

PWO/VP/arc
11000

6 NOV 1980

From: Commanding General
To: Commander, Atlantic Division, Naval Facilities
Engineering Command, Norfolk, VA 23511

Subj: Lease and Use Agreement, NOM-71659

Ref: (a) LANTNAVFACENGCOM ltr 241:BMS LC-6 dtd 19 Sep 80

1. Reference (a) inter alia requested concurrence for negotiation of a spur track agreement to assure continuity of rail service to Camp Lejeune subsequent to expiration of the subject agreement on 31 August 1984. Camp Lejeune does and will have a continuing requirement for railroad service through the remaining life of the present agreement with continuation of maintenance by the Seaboard Coast Line and Southern Railway as called for in the agreement. Based on the railroad companies' expressed position to not extend the agreement beyond its present expiration date, this Command concurs in the preparation of a spur track agreement to become effective beginning 1 September 1984.

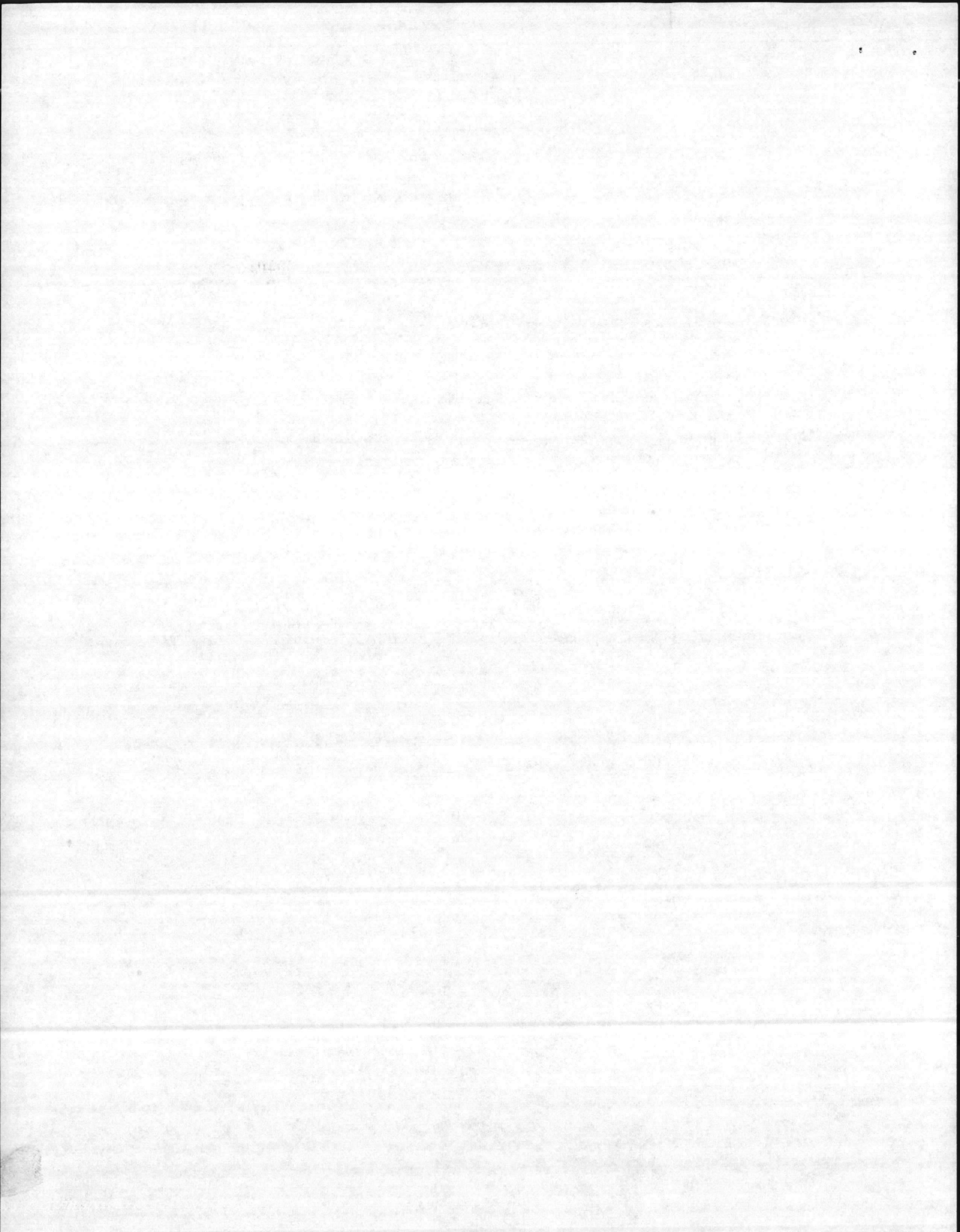
2. You are requested to consult with this Command on any proposed terms which may have unusual or significant impact on the capability, financial or physical, to receive railroad service. Final concurrence will be provided prior to execution of the agreement.

D. B. BARKER

Copy to:
CNC
NINC (MT-SA)
COMNAVFACENGCOM

Blind copy to:
AC/S Facilities

Please return to Public Works





DEPARTMENT OF THE NAVY
ATLANTIC DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
NORFOLK, VIRGINIA 23511

TELEPHONE NO.
444-7411
IN REPLY REFER TO:
241:RHS
LO-6
19 SEP 1980

From: Commander, Atlantic Division, Naval Facilities Engineering Command
To: Commanding General, Marine Corps Base, Camp Lejeune, North Carolina 28542

Subj: Lease and Use Agreement NOM-71659, modification of

Ref: (a) MCB CAMLEJ ltr PWO:405:JCJ:sh 11000 of 25 Jul 1980
(b) LANTNAVFACENGCOM ltr 241:RHS LO-6 of 13 Aug 1980
(c) FONECON Military Traffic Management Command (MTMC)(R. Frantz)/
LANTNAVFACENGCOM (R. Swiader, Code 2413) of 15 Sep 1980

Encl: (1) Southern Railway System (SRS) ltr of 4 Sep 1980

1. Subject lease covers use of Government-owned rail facilities by the Seaboard Coast Line and the Southern Railway. Reference (a) forwarded for recommendations and/or action by this Command a request from the Southern Railway for an adjustment of the cash rental paid thereby. Reference (b) advised the Railway that upon submission to and review by this Command of documentation evidencing and contrasting respective rental, maintenance and operating costs with gross revenues from the leased trackage an appropriate rental adjustment would be forthcoming.
2. Documentation furnished by enclosure (1) has been reviewed and is satisfactory. Accordingly, a proposed Supplemental Agreement providing for a waiver of the cash rental for those calendar years in which gross revenues are exceeded by operating and rental costs is under preparation and will be forwarded to the Railway for review and execution. Thereafter, a fully executed copy will be provided for Base records.
3. With respect to the future status of the leased trackage, enclosure (1) advised of the Railway's plans not to extend the lease beyond its 31 August 1984 expiration date without a significant contribution by the Government towards track maintenance work. Subsequent discussions with the Railway have indicated, however, its willingness to furnish continued rail service to the Base provided the Government assumes responsibility for long term and cyclical maintenance on the trackage. In this regard, this Command is exploring with the Railway the feasibility of replacing Lease NOM-71659 with a spur track agreement covering continued Railway service across and day-to-day maintenance of the Camp Lejeune-Cherry Point trackage. As proposed, long term and cyclical maintenance for this portion of trackage will become the sole responsibility of the Government.
4. Prior to further action on the proposed spur track agreement concurrence is requested. Should future developments warrant, similar discussions will also be initiated with the Seaboard Coast Line. As subject lease limits the Railway's current maintenance obligation to an amount proportionate to the traffic thereover, replacement of the lease with a spur track agreement will insure continued

