90	213	94	14	77	185
Total	268	331	67	666	261	482	90	833	266	266	77	609
Final system plan:												
General counsel	151	489		640								
Finance and operations	2,371	4,926		7,297								
Other support	1,372	179	680	2,231								
Total	3,894	5,594	680	10,168								
Total	6,646	8,735	1,334	16,715	4,299	7,910	1,125	13,334	4,049	5,086	965	10,100

C. REQUIREMENTS BY OBJECT CLASS

[In thousands of dollars]

	Fiscal year 1976 actual	Transition quarter actual	Fiscal year 1977 estimate	Fiscal year 1978 estimate
Personnel costs	6,187	1,061	3,950	3,730
Travel	384	67	284	259
Transportation of things (relocation)	65	18	55	50
Rents, communications, and utilities	669	287	610	510
Printing and reproduction	253	8	150	100
Supplies	145	25	120	120
Equipment purchase and rental	82	47	75	75
Contracts	8,735	3,282	7,190	5,086
Other contractual services	195	20	180	170
Total	16,715	4,815	13,334	10,100

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D. REQUIREMENTS BY MAJOR CATEGORY OF EXPENDITURE

[In thousands of dollars]

	Fiscal year 1976 actual				Transition quarter actual				Fiscal year 1977 estimate				Fiscal year 1978 estimate			
	Personnel related costs	Contracts	Other	Total	Personnel related costs	Contracts	Other	Total	Personnel related costs	Contracts	Other	Total	Personnel related costs	Contracts	Other	Total
Executive direction	1,311	135	--------	1,446	113	--------	--------	113	403	15	--------	418	421	--------	--------	421
General counsel	605	1,954	--------	2,559	222	750	--------	972	1,035	2,655	--------	3,690	1,191	2,200	--------	3,391
Finance and operations	3,350	6,430	--------	9,780	548	2,459	--------	3,007	1,937	5,040	--------	6,977	1,682	2,711	--------	4,393
Administration	1,380	216	1,334	2,930	263	73	387	723	924	200	1,125	2,249	755	175	965	1,895
Total	6,646	8,735	1,334	16,715	1,146	3,282	387	4,815	4,299	7,910	1,125	13,334	4,049	5,086	965	10,100

Mr. ROONEY. Thank you very much, Mr. Chairman, for your enlightening presentation.

Concerning the USRA staff reduction, you stated in your testimony you sharply reduced the number of high-salaried positions, yet added 31 people to your legal staff, with 20 additional people for litigation support.

My question is, Mr. Chairman, is there really, then, a substantial reduction in staff expenses?

Mr. LEWIS. I would like to ask our Vice President for Administration to specifically answer that.

Mr. DEAN. Yes, Mr. Chairman, because the increased in-house legal capability has been more than offset by the reductions that have taken place in other aspects and other offices of the Association. For example, the budget estimate that we testified to in the House provides for a personnel services cost of $3,730,000 for the 1978 fiscal year. For the current fiscal year, our personnel services costs are at $3,950,000. Thus the 1978 estimate projects a substantial reduction.

We are also reducing our total staff in numbers. Including the employees of the General Counsel, the total staff of the Association will decline to 132 employees by the end of the fiscal year.

At the present time, we have about 146 employees on board.

Mr. ROONEY. How many were transferred from USRA to ConRail?

Mr. DEAN. Thirty-four employees have gone from USRA to ConRail.

Mr. ROONEY. I wonder if you would comment on in-house attorneys that cost about as much as one-third as outside legal firms. These firms, I understand, cost $180,000 a month. Why don't you, in that case, in order to save money, hire in-house attorneys?

Mr. LEWIS. I will ask Mr. Dickieson to answer that.

Mr. DICKIESON. We did that. We went from a total of seven attorneys that were on the rolls at the time of conveyance to the, present total of 21 attorneys. We felt that was the largest number we could absorb at this point in time. It was also a level we felt comfortable with in that we would clearly have an adequate amount of work to keep them fully occupied. It is, in effect, a peaking problem.

Mr. ROONEY. On page 8 of your statement, Mr. Chairman, and I will direct this to your Counsel, you state you contracted out for outside counsel at $240,000. Why didn't you do this as an in-house operation?

Mr. DICKIESON. The primary work that the outside counsel has been doing for us over the past few years falls into two general areas.

One area is to prepare the major briefs and to present the arguments before the special court on the basic valuation issues in the proceedings. We could not have geared up the inside office to have handled that as well as they can handle it. Another major area in which they have been working has been in guiding the development of our valuation case, which will be the foundation for the basic testimony we will be presenting in the case.

