



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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JUN 30 1981

The Honorable Bob Packwood
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate

- Dear Mr. Chairman:

We understand that the Senate is considering or will soon consider a proposal for changing the Federal role in the Consolidated Rail Corporation. The proposal would establish a board to determine the Corporation's profitability, comprised of the Secretaries of Transportation and the Treasury, the Chairman of the United States Railway Association, the Chairman of the Board of Directors of the Corporation, and the Comptroller General. If the board determined that the Corporation had not made a profit by December 1, 1982, Corporation assets could be sold piecemeal rather than only as a whole.

The Comptroller General's participation in this board's executive decisions could create a conflict of interest or the appearance of a conflict of interest because of the General Accounting Office's responsibilities to review and evaluate Corporation activities, including the process of changing and/or terminating the Government's relationship with the Corporation. We have been quite active in this area in the past, having issued 15 reports concerning Corporation activities (see enclosure). The proposal would make the Comptroller General a part of the process he is responsible for evaluating.

We have consistently opposed legislation giving the Comptroller General executive authority over programs and activities he audits on behalf of the Congress. The conflict inherent in acting under both an executive and audit capacity is obvious and hardly needs elaboration. Irrespective of our utmost care, the Congress will have effectively lost the ability to obtain fully objective audit and review information from the General Accounting Office on certain transportation matters if the Comptroller General is made a member of this review board. We believe that the General Accounting Office can better serve the Congress by independently reviewing processes such as determining the Corporation's profitability rather than by becoming a part of the process. We therefore strongly urge that the proposal be amended to exclude the Comptroller General from membership in the board determining the Corporation's profitability.

[Proposal to Change Federal Role in Consolidated Rail Corporation] (990511)

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As required by our authorizing legislation, we stand ready to conduct reviews, audits, and/or evaluations of Government activities regarding the Corporation, as requested by the Congress or its committees. Also, we would be pleased to work with your office in developing alternatives for the review board's composition. Please contact us if we can be of assistance.

Sincerely yours,

MILTON J. SOCOLAR

Acting Comptroller General
of the United States

Enclosure

GENERAL ACCOUNTING OFFICE REPORTSCONCERNING ACTIVITIES OF THECONSOLIDATED RAIL CORPORATION

- "Conrail's Attempts To Improve its Use of Freight Cars" (CED-78-23, Jan. 24, 1978).
- "Conrail's Profitability: Framework for Analysis" (PAD-78-52, Apr. 10, 1978).
- "Commuter Railroad Safety Activities on Conrail's Lines in New York Should Be Improved" (CED-78-80, Mar. 15, 1978).
- "Information on Questions About Conrail's Service in the Scranton, Pennsylvania, Area" (CED-78-82, Apr. 4, 1978).
- "How Long Does It Take Conrail To Process Protected Employees' Claims Under the 1973 Regional Rail Reorganization Act?" (CED-78-138, July 31, 1978).
- "Conrail Faces Continuing Problems" (CED-78-174, Oct. 6, 1978).
- "Information on Alleged Conrail Mismanagement of Contracting and Track Rehabilitation in Its Toledo and Ft. Wayne Divisions" (CED-79-41, Feb. 23, 1979).
- "Information on Questions About Conrail's Track Abandonment Program" (CED-79-45, Apr. 2, 1979).
- "Northeastern Energy and Transportation Problems: A Regional Perspective" (PAD-79-12, Aug. 27, 1979).
- "Employee Protection Provisions of the Rail Act Need Change" (CED-80-16, Dec. 5, 1979).
- "Conrail's 5-Year Plan for Abandoning or Discontinuing Service Over Its Rail Lines" (CED-80-51, Jan. 15, 1980).
- "Conrail's Reduced Capital Program Could Jeopardize the Northeast Rail Freight System" (CED-80-56, Mar. 10, 1980).
- "Conrail's Attempts To control Labor Costs and Improve its Labor Productivity" (CED-80-61, June 20, 1980).
- "Amtrak's Productivity on Track Rehabilitation Is Lower Than Other Railroads'--Precise Comparision Not Feasible" (CED-81-60, Mar. 13, 1981).
- "Congressional Action Is Needed To Resolve the Northeast Corridor Cost-Sharing Dispute" (CED-81-97, Apr. 30, 1981).