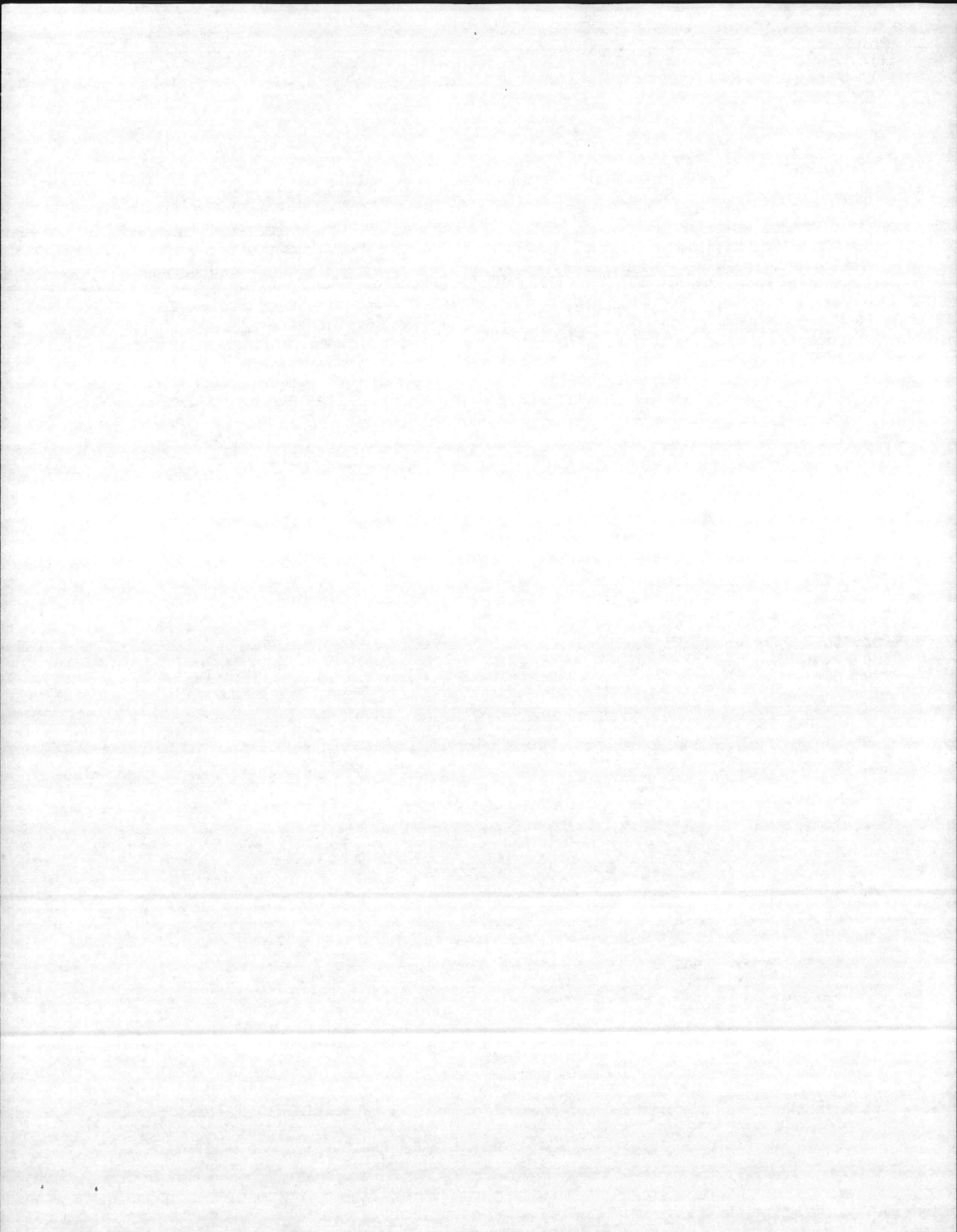
rail service to the Base while surrendering little of practical value.

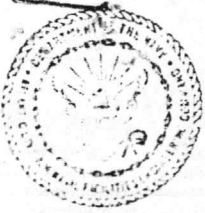
5. In consideration of the Railway's expressed intention to restrict future maintenance work on the lease trackage to minimum routine items only, it is recommended that early planning for and scheduling of Government-funded rehabilitation work, as determined necessary by the Base, be undertaken. In this regard, reference (c) advised that preliminary results of a recently completed study of the Base's rail mobilization requirements indicated that outloading to Morehead City could be satisfactorily accomplished through New Bern by use of commercially-owned trackage. It is understood that the completed MTMC study will be provided for Base review when available.