It was necessary to use outside counsel, both because of their greater experience, and because, at that point in time, the in-house staff was primarily being used as part of the planning process.

Mr. DEAN. Mr. Chairman, I would like to add that the figure you cited from page 8, the $240,000, really applies to the cost of monitoring the section 211(h) program. Actually, we are reducing the monthly rate for the legal contracts from $180,000 to $150,000.

Mr. SANTINI. On the point of the employment of attorneys, do you think it would be appropriate for this committee to consider a threshold figure of six points that in the local association would provide a source for employment?

Mr. ROONEY. As you well know, Mr. Santini, I have often referred to the Railroad Revitalization Regulatory Reform Act of 1976 as really the "Lawyers' Relief Act."

Mr. SANTINI. It is most appropriate.

Mr. ROONEY. I think your budget today bears this out to a degree. I wonder if you could explain briefly to the committee what all these in-house and out-house lawyers are doing to prepare for the court case?

Mr. SANTINI. Mr. Chairman, I must interject, and I don't know that one follows the other. I don't know where the expression "in-house" came from. I do know where the expression "out-house" came from.

Mr. ROONEY. Do you want to comment on that?

Mr. DICKIESON. At the present time, our two outside counsel firms are primarily involved in preparing the briefs and arguments to the special court, and in assisting in the preparation of the basic testimony, in the case, itself.

The inside lawyers that we have hired since April of 1976 have been working initially in a variety of areas. First, we have taken in-house all the miscellaneous litigation in which the Association participates. Second, we are now——

Mr. SKUBITZ. What do they participate in, for example?

Mr. DICKIESON. The Association is involved in a total of about 10 or 12 lawsuits before the special court flowing out of the conveyances to ConRail. The Penn Central trustees have filed several suits against ConRail, and against ourselves, relating to the conveyance of properties.

Mr. SKUBITZ. That is a part of the total picture. Penn Central, I think has indicated that their participation was worth around $16 billion; is that correct?

Mr. DICKIESON. They have used a number that high, at times.

Mr. SKUBITZ. I would assume that would include the very things you are talking about right now.

Mr. DICKIESON. These relate to properties which they say we did not have the authority to convey to ConRail and which they want back. So, they are a separate aspect.

Mr. SKUBITZ. In other words, those outside firms you have hired have nothing to do with these cases?

Mr. DICKIESON. That is right. We have handled those in-house. We also handle in-house any legal activities required under the section 211(h) program. In our handling of the main valuation case, we are steadily increasing the amount of work we do in-house. The discovery process, the analyzing of our basic documents and the collection of data for our trial preparation is now being done in-house.

Mr. ROONEY. Mr. Chairman, it has been brought to my attention that a number of parties have approached ConRail for the purpose of acquiring property conveyed to it in accordance with the final system plan. As I understand it, some of the parties contend that the properties in question are not necessary to rail operations and should not have been conveyed.

I am asking you, would it be possible to fine-tune the conveyance decisions and to recall certain properties without opening up the entire final system plan or jeopardizing the valuation of the court case? I understand Mr. Jordan has issued an order that no properties whatsoever would be conveyed. There are many of them, as was suggested, that are not part of the ConRail system.

Mr. LEWIS. I haven't heard of any order he has made like that. I will look into it and determine it. We are in the process of fine-tuning the whole conveyance process at the present time, and working not only with ConRail but with the trustees in attempting to determine those properties that are clearly not being used in rail service and that might be returned to the estates.

On the other hand, ConRail is asking for certain properties and parcels of property and land that were not conveyed. There have been some exchanges—and Mr. Dickieson, under whose jurisdiction this comes, can talk to that a little more precisely than I can—and there is a mechanism today for working out arrangements between the trustees and ConRail on these properties.

Mr. ROONEY. It seems to me that many of these properties throughout the entire system are decaying rapidly. Many of the local municipalities want to encourage businesses to come in and take them. In other words, why can't you enter into some long-term arrangement, with the right of first refusal?

Mr. LEWIS. I will let Mr. Dickieson tal, to that part of the problem.

Mr. DICKIESON. That would be something that ConRail could do if it chose to. If I may, I will explain a little bit about our conveyance process. The Association, back in the fall of 1975, when it published the Final System Plan was, in fact, only beginning a very complicated matter. Between July of 1975 and the conveyance in March of 1976, there was a very elaborate process that was undertaken, in which the trustees would nominate or identify parcels of property along these lines that were to be conveyed which they felt were not required for ConRail's future operations and which they retained the ownership of.

There would be meetings between the trustees and ConRail and USRA, at which it would be determined whether or not the properties were, in fact, needed for ConRail's anticipated operation. The correction process that is now going on is an endeavor to go back over the actual conveyance documents to make sure they reflect the intent of these literally thousands of decisions on these parcels.

