

C.A.P.

COALITION OF AMERICANS FOR PRIVATIZATION

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*GWR RAPP*

*7/13/86*

TO: Friends of Norfolk Southern  
FROM: Wayne Valis, Executive Director  
Jerry Rapp, Secretary

To Those Interested in the Sale of Conrail to Norfolk Southern

It is my understanding you are interested in the sale of Conrail to Norfolk Southern. The Congressional scenario for a sale of Conrail has developed into three options: (1) sell Conrail to Norfolk Southern, (2) sell Conrail to the public, or (3) a legislative stalemate resulting in no sale of Conrail.

Norfolk Southern has increased its bid which would now net the federal government \$1.9 billion and over \$375 million to Conrail employees. Attached are two papers comparing the options and highlighting the status of the sale.

We are determined to continue our efforts to get passage of legislation by the House this year. The President, the Secretary of Transportation and the U. S. Senate already have taken the necessary steps to finalize the sale. We now await action in the U. S. House of Representatives. Your help will avoid the need to start the process all over next year.

Congress is expected to adjourn around October 4th. Only limited legislative days remain to complete legislation removing Conrail from Government ownership. If you agree that Conrail should be returned to the private sector and operated under Norfolk Southern's umbrella, please immediately write or call Congressmen with whom you have relationships. Ask them to support a sale of Conrail to Norfolk Southern to (1) avoid a tax increase, (2) decrease the budget deficit and (3) stop further federal and state subsidies to Conrail.

It would be helpful to our overall effort if you would please report your activities to Jerry Rapp. Thanks for your help on this important project.

attachments

CONRAIL: WHAT ARE THE CHOICES?

Norfolk Southern

Price: \$1.9 billion

Public Offering

\$1.4 billion

No Sale

\$0

- U.S. Budget shortfall of nearly \$2B would have to be made up by spending cuts or tax increases
- Federal & state government subsidies would continue

Viability:

- Adds \$180 million in traffic annually to Conrail reversing a 20 year decline
- 150 years of railroadng experience & expertise
- Commitment to running a railroad
- No relief from business decline
- Continued pressure to cannibalize system to meet investor demands

- No relief from business decline
- Leaves only taxpayers to bail out railroad again

Benefits to Shippers and Consumers:

- Faster, cheaper service
- Revitalizes infrastructure & promotes economic development
- New service opportunities for shippers & community
- Shippers confined to current Conrail service
- Current abandonments, job cuts, economic decline compounded by pressure to pay dividends
- Shrinking service for shippers and communities in face of low traffic levels

## NORFOLK SOUTHERN PURCHASE OF CONRAIL

The following facts highlight the benefits of a sale of Conrail to the Norfolk Southern Corporation.

### Benefits to the Federal Government

- o \$1.9 billion cash -- the highest price offered
- o Relinquish \$1.8 billion operating loss tax carry forwards
- o Relinquish \$305 million investment tax credits

### Benefits to States and Local Government

- o Returning Conrail to the private sector will mean a resumption of annual state and local tax payments of \$32 million as follows (based on 1984 tax estimate):

CT	\$2,847,000	MI	\$ 253,000
DE	26,000	NJ	5,515,000
IL	79,000	NY	4,293,000
IN	765,000	OH	3,158,000
KY	4,000	PA	13,589,000
MD	138,000	WV	169,000
MA	591,000	DC	196,000

- o Restoration of regular ICC procedures for rail abandonments
- o Specific service, investment, and other commitments to individual states supporting the sale, including New York, New Jersey, and Indiana

### Benefits to Employees

- o Greater long-term security for continued rail service
- o \$375 million in cash or NS stock (average well over \$8,000 per employee) for employee interests and claims plus payment to employees of any tax benefits, perhaps \$20 million
- o Participation in NS Stock Purchase Plan for agreement employees (to which NS contributes)
- o "New York Dock" labor protection for adversely affected employees -- up to 6 years pay
- o Provision of one year protection, over a 3-year window of eligibility, for Conrail employees against introduction of efficiencies, subject to a 36-month moratorium on new protective agreements

--OVER--

Benefits to Shippers

- o Better single-system routes creating new single-system competition for traffic between the Northeast, Midwest and Southeast
- o Greater long-term security of continued rail service
- o Restoration of regular ICC procedures for rail abandonments
- o Reopening of direct, competitive routes with small eastern railroads in Conrail territory
- o Impartial ICC review to identify any competitive problems and prescribe remedies

Benefits to Other Railroads

- o Greater long-term security of continued rail service in the Northeast
- o ICC to rule on plan that would:
  - reopen rail competition by reducing Conrail's routing restrictions against small eastern railroads, including the Grand Trunk, Pittsburgh and Lake Erie, and the Guilford System Railroads
  - Sell duplicate track in order to preserve and increase existing competition and jobs

Norfolk Southern Corporation

- o Assets -- \$9.7 billion
- o Favorable 16.5 percent debt ratio
- o Income taxes 1985 -- current Federal \$128.5 million; current state \$22.8 million; deferred \$170.6 million
- o Net income 1985 \$500.2 million (\$7.95 per share) -- \$822.2 million before taxes
- o Railroad operating revenue 1985 -- \$3.4 billion
- o Working capital 1985 -- \$623 million

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To join C. A. P., please fill out this form and RETURN TO:

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