E P Fucile

E. P. FUCILE
By direction

Copy to: (w/o SRS annual reports)
CMC WASHINGTON DC
MTMC (MT-SA)
COMNAVFAENGCOM





DEPARTMENT OF THE NAVY
ATLANTIC DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
NORFOLK, VIRGINIA 23511

TELEPHONE NO.
444-7411
IN REPLY REFER TO:
241:RHS
LO-6

19 SEP 1980

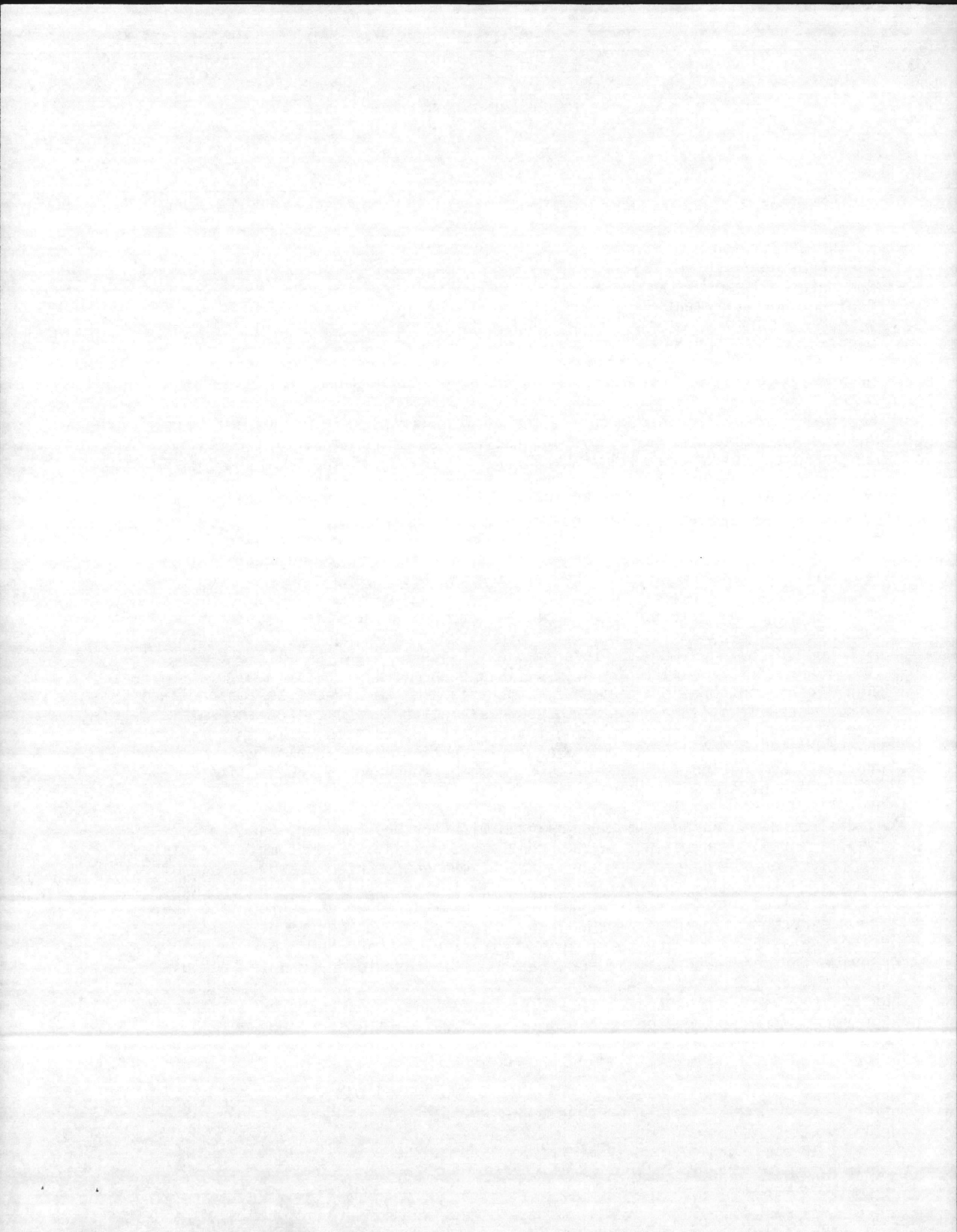
Mr. W. W. Simpson
Vice President
Southern Railway System
Engineering Department
P. O. Box 1808
Washington, DC 20013

Dear Mr. Simpson:

Receipt is acknowledged of your letter of 4 September 1980 concerning Lease and Use Agreement NOM-71659 covering Railway use of portions of the Government's Camp Lejeune-Cherry Point railroad. A review of the documentation of revenues and expenses forwarded by your letter indicates that the annual rental, maintenance and operating costs for the leased trackage exceed the Railway's gross revenues therefrom. Accordingly, this Command will prepare and forward for review and execution the Supplemental Agreement discussed in our previous correspondence. It is anticipated that the Supplemental Agreement will be forwarded within the next two to three weeks time.

With respect to the future status of the leased trackage, it is understood that the Railway is agreeable to the provision of continued rail service to Camp Lejeune but does not believe that extension of Lease NOM-71659 beyond its 31 August 1984 expiration date will be economically feasible without a significant contribution by the Government towards required track maintenance work. The Railway's reluctance to undertake all but minimum routine maintenance work to non-revenue producing trackage is appreciated. In this regard, however, it is suggested that a useful distinction may be drawn between the provision of continued rail service to Camp Lejeune and responsibility for maintenance of the Government-owned trackage.

As discussed in your recent conversation with our Mr. Swiader, Camp Lejeune's long term rail requirements are currently under study. Upon completion of the study advice will be provided as to the Government's intentions regarding the leased trackage. As an interim measure a mutually satisfactory arrangement for our respective interests may include substitution of an appropriate Spur Track Agreement for the existing lease. The Spur Track Agreement would become effective at a time prior to or upon expiration of Lease NOM-71659 and would provide for continued Railway service across and day-to-day maintenance of the trackage. Required long term and cyclical maintenance would be accomplished by or at Government expense. To assist in evaluation of our proposal a draft Agreement will be forwarded for your review by separate correspondence.



241:RHS
LO-6

81-690-7411

Please contact Mr. Swiader on telephone 804-444-7411 if you have any questions or desire additional information on this matter.

Sincerely yours,

E. P. FUCILE
Commander, CEC, USN,
Head, Facilities Planning and
Real Estate Department
By direction of the Commander

Copy to:
→ MCB CAMP LEJEUNE
CMC WASHINGTON DC
MTMC (MT-SA)
COMNAVFACENGCOM

Southern Railway System

Engineering Department

P.O. Box 1808

Washington, D.C. 20013

W. W. SIMPSON
VICE PRESIDENT

September 4, 1980

550 - Camp Lejeune

920 15TH STREET, N.W.
TEL: (202) 383-4500

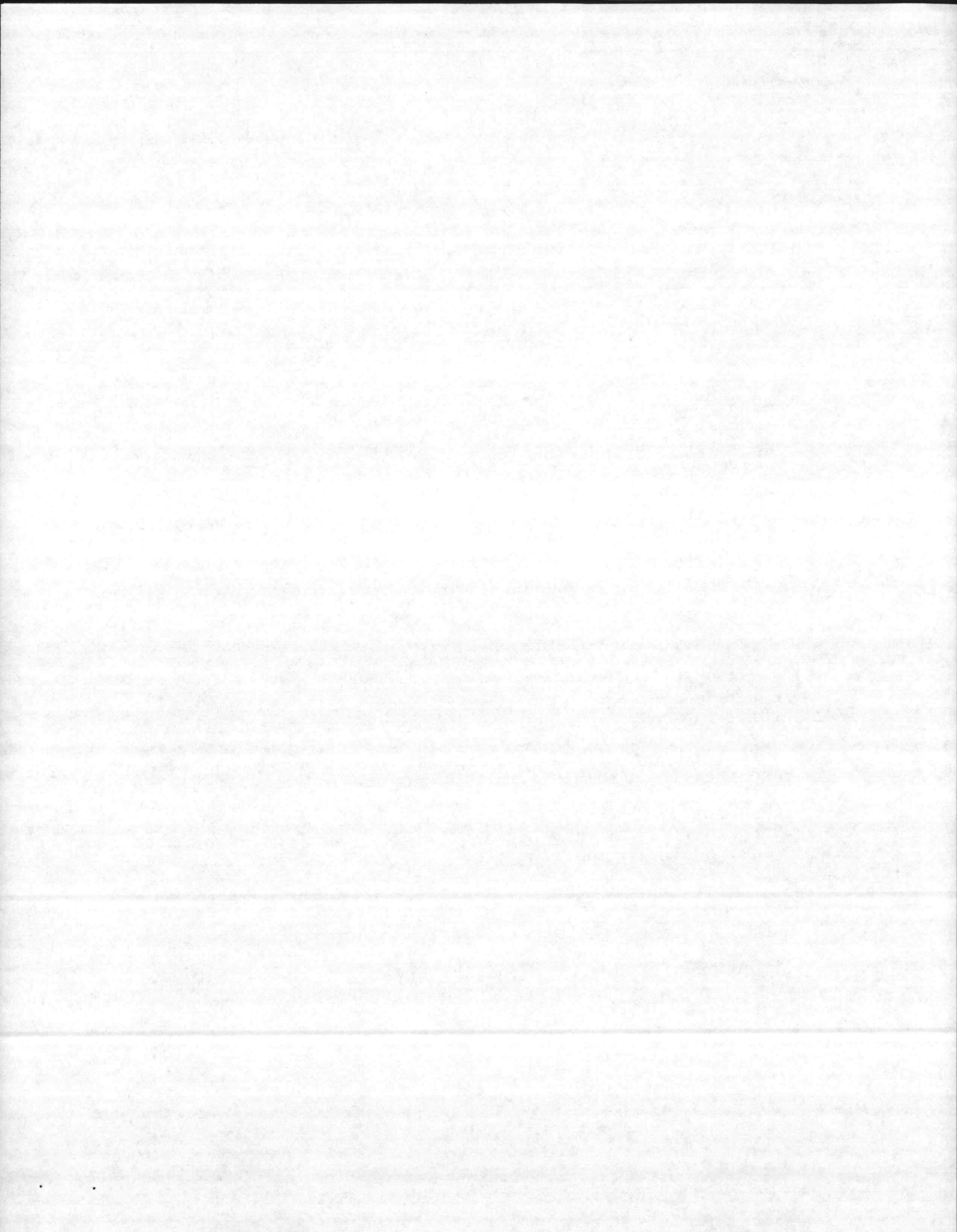
E. P. Fucile
Commander, CEC, USN
Head, Facilities Planning and Real
Estate Department
Department of the Navy
Atlantic Division
Naval Facilities Engineering Command
Norfolk, Virginia 23511