This is, again, a consentual process, in which the trustees' representatives, ConRail's and our own, meet together. We have come across virtually no instances in which the properties that we intended to be conveyed, are not, in fact, being used by ConRail in the manner we anticipated they would be.

Mr. ROONEY. I would appreciate very much your discussing this with Mr. Jordan.

Mr. LEWIS. Yes; and I will report back to the committee.

Mr. ROONEY. Mr. SKUBITZ?

Mr. SKUBITZ. Thank you, Mr. Chairman.

Mr. Lewis, I think you have made one very significant statement here when you say that the stakes are high in this game.

Mr. LEWIS. Yes, sir.

Mr. SKUBITZ. And they are very high. I think that because they are—a full million dollars here or there could mean billions down the road. I am going along with this request, but I would like to ask a question. You have increased your legal staff from 17 to 46. What are the salaries you pay the lawyers?

Mr. DICKIESON. We pay salaries competitive with the salaries paid by the Government.

Mr. SKUBITZ. Now, give me the salaries.

Mr. DICKIESON. The salaries depend on the experience of the individual. Mr. Dean has the precise figures. The bulk of the people we have hired—we have 21 attorneys. Of these——

Mr. SKUBITZ. You are going to go to 48.

Mr. ROONEY. That is the total personnel, clerical personnel, paralegals, and the like?

Mr. DICKIESON. Eleven of the people we have hired are paralegals.

Mr. SKUBITZ. What is a paralegal?

Mr. DICKIESON. Generally speaking, it is a college graduate who has gone, as well, through a technical course and trained as a legal assistant. They are very useful in organizing and analyzing the massive amount of documents.

Mr. SKUBITZ. Anything is useful. How much do you pay the paralegals?

Mr. DICKIESON. $11,000 a year.

Mr. DEAN. The facts for each category of lawyers are as follows The junior attorneys are paid an average of $18,000 per annum; senior attorneys $26,000 per annum; deputy assistant general counsels, $36,000 per annum; and $47,000 per annum for an assistant general counsel.

Mr. SKUBITZ. Can you give me a breakdown for how many you have in each classification?

Mr. DICKIESON. We would have, taking it from the top—we have four individuals that are assistant general counsel.

Mr. SKUBITZ. What do they draw?

Mr. DICKIESON. That is the one that is on the average of $47,000.

Mr. SKUBITZ. They average $47,000?

Mr. DICKIESON. That is correct.

Mr. SKUBITZ. They draw more than Congressmen.

Mr. ROONEY. That is $10,000 less.

Mr. SANTINI. Would the gentleman yield? Do you——

Mr. SKUBITZ. You know, I promised to support, in your bill——

Mr. SANTINI. Just a point. Do you have, in deference to the gentleman from Kansas, any unemployed teachers presently on your working ranks?

Mr. DICKIESON. Not as far as I know.

Mr. SANTINI. Maybe we can strike a balance—18 former teachers and 18 attorneys. I thank the gentleman for yielding.

Mr. SKUBITZ. Four assistant general counsel at $47,000.

Mr. DICKIESON. We have three deputy assistant general counsel.

Mr. SKUBITZ. What is their salary?

Mr. DICKIESON. An average of $36,000. Six senior attorneys, and they average $26,000, and six attorneys——

Mr. SKUBITZ. What do the six attorneys average?

Mr. DICKIESON. $18,000.

Mr. SKUBITZ. Now, getting into background and experience of these attorneys, clear up to the assistant counsel and four assistant general counsel that you have, how many of them have had outside legal training; courtroom practice and this sort of thing?

Mr. DICKIESON. All of them are not directly involved in the litigation. One works primarily in finance and one is primarily in the general law area. The assistant general counsel, who handles general law matters, conveyances, and other matters, is 61 years old and has a great deal of legal experience.

Mr. SKUBITZ. All four of them had legal experience. They are not just moved along from Government?

Mr. DICKIESON. Both litigation assistants have extensive experience in private law firms.

Mr. SKUBITZ. What about the three deputies?

Mr. DICKIESON. They have been in private practice and with the Government.

Mr. SKUBITZ. Would you submit for the record the experience and background and former employment of the top seven people?

Mr. DICKIESON. We would be glad to do that.

