

STATEMENT OF ROBERT E. GALLAMORE, DEPUTY ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, BEFORE THE TRANSPORTATION AND COMMERCE SUBCOMMITTEE OF THE HOUSE INTERSTATE AND FOREIGN COMMERCE COMMITTEE, MARCH 11, 1980

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be here today to discuss the United States Railway Association's future and the transfer of its Conrail and other oversight responsibilities to the Department of Transportation.

The Department of Transportation agrees with the USRA Board's February 28th Resolution to transfer to DOT their Conrail financing, monitoring, and planning functions as soon as is practical. While USRA's unique corporate status and administrative flexibility were necessary to deal with the Northeast railroad bankruptcies of the early 1970's, sufficient stability has been achieved in Conrail operations to permit a transition of policy responsibility and accountability to the Department. Consolidation of Conrail oversight with the rest of the nation's rail policy decisionmaking will increase our ability to deal with the significant rail revitalization tasks that lie ahead.

It goes without saying that continued oversight of Conrail will be necessary to safeguard the sizeable Federal investment that has been made and to deal with any proposals for restructuring in the region.

It is critical that the President, through the Secretary of Transportation, provide a consistent national policy perspective on these important transportation issues. USRA agreed both in its resolution and in the report just filed with your Committee that consolidation of Conrail oversight authority and accountability in the Executive Branch would be feasible and in the long-term best interests of the government.

The Federal Railroad Administration is both ready and able to take over Conrail oversight responsibilities from USRA. The FRA has responsibility for administering a national program of financial assistance to railroads, rail research and development, economic and operating analyses, rail safety, and operation of the Alaska Railroad. FRA oversight responsibilities include management of the Northeast Corridor construction program, management oversight of Amtrak, monitoring the management and operational effectiveness of financially-troubled railroads, developing rail restructuring proposals, assessing railroad equipment, maintenance, and operating fund needs, and working with states on state rail planning and local rail service assistance programs. FRA also has primary Conrail oversight responsibility within the Executive Branch, and provides staff support for the Secretary as a member of the USRA Board of Directors.

USRA agrees that DOT is the logical organization to receive the Conrail oversight functions now being performed by USRA. The Treasury, and the ICC Chairman, through their votes on the Board resolution, also agree with the transfer to DOT.

FRA anticipates that the increase in personnel and resources necessary to take over Conrail oversight would be well within the levels now allocated by USRA for this function. We would hope that USRA personnel would be interested in continuing their involvement in Conrail and would bring their significant expertise to FRA. The requirements governing Federal employment may discourage some USRA transfers, but we believe we can attract those personnel with the qualifications needed. Because of FRA's Executive Branch Conrail oversight responsibilities and because we research each issue presented at USRA Board meetings, we are not starting from ground-zero in undertaking these Conrail responsibilities. Furthermore, we participated in the 1979 joint DOT/USRA Conrail alternatives study, and we have also monitored the activity of the other railroads supervised by USRA. Some cost savings would therefore accrue from the consolidation of responsibility in DOT.

The USRA Board will continue to oversee the conduct of the valuation case, consistent with the recommendation of the Department of Justice and USRA that the on-going litigation not be transferred to another agency. The DOT/USRA study details why such a transfer to DOT would be impractical and unwise. The DOJ/USRA study more generally discusses why transfer of litigation is not recommended.

Our March feasibility report done jointly with USRA concludes that an orderly transition of the Conrail oversight from USRA to DOT should be provided for. Thus, there was joint agreement that USRA's existing authorization should be extended for an additional fiscal year, and that transfer of USRA's financing, monitoring, and planning functions should begin sometime in FY 1981 and be completed in every respect by December 31, 1981.

In conclusion, our March joint report with USRA and the Board of Director's February 28th resolution present a unified view that the proper ultimate location for Conrail oversight is the Department of Transportation. The critical point of rail instability in the region has passed and the need for a specialized planning and monitoring agency no longer exists.

Congress has made the Department of Transportation statutorily responsible for developing and administering national transportation policy and programs. We believe it is appropriate that Federal oversight of Conrail, as a significant portion of the national rail system, should become a direct Department of Transportation responsibility.

The Administration will shortly transmit legislation to Congress to accomplish the transfer. DOT will be working with USRA on an implementation plan to effect a smooth transition of the Conrail oversight function to DOT by December 31, 1981.

This completes my statement. I would be pleased to respond to your questions.