Re: Camp Lejeune Railroad; Lease and Use Agreement
NOM-71659 - Your reference 241:RHS, LO-6

Dear Commander Fucile:

Thank you for your letter of August 13 regarding the captioned matter. I appreciate your willingness to adjust the rental under Lease and Use Agreement NOM-71659, and I suggest a meeting to work out details. I have enclosed documentation of the comparison between our gross revenues and the rental, maintenance and operating costs relating to the leased line. The Camp Lejeune Railroad Company agrees that the sixty-day notification period referred to in Article 24(d) of the Lease will not begin until you have received this report.

You asked about the possibility of the Camp Lejeune Railroad renewing Lease and Use Agreement NOM-71659. In light of the anticipated need for major track work on this line, it would not be economically feasible for the Camp Lejeune Railroad to extend this Lease in the absence of a significant contribution by the Government towards the track



E. P. Fucile

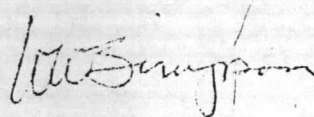
- 2 -

September 4, 1980

work. We will need to know the Government's intentions in this regard well in advance of the expiration of the current term of the lease so that we can make the necessary adjustments in our operations. In the absence of Government funding, we will continue service to the Base through August 31, 1984, but only minimum routine maintenance work will be performed.

Once you have reviewed the enclosed financial information, please give me a call so that we can arrange a meeting. Thank you for your cooperation in this matter.

Yours very truly,



Enclosures: as stated

Washington - August 26, 1980

Mr. J. W. McClellan

Subject: Camp Lejeune - Documentation of Revenues and Expenses

Pursuant to Mr. Simpson's request, operating revenues, operating expenses, net revenue, and net income data attributable to the Camp Lejeune Railroad Company are identified below in Table I. I have included data for the period 1973-1979 so that trends may be identified. As you can see, the Camp Lejeune Railroad has been operating consistently in the red with the exception of 1975. In that year, railway operating expenses were only \$38,208 due to a \$72,072 credit for the maintenance of joint tracks.

Table I
Net Income Statements
for the Camp Lejeune Railroad Company
(1973-1979)

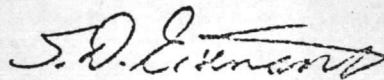
<u>Year</u>	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue (Loss)</u>	<u>Net Income (Loss)</u>
1973	\$40,624	\$ 57,063	\$(16,439)	\$(15,121)
1974	64,171	112,829	(48,658)	(33,649)
1975	70,596	38,208	32,388	16,813
1976	45,649	80,338	(34,689)	(25,865)
1977	61,536	137,554	(76,018)	(42,027)
1978	76,832	81,836	(5,004)	(1,551)
1979	77,659	123,945	(46,286)	(21,295)

Table II documents maintenance-of-way expenses incurred and rental payments made to the Government by the Camp Lejeune Railroad for the period 1973 - 79.

Table II
M-O-W Expenses and Rents Payable
(1973-79)

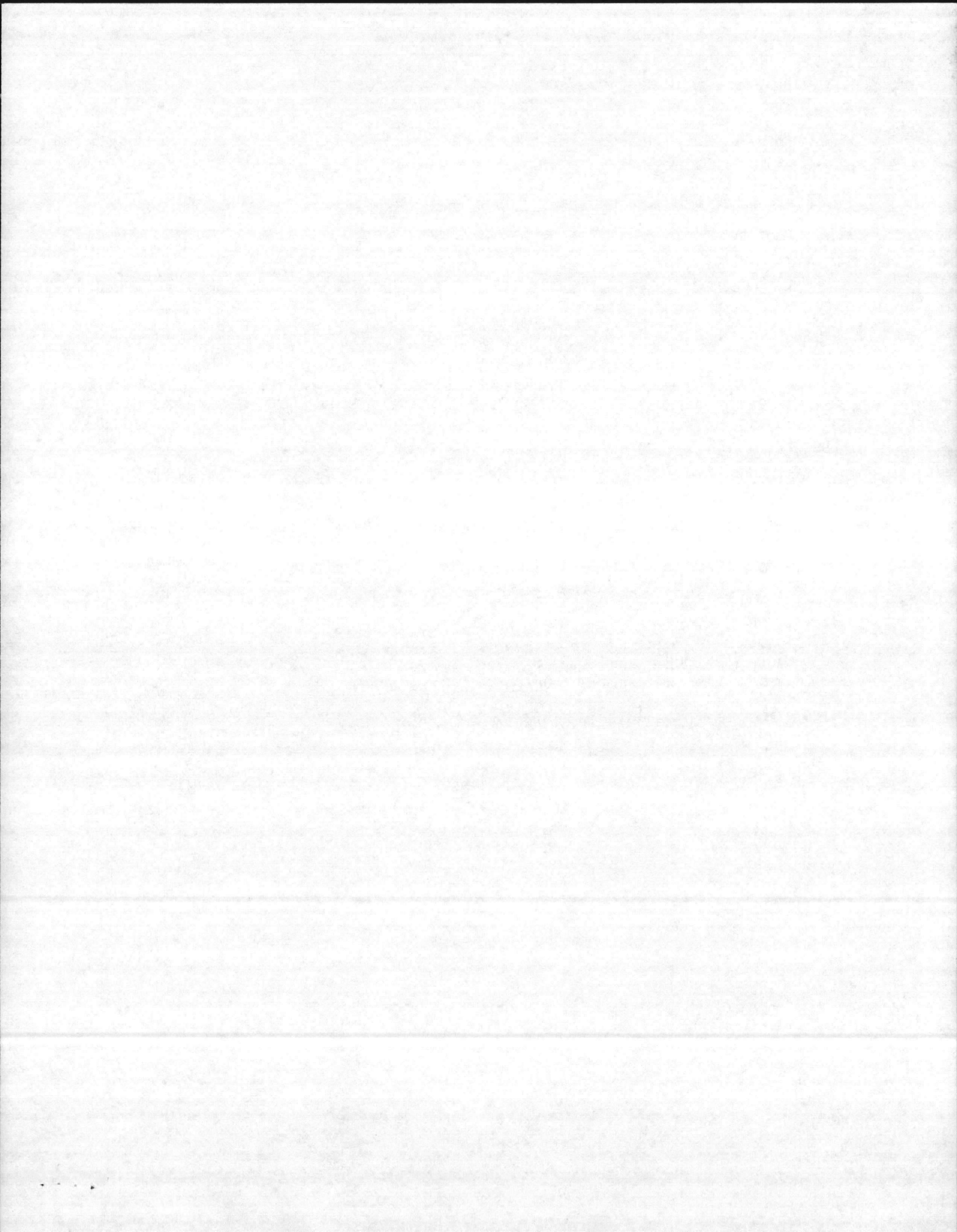
<u>Year</u>	<u>M-O-W Expense (Credit)</u>	<u>Rents Payable</u>
1973	\$26,273	\$6,250
1974	73,207	8,760
1975	4,099	5,110
1976	1,460	4,710
1977	90,080	3,990
1978	(2,494)	3,430
1979	50,217	3,440