[The following material was received for the record:]

STEPHEN C. ROGERS
DEPUTY GENERAL COUNSEL - LITIGATION

Education:

Preparatory: Phillips Exeter Academy
Exeter, New Hampshire
Graduated 1959

College: Harvard College
Cambridge, Massachusetts
A.B. 1962

Law School: Georgetown University Law Center
Washington, D.C.
J.D. 1968
Class Rank: 5th in class of 238
Activities: Case and Note Editor, Vol. 56, Georgetown Law Journal

Bar: District of Columbia; Member, Legal Committee (1973-74)

Employment Experience:

Sept. 1962-Sept. 1965: Copyboy (4 months) and reporter for the Washington Post

Summer 1967: Summer associate, Dewey, Ballantine, Bushby, Palmer & Wood, New York City

1968-1969: Law Clerk to Judge James R. Browning, U.S. Court of Appeals for the Ninth Circuit, San Francisco, California

Sept. 1969 to present: Associate, Covington & Burling, 888 Sixteenth St., N.W., Washington, D.C. 20006. The major focus of my work has been in litigation in antitrust and related trade regulation areas. It has included participation in matters before federal trial and appellate courts; adjudications adn investigations before the Federal Trade Commission; proceedings under the Antidumping Act of 1921 before the U.S. Tariff Commission (now International Trade Commission); and miscellaneous other matters before other federal administrative agencies.

G. JOSEPH KING
ASSISTANT GENERAL COUNSEL - LITIGATION

Admitted: United States District Court and United States Court of Appeals for the District of Columbia; and United States Supreme Court.

Experience

Fall 1970 to Present — Associate, Howrey & Simon, 1730 Pennsylvania Ave., N.W. Washington, D.C. 20006. -- I have worked predominantly on antitrust cases with principal responsibility for preparing all pleadings and briefs at both the trial and appellate levels (copies available upon request). I take depositions regularly, make trial court appearances, have been involved in major trials, and argue appeals. Because of my close association with William Simon, I have acquired considerable experience in procedural matters and trial tactics, and have developed an ability to litigate aggressively. Additionally, I have worked on FTC cases, one ICC and one bankruptcy proceeding, and several merger matters in which I have developed expertise.

1969-70 Term of Court — Law Clerk to the Honorable Gerald McLaughlin, Senior Judge, United States Court of Appeals for the Third Circuit. U.S. Courthouse, Newark, New Jersey, 07102. Telephone: (201) 645-3483.

1969-70 Academic Year — Lecturer, Department of Economics and Business Administration, Wagner College, Staten Island, New York. I taught introductory courses in "Principles of Economics I and II", and an advanced undergraduate and graduate course (M.B.A.), "International Trade". Department Head: Dr. Charles L. Kramer.

1968-69 Term of Court — Law Clerk to the Honorable Anthony T. Augelli, then Chief Judge, United States District Court for the District of New Jersey. Judge Augelli is now the Arbitrator for the General Motors Corporation, with offices at Gateway One, Suite 2501, Neward, New Jersey, 07102. Telephone: (201) 622-4996.

July 1967-June 1968 — Economist, Banking Markets Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. Primarily, I analyzed the competitive effects of bank mergers and bank holding company formations and acquisitions and prepared memoranda thereon for the Board; I attended Board meetings at which these cases were considered. Supervisor: Dr. Bernard Shull, currently Professor of Economics, Hunter College, New York, New York. Joe M. Cleaver, with whom I worked at the Board, is now section chief. Telephone: (202) 452-3905

January - July 1967	Legislative Assistant, Department of the Interior, Washington, D.C. 20240. I drafted legislation and wrote departmental reports on various bills for congressional committees. I also prepared testimony for delivery at congressional hearings by departmental witnesses. I attended many hearings as an observer and prepared memoranda thereon. The Deaprtment sponsored my attendance at a 40-hour U.S. Civil Service Commission course, "An Institute in the Legislative Function". Superviros: Frank Harrison, Esquire. Telephone: (202) 343-1100
1964-1966	Economist, U.S. Tariff Commission (currently U.S. International Trade Commission), Washington,D.C. 20436. I prepared reports for the Commission on the eocnomic effects of tariffs, imports, and trade agreements on specific firms, groups of workers, and affected industries, and on international trade in various commodities. Supervisor: Dr. David Lynch, Chief Economist, now retired. I worked in large part under the direction of G. Patrick Henry, who retired as the Commission's Director of Investigations. Telephone: (301) 593-2362
1963-1964	Teaching Assistant, Department of Economics, University of Notre Dame. As a first-year assistant, I was engaged in research under various faculty members; primarily, I worked on a project concerning the natural gas industry for the department head, Professor T. J. McDonough.

Education

1964-1968	Georgetown University Law Center, Washington, D.C. J.D., June 1968. Member of Phi Delta Phi; and Vice President, International Law Society. The Faculty Clerkship Committee endorsed me for certain Federal and high State Court judicial clerkships.
1963-1964	Notre Dame Graduate School, South Bend, Indiana. A.M. in Economics, August 1964. I was offered a position as a teaching assistant until completion of doctoral studies in Economics.
1959-1963	Manhattan College, Riverdale, New York. B.A., June 1963. Majors: History and Economics. Vice President of Pre-Law Society. I held a New York State Regents Scholarship for four years.

Publications

Co-authored, with A. Duncan Whitaker, "Antitrust Considerations For The Oil Industry -- From the Producing Fields To The Service Station". Proceedings From The Southwest Legal Foundation Twenty-Fourth Annual Institute On Oil And Gas Laws And Taxation, 25-109 (1973).

"Normative Elements in Economics: Comment", 26 Review of Social Economy 37-39 (March 1968).

Affiliations

District of Columbia and American Bar Associations. I am a member of the American Bar Association's Antitrust Section (Committee on Private Antitrust Litigation); Section on Corporate, Banking and Business Law; International Law Section; and the Litigation Section. Also, I am a member of the National Lawyers Club.

FRANCIS P. DICELLO
DEPUTY ASSISTANT GENERAL COUNSEL - LITIGATION

PRESENT EMPLOYMENT Senior Trial Attorney, Tax Division, U.S. Department of Justice. I have been an attorney with the Tax Division of the Department of Justice since October, 1970. In June, 1975, I was promoted to the position of Seniro Trial Attorney in the General Litigation section of the Tax Division. In the course of my employment with the Department of Justice I have had primary trial responsibility for a docket averaging in excess of seventy cases in United States District Courts throughout the United States. These cases have included both collection and refund actions in which a determination of corporate or individual income tax, excise tax, payroll or responsible officer tax liability was sought. In addition these cases have included actions for injunctive relief and actions involving a determination of priority between federal tax claims and the claims of secuared creditors and other third parties. In the past two years I have also represented the U.S. in a number of major proceedings for the reorganization or arrangement of a corporation pursuant to Chapters X or XI of the Bankruptcy Act in which the U.S. had a contested claim for taxes or a question arose as to what property should properly be included in the estate of the debtor for application to the claims of creditors. As Senior Trial Attorney my duties have also included some supervision of and assistance to other attorneys in the preparation of their cases for trial.

PREVIOUS EMPLOYMENT During the period from 1966 to 1970 I served as a captain in the Judge Advocate General's Corps of the U.S. Army. In assignments at Fort Bragg, North Carolina, Fort Myer, Virginai and in Vietnam, I served in or supervised offices which provided legal aid to military servicemen and their dependents. During this time I also served as prosecutor or defense counsel in over forty General or Special Courts-Martial. These cases included contested charges of Assault, Assault with Intent to Commit Mruder, Larceny, and Possession and Sale of Certain Narcotic Drugs.

EDUCATION I graduated from the University of Notre Dame with a Bachelor of Arts degree with a major in history in 1963, and from the Fordham University School of Law in 1966. I have completed twelve semester hours of graduate work in taxation at Georgetown University School of Law and George Washington University School of Law. In addition, I have attended recent ALI-ABA Seminars on the Rules of Bankruptcy Procedure and on Reorganizations and Arrangements under the Bankruptcy Act.

ROBERT J. ROSS
DEPUTY ASSISTANT GENERAL COUNSEL - LITIGATION

EDUCATION: Law School: Wayne State University, J.D. 1970
Undergraduate: University of Michigan, A.B. in History and Economics 1966

WORK EXPERIENCE:

September 1974 to present: Trial Attorney with the U.S. Nuclear Regulatory Commission, Office of the Executive Legal Director, Bethesda, Maryland. This position involves advising the Commission's Staff on legal matters relating to nuclear energy, representing the Staff in adversary public proceedings for the licensing of nuclear facilities. Representation of the Staff at these proceedings involves motion practice, discovery, preparation of witnesses and testimony presentation of evidence, cross-examiantion, oral argument and preparation of appellate briefs.

August 1971 to August 1974: Associate Attorney with Hill, Lewis, Adams, Goodrich and Tait, Attorneys at Law, Detroit, Michigan, a 30-man private law firm. My practice involved civil and criminal litigation, and included experience in motion practice, pleading preparation, discovery, and representation of clients at trial, both jury and non-jury. In addition, I was engaged in estate planning, probate practice and some corporate work.

August 1968 to August 1971: Trust Officer, Manufacturers National Bank of Detroit, Detroit, Michigan. While a Trust Officer, I supervised approximately 150 probate estates, inter-vivos and testamentary trusts, agency accounts and investment accounts in which the bank served as fiduciary. Experience included accounting, investment analysis and probate administration.