Attached are selected pages from the Camp Lejeune Railroad Company's Annual Reports filed with the Interstate Commerce Commission for the seven year period outlined above. The information for Tables I & II was attained from these Annual Reports. Included are pages outlining the annual net income, gross operating revenue, operating expenses, and rents payable to the U.S. Government. The information for the years 1978-79 differs somewhat in format due to the fact that R-3 Annual Reports were filed with the Commission rather than the R-2 Annual Reports which were filed for the years 1973-77. These reports should serve as satisfactory documentation of our argument.



S. D. Eisenach

Attachment: Selected pages, Camp Lejeune Annual Reports





DEPARTMENT OF THE NAVY
ATLANTIC DIVISION
NAVAL FACILITIES ENGINEERING COMMAND
NORFOLK, VIRGINIA 23511

TELEPHONE NO.

444-7411

IN REPLY REFER TO:

241:FHS

LO-6

13 AUG 1980

1	10	SP 11/19
2	20	TMB/18
3	07	TAA
	405	
	JJ.	

Mr. W. W. Simpson
Vice President
Southern Railway System
Engineering Department
P. O. Box 1308
Washington, DC 20013

Dear Mr. Simpson:

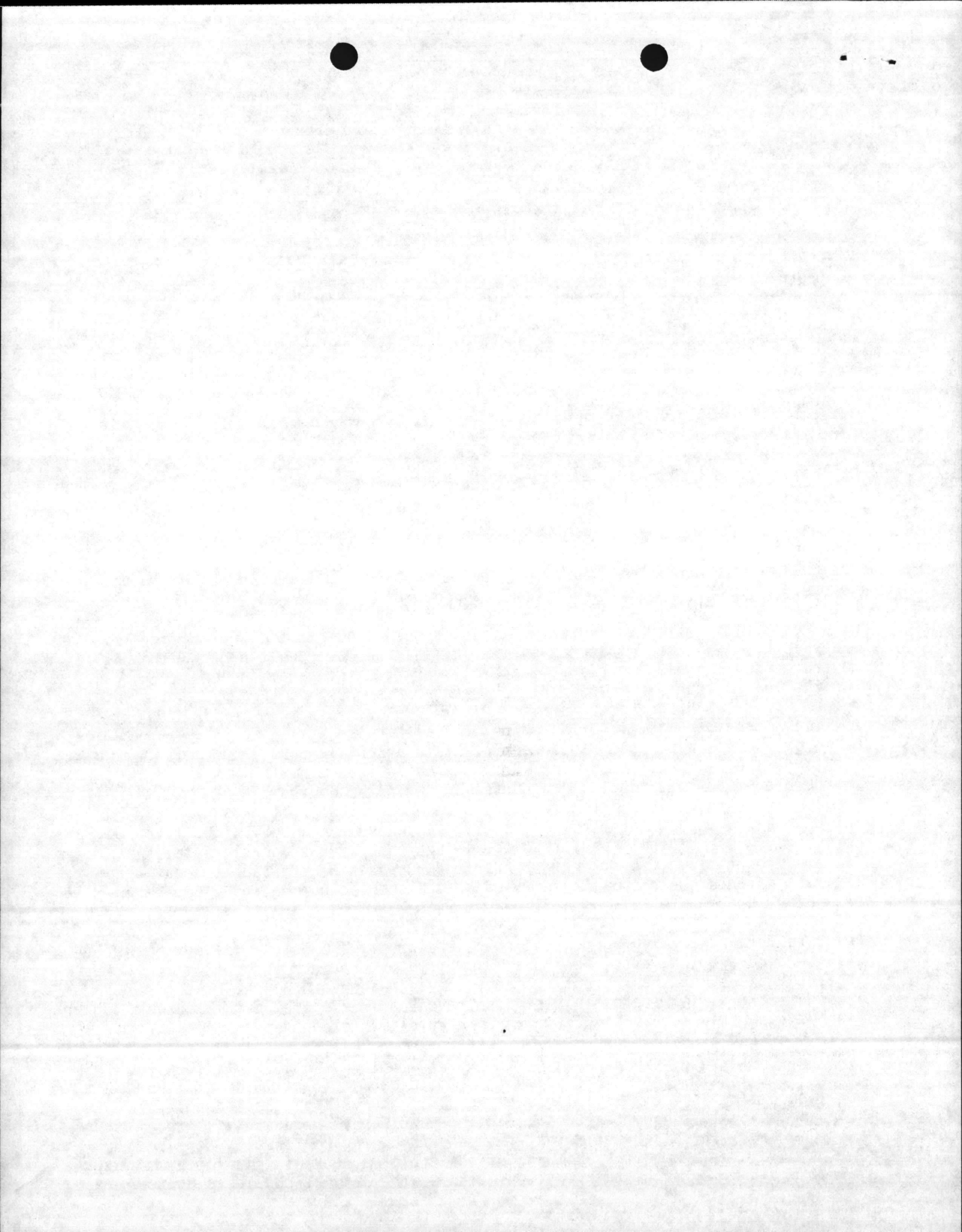
Reference is made to your letter of 11 July 1980 to the Commanding General, Marine Corps Base, Camp Lejeune, North Carolina, concerning Lease and Use Agreement H0m-71659 covering Southern Railway use of portions of the Government's Camp Lejeune railroad. This Command is the present Contract Administrator for the lease and your letter has been forwarded to this office as a matter under its cognizance.

A review of the referenced correspondence indicates two apparent areas of concern: the requested adjustment of the cash rentals paid by Southern Railway, and secondly, the anticipated amount of track maintenance work which will be required in the near future.

With respect to the rental adjustment, it is understood that a preliminary economic analysis of the lease, conducted by the Railway and covering the period from 1973 to the present, indicates that the annual rental, maintenance and operating costs for the leased trackage exceed the Railway's gross revenues therefrom. In this regard, your letter correctly states that in such circumstances Article 24(d) of the lease provides for either an adjustment within 60 days' time of the rental payments or, in the absence of an agreement as to a rental adjustment, termination rights by the Railway. Accordingly, please be advised that the Navy is agreeable to the execution of a Supplemental Agreement with the Southern Railway System providing for the waiver of the Railway's cash rental obligations for those calendar years subsequent to 31 August 1980 in which the annual gross revenues derived from use of the leased trackage is exceeded by the annual rental, maintenance and operating costs therefor. For the purposes of the Supplemental Agreement the term calendar year shall be defined as that period commencing 1 September and extending through the following 31 August.