1967 to August 1968: Trust Administrator, Bank of the Commonwealth, Detroit, Michigan. This position involved aiding a trust officer in managing probate estates.

BAR ADMISSIONS: State Bar of Michigan - January 1971
U.S. District Court - Eastern District of Michigan - 1972

HOWARD M. WILCHINS
DEPUTY ASSISTANT GENERAL COUNSEL - LITIGATION

Admitted: U.S. Court of Appeals for the District of Columbia
U.S. District Corut for the District of Columbia

Member: American Bar Association
Federal Bar Association
District of Columbia Bar Association

Work Experience: July 1972 to Present - Trial Attorney with the United States Nuclear Regulatory Commission (formerly the United States Atomic Energy Commission), Bethesda, Maryland. I participate in regulatory licensing proceedings for nuclear power facilities and am concerned with all facets of these cases, including radiological, environmental and financial problems. These proceedings involve complex negotiations with multiple parties, a significant amount of prehearing discovery, advice to expert witnesses in the preparation of their direct testimony, preparation of witnesses for cross-examination and, when necessary, oral argument before the hearing boards of the Commission. In April 1974, I was promoted to the position of deputy section chief and, in addition to my prior duties, aid in the supervision of staff attorneys. In August 1974, I was appointed legal advisor to a committee charged with developing Commission policy regarding financial qualifications required for licensing applicants.

March 1972 to June 1972 - Associated with Kirsten, Solomon and Friedman, a firm located in Neward, New Jersey. Most of my time was divided among securities law, plaintiff's antitrust cases and all facets of public utility law.

June 1970 to February 1972 - Special Assistant to the New York Public Service Commission, in Albany, New York. The primary purpose of my psoition was to write analyses of rate proceedings and applciations for certificates of environmental compatibility for the Commission and to prepare Commission decisions. These cases encompassed virtually every type of regulated industry, including gas, electricity, water, telephones, buses and trucks. I also had the opportunity to participate in all aspects of public utility rate proceedings.

June 1969 to May 1970 - Attorney with the Federal Power Commission, General Counsel's Office in Washington, D.C. I was associated with the Area Rate Division and was concerned with the regulation of the wholesale price of natural gas at the wellhead. My specific assignments ranged from the preparation of economics witnesses in rate cases to assisting in the completion of appellate briefs.

Summer 1968 - Law Clerk with the Department of Justice, Civil Rights Division, in Washington, D.C.

Education: 1966 - 1969 - The University of Chicago Law School, recieving a J.D. degree in 1969
1962 - 1966 - Michigan State University, being recruited for a special honors program and receiving an A.B. degree in economics, with high honors, in 1966.

Honora & Awards: Law School - 1968-1969 Scholarship recipient
College - Phi Eta Sigma, Tau Sigma, Blue Key, Omicron Delta Kappa, 1964-1965 Michigan State Outstanding Junior Award.

Extracurricular Activities:
Law School - Fall 1967 Entrant in the Hinton Moot Court Competition, 1968-1969 representative to the Law Student Association
College - Vice President of the Student Body, Speaker of Student Congress, President of Tau Upsilon Chapter of Tau Delta Phi Fraternity

Miscellaneous Background:
I am a member of the Public Utility and Antitrust Sections of the American Bar Association participating on the Subcommittee on Fuel and Energy of the Industrial Regulation Committee of the latter section. I am an active member of the District of Columbia Chapter of the University of Chicago Alumni Club.

EDWIN RECTOR
ASSISTANT GENERAL COUNSEL - FINANCE

EXPERIENCE

April 1974 to Present	Director, Bureau of International Affairs, Civil Aeronautice Board. Chief staff responsibility for the legal and economic analysis and preparation of recommended positions for the United States Government in international negotiations on the exchange of civil aviation operating rights. Served as primary advisor to Members of the Civil Aeronautics Board on United States international civil aviation rights, obligations and policies; and the interpretation of international air transport agreements and conventions.
June 1971 to March 1974	Special Assistant to the Chairman, Civil Aeronautics Board. Responsible for congressional and intra-governmental matters of concern to the Chairman. Served as the representative of the Chairman in international negotiations of civil aviation operating rights.
January 1970 to June 1971	Staff Assistant to the President of the United States Responsible for implementation of Presidential personnel policies; including staffing of Presidential level and policy making positions within the Executive Branch and interpretation of conflict of interest statutes and regulations.
March 1969 to December 1969	Legislative Assistant. U.S. Congressman Clarence E. Miller, 10th District, Ohio. Responsible for drafting and analysis of legislation presented to the U.S. Congress and its committees; formulation of press releases and policy statements issued by the Congressman. Legislative coordination with various Committees of the U.S. Congress.
December 1966 to January 1969	Chief Claims Officer. For all U.S. Government activities -- civil and military -- in the country of Greece. Responsibilities included preparation, submission, prosecution and settlement of international claims in favor of the United States; as well as defending and negotiating settlement of claims against the United States under U.S. Statutes and the NATO Status of Forces Treaty.