Prior to the preparation and execution of the proposed Supplemental Agreement it will be necessary, however, for this Command to be provided documentation evidencing and contrasting the respective rental, maintenance and operating costs for the leased trackage with the Railway's gross revenues from operations thereover. Upon receipt and review of this information the Supplemental Agreement will be forwarded for review and execution on behalf of the Southern Railway System. As discussed in your recent telephone conversation with our Mr. Swiader it is understood that the 60 day notification period addressed in Article 24(d) of the lease will not commence until such time as the Railway's final economic analysis of the leased trackage, accompanied by the supporting documentation hereinabove requested, is received by this Command. It is requested that this understanding be formally confirmed by execution and return to this Command of the enclosed copy of this letter marked "First Copy" or by such other written means as the Railway considers appropriate.





With respect to the anticipated major track repair work, the Government has a continuing long-term requirement for the provision of adequate rail service to Camp Lejeune. While the Railway's concern with the low volume of rail traffic, averaging 40 loaded cars monthly, is appreciated, contingency mobilization and other military and national defense requirements dictate that the leased rail facilities must be maintained and repaired in a manner permitting their safe operation without undue interruption of service. In this regard, the Military Traffic Management Command is conducting a study of Camp Lejeune's outloading capability across the leased trackage. While the study will not be completed for another 3 to 4 months, preliminary indications fully support the continuation of the long-term requirement for rail service across the leased trackage. Accordingly, it is recommended that contact be made between the office of your Division Superintendent in Greensboro, North Carolina, and the Base's Public Works Department and Rail Traffic Management Office, telephones 919-451-2818 and 2541, regarding scheduling for priority maintenance work.

As you are aware, Lease and Use Agreement NOM-71659 expires by limitation effective 31 August 1984 but may be extended thereafter by the Railway to 1 January 1995. It is understood that your office is currently studying the feasibility of extending the lease term but is uncertain at this time as to its intentions in this direction. In consideration of the seriously deteriorated condition of much of the leased trackage and the time and resources required to initiate and complete the rehabilitation work required to maintain the trackage in an operable condition it is requested that this Command be advised, at the earliest possible time, of the Railway's intentions regarding lease renewal.

Please contact Mr. Swiader on telephone 804-444-7411 should you have any questions or desire additional information on this matter. Your cooperation and prompt confirmation of the above discussed understandings will be greatly appreciated.

Sincerely yours,

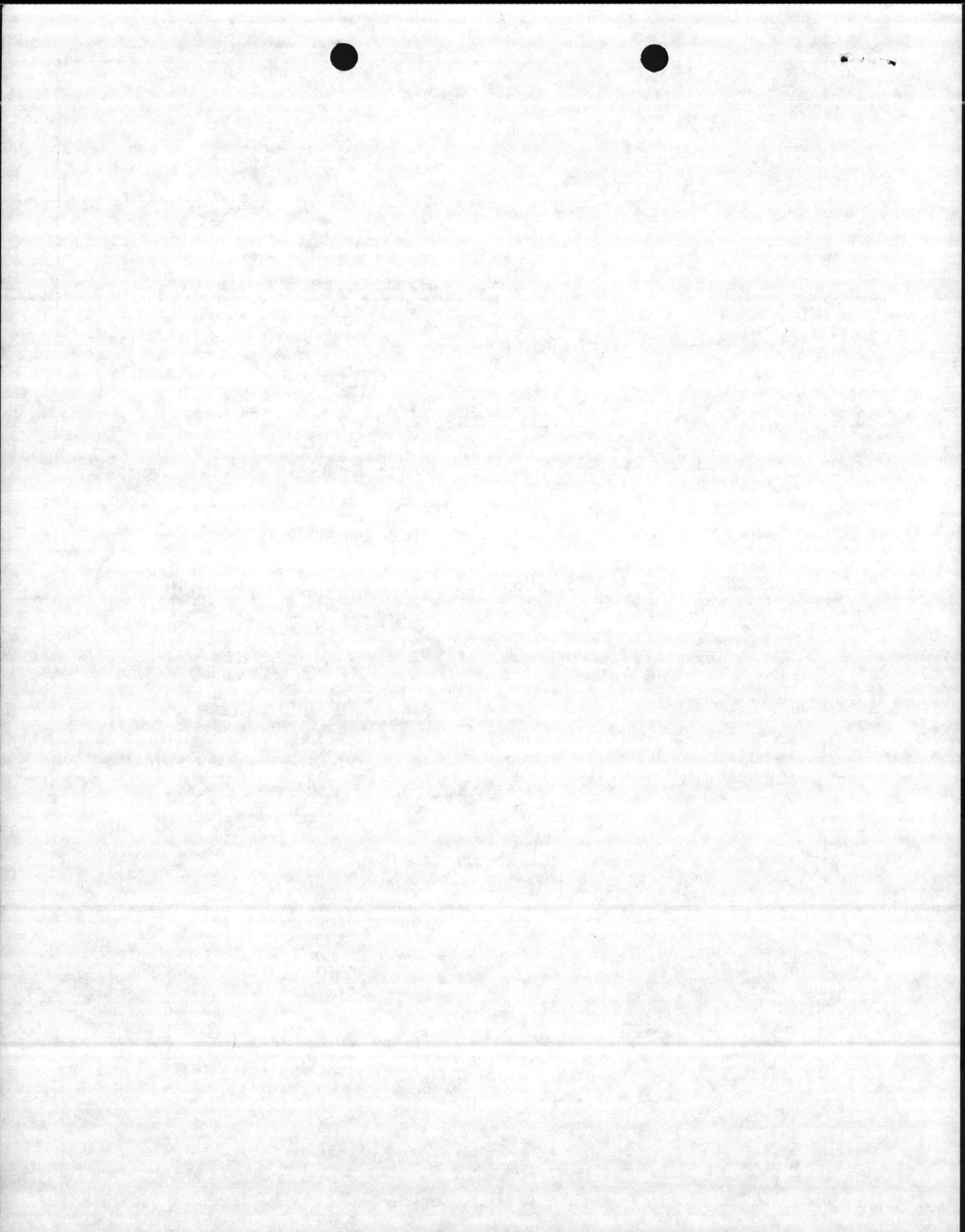
E. P. FUCILE
Commander, CEC, USN,
Head, Facilities Planning and
Real Estate Department
By direction of the Commander

The Southern Railway System hereby agrees and concurs with the understandings and agreement in principle hereinabove discussed regarding the planned execution with the United States of America of an appropriate Supplemental Agreement to Lease and Use Agreement NOM-71659. The Southern Railway System does further indicate its agreement in principle that execution of said Supplemental Agreement shall be accomplished subsequent to and within 60 days' time after provision by the Southern Railway System to and receipt by the Atlantic Division, Naval Facilities Engineering Command of the final economic analysis and supporting documentation hereinabove discussed.