EDUCATION

Highland Park High School; Topeka, Kansas.
Graduated First in a class of 130.

U.S. Naval Academy; Annapolis, Maryland.
Bachelor of Science degree, with distinction. Dean's list 7 of 8 semesters. Graduated 35th in a class of 791.

Georgetown University School of Law; Washington, D.C.
Juris Doctor degree. American Jurisprudence Prize for excellence in study of the administration of criminal justice.

University of Oklahoma; Norman, Oklahoma. M.A. in Economics. Elected to Omicron Delta Epsilon, National Economics Honors Society.

DOUGLAS L. SIEGEL
ASSISTANT GENERAL COUNSEL - GENERAL LAW

EDUCATION:

City College, New York, B.S. - 1938
Brooklyn Law School, L.L.B. - 1937
Brooklyn Law School, J.S.D. - 1939

EXPERIENCE

1974 to 1975	Acting General Counsel, United States Railway Association
1969 to 1974	Director, Office of Installations and Logistics Department of Transportation, Washington, D.C.
1967 to 1969	Chairman, Department of Transportation Contract Appeals Board, Wahsington, D.C.
1962 to 1967	Associate General Counsel, Federal Aviation Agency, Washington, D.C.
1958 to 1962	Senior Attorney, Office of the General Counsel, Federal Aviation Agency, Washington, D.C.
1957 to 1958	Counsel to the Airways Modernization Board, Washington, D.C.
1948 to 1957	Attorney, Office of the General Counsel, Civil Aviation Administration, Washington, D.C.
1946 to 1948	Contracts and Claims Attorney, Army Chemical Corps Procurement Agency; Legal Asisstant, The President's Amnesty Board; Price Attorney, Office of Price Administration
1941 to 1946	Military Service, U.S. Army, Private to First Lieutenant
1938 to 1941	Private Law Practice

Mr. SKUBITZ. The reason I asked the question is I started on Capitol Hill, years ago, as an administrative assistant. We were getting $3,900 for the job. They are doing that same thing today that we did when I was here and now they are up in the $40,000 bracket.

Mr. SANTINI. Would the gentleman yield?

Mr. SKUBITZ. And not doing any work either.

Mr. SANTINI. During the same period of time, if the gentleman will recall Union Army sergeants were only making $72 every 2 months.

Mr. SKUBITZ. We will have to forgive the gentleman from Nevada. He has only been here a short while. He doesn't quite understand what this is all about.

This doesn't really have anything to do with your problem here today, Mr. Lewis, but I remember when we had ConRail before us, last fall, I believe it was, and we required that the Secretary of Transportation and the Secretary of the Treasury had to serve on the Board, as I recall. They had to attend the Board meetings.

Mr. LEWIS. Yes.

Mr. SKUBITZ. When this legislation left this body, we made no such requirement. But a newspaperman got the story and he leaked the story out. The net result was that the Senate got ants in their pants and put the clause in there that the Secretary of the Treasury and the Secretary of Transportation had to be present. We, on our side, had backbones like a piece of macaroni, and went along with them.

We have changed administrations. Do you think we ought to change the law and make it possible for the Secretary of Transportation to send a high-ranking man, and the Secretary of the Treasury to do the same thing?

Mr. LEWIS. The present law says that the Secretary of Transportation and his deputy, the Under Secretary or Deputy Secretary of Transportation could serve; and the same thing is true with the Secretary of the Treasury, the Deputy Secretary of the Treasury could. I don't have a strong feeling about it one way or the other, Mr. Skubitz. I think that one of the problems that occurred was some of the Departments were not looking upon this as a very important assignment and the people sent to represent—at least one of the Departments, Treasury—were not interested in the fundamental, substantive areas of concern.

This was a decision by the Congress. There had been a large number of people representing the Department over a period of time. The Secretary of the Treasury never attended a meeting. I never discussed one substantive thing with the Secretary of the Treasury in the 2½ years' time he was there. As to governmental representation now on the USRA Board, I don't really care one way or the other. It depends upon what the Congress wants.

Mr. SKUBITZ. Could it have been that those matters were handled by someone else within the Department far more knowledgeable than that Secretary was?

Mr. LEWIS. In some cases, it was true but in some it was handled by somebody that was not informed.

Mr. SKUBITZ. If somebody wanted a job in your agency would they start above them? If I wanted to get a job for somebody in your agency, I don't start with you, I start with somebody below you.