Name _____

Title _____

Date _____



PWO/VP/arc
11000

29 AUG 1980

The Honorable Charles O. Whitley
House of Representatives
Washington, DC 20515

Dear Mr. Whitley:

Reference is made to your joint letter of August 18, 1980, with Congressman Jones concerning the Lease and Use Agreement with the Southern Railway System. Personnel at the Atlantic Division, Naval Facilities Engineering Command in Norfolk who represent the real estate interests of this Base have been in touch with Southern Railway officials on this matter. In accordance with the Agreement, an adjustment to the rental conditions has been proposed to waive payment of rent in future calendar years when revenues do not cover expenses.

I am advised that the proposal is acceptable to Southern Railway and that an implementing supplemental agreement will be executed subsequent to the Railway's presentation of satisfactory documentation of costs and revenues for past operations and maintenance.

Your interest is appreciated, but in light of the foregoing, I do not foresee a requirement for legislative action to resolve this issue. I am providing Congressman Jones the above information by separate correspondence.

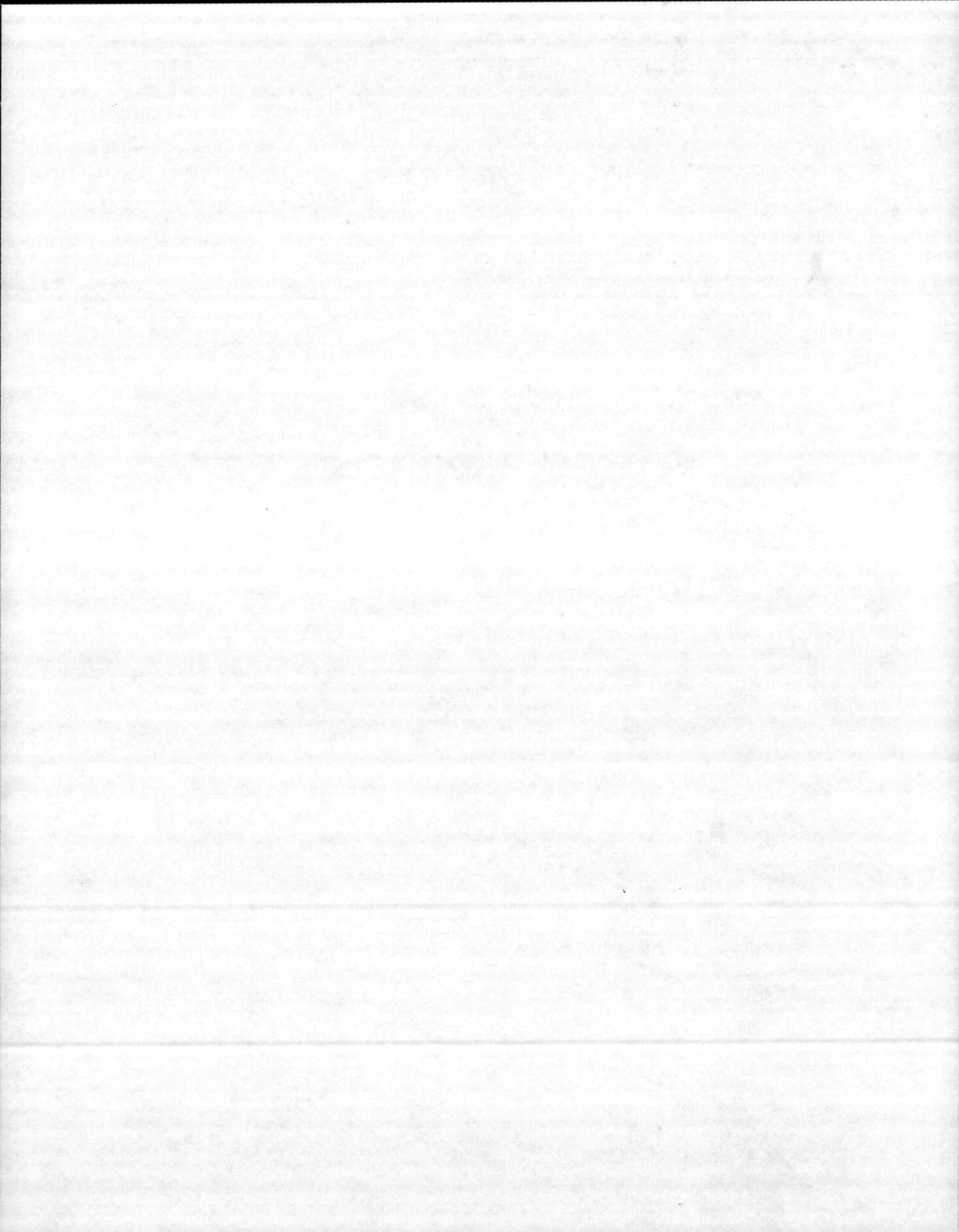
Sincerely,

J. R. FRIDELL
Colonel USMC
Base Commander

Blind copy to:
LANTNAVFACENGCOM (Code 24)

AC/S Facilities

Please return to Public Works Dept.



PWO/VP/arc
11000

29 AUG 1980

The Honorable Walter B. Jones
House of Representatives
Washington, DC 20515

Dear Mr. Jones:

Reference is made to your joint letter of August 18, 1980, with Congressman Whitley concerning the Lease and Use Agreement with the Southern Railway System. Personnel at the Atlantic Division, Naval Facilities Engineering Command in Norfolk who represent the real estate interests of this Base have been in touch with Southern Railway officials on this matter. In accordance with the Agreement, an adjustment to the rental conditions has been proposed to waive payment of rent in future calendar years when revenues do not cover expenses.

I am advised that the proposal is acceptable to Southern Railway and that an implementing supplemental agreement will be executed subsequent to the Railway's presentation of satisfactory documentation of costs and revenues for past operations and maintenance.