I have no further questions, Mr. Chairman.

The chairman has reminded me of something I should have asked you. You said that one of your duties was to monitor the $19 million loan to Katy. Would you tell me whether the new loan Secretary Coleman negotiated is on this loan?

Mr. LEWIS. There is a loan that we made 2 years ago to the Katy for the rehabilitation of some of their lines down in the area of Texas, outside of Houston. They have completed, or nearly completed, that project. The company is doing somewhat better than we forecast it would do.

The loan agreement has worked out well. The one we negotiated with the Katy has, so far, worked out well. Included in that loan agreement was a repayment schedule based upon the extent in which the Katy holding company, Katy Industries, received tax benefits from the losses of the Katy Railroad. That has proceeded—and we have benefited from that. Now, that work is going on. It is outstanding. They have completed their work, or at least within the last 10 to 15 percent of it.

They have asked for another loan, in addition to that, a guaranteed loan, which comes under the authority of the Secretary of Transportation. We are currently analyzing that—because we must give approval to it—to see if it impacts adversely the operations of the Katy in such a way as to make our earlier loan less secure.

We are currently in the process of analyzing that second loan.

Mr. SKUBITZ. I see.

Mr. LEWIS. But this comes under the Department of Transportation.

Mr. SKUBITZ. Will you keep me advised on what is going on?

Mr. LEWIS. Yes, we will.

Mr. ROONEY. Mr. Santini?

Mr. SANTINI. No questions, Mr. Chairman.

Mr. ROONEY. I have just two more questions, Mr. Chairman.

As a Government corporation, the Association's financial statements, I understand, are audited by the General Accounting office, at least every 3 years; is that correct?

Mr. DEAN. Yes, sir.

Mr. ROONEY. What have been the results of the audits by the GAO?

Mr. LEWIS. We have had a small—you might say a restricted—audit of our activities in the latter part of 1974. They are currently auditing us, really, for the first time on a broad scale. That process is not completed I am not able to give you any comments about that until it is completed.

Mr. ROONEY. Has GAO ever had to qualify its opinion on your audits?

Mr. LEWIS. Not in a normal sense of the word. The GAO has recognized we operate under special rules set up by the Secretary of Transportation. These regulations take full cognizance of the special kinds of problems we have.

The original statement indicated that if we had followed standard Government procedures, we would have had some conflict of interest. On the other hand, in terms of the conflict rules set up by the Secretary of Transportation, I do not believe there were any conflicts of interest. Also, we have an ability to contract without the normal competitive procedures in order to expedite our work.

Again, in commenting on it, they simply indicated that we had utilized those special rights and had not at all times used competitive bidding procedures. Mr. Dean, did they have any other comments?

Mr. DEAN. Those were the two principal points. There was, at that time, some disagreement about how the word "competitive" was used. We went competitive in the sense that the law gave us discretion in this area. If we sought two or more possible bidders, we felt it was competitive. We are familiar with the Federal procurement regulations, which do not apply to us. GAO auditors felt we might be using the term in instances in which regular agencies were not. But that was not a serious difference.

They also suggested that we record on our books certain improvements to our premises as assets, which we readily agreed to do. That was about all, for the audit took place only about 2 months after we were activated.

GAO is now in the latter stages of our first comprehensive audit and we are working very closely with the auditors. We rely on the GAO as a fine group of professionals to review us independently from time to time.

Mr. ROONEY. One final question. Has a phaseout plan been developed for USRA?

Mr. LEWIS. No, we haven't anticipated a phasing-out plan prior to completion of the litigation in the case. We have projected what we think are the litigation requirements in the next year or two in attempting to define what we need to do.

We see the litigation going on a heavy scale for 3 to 4 years, in heavy operation, and maybe, considerably beyond that point in terms of appeals and things of that sort.

But, the funding of ConRail is a relatively short-term thing. In another 2 years, 1978–79, it will be just about completed. But the real requirement for USRA, special status and the like, in my mind, is to give us flexibility to handle that legal case as effectively as possible. As you may know, the Department of Transportation and the Justice Department have requested us to lead the litigation on behalf of the Government.

Mr. ROONEY. There is a possibility the duties and responsibilities of USRA could be transferred to DOT.

Mr. LEWIS. I would guess it could, under some special arrangement, but I would think you wouldn't want to do that for at least another 2 or 3 years.

Mr. ROONEY. Mr. Murphy?

Mr. MURPHY. No questions, Mr. Chairman.

Mr. ROONEY. Thank you very much, gentlemen.

Are there any further questions?

If not, the meeting stands adjourned.

[Whereupon, at 11 o'clock, the subcommittee adjourned.]

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