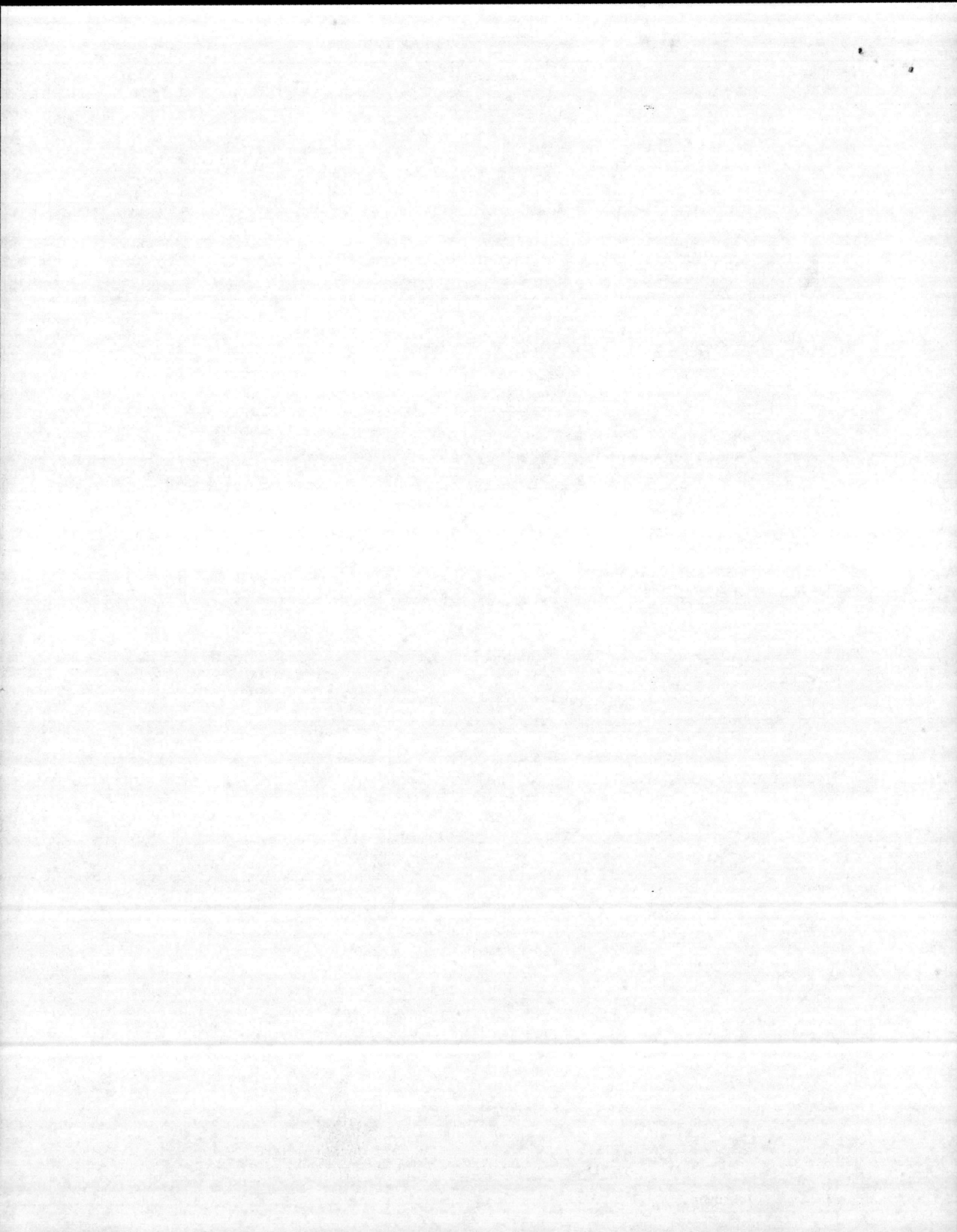
Your interest is appreciated, but in light of the foregoing, I do not foresee a requirement for legislative action to resolve this issue. I am providing Congressman Whitley the above information by separate correspondence.

Sincerely,

J. R. FRIDELL
Colonel USMC
Base Commander

Blind copy to:
LANTNAVFACENGCOM (Code 24)
AC/S, Facilities

Please return to Public Work Dept.



27 August 1980

Public Works Dept

Congressional Inquiry

Congressmen Jones/Whitley ltr of 18 Aug 1980
Southern Railway System ltr of 11 Jul 1980
(c) LANTNAVFACENGCOM ltr 241:RHS LO-6 of 13 Aug 1980

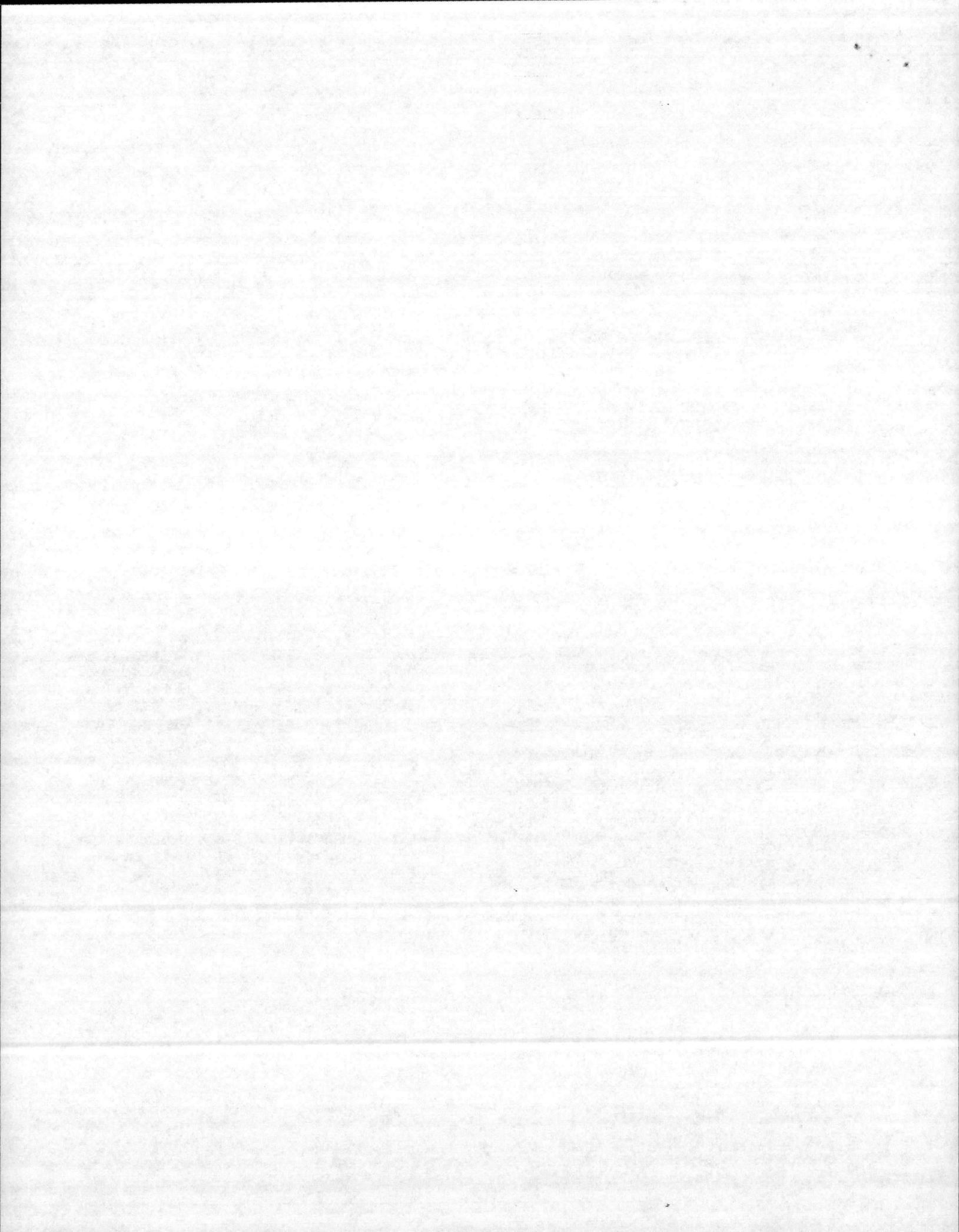
Purpose: To respond to a letter from Congressmen Charles O. Whitley and Walter B. Jones concerning an agreement with the Southern Railway System.

1. By reference (a) Congressmen Whitley/Jones advised of a financial imbalance resulting from an agreement with Southern Railroad for use of rail facilities at Camp Lejeune. This matter had previously been brought to our attention by reference (b) wherein the railroad requested renegotiation of the rental agreement. Since the Atlantic Division Naval Facilities Engineering Command is the Contract Administrator for the agreement, reference (b) was forwarded for their action. LANTNAVFACENGCOM has contacted the railroad and has agreed to a Supplemental Agreement that would waive rental payments in periods where revenues were exceeded by costs. The railroad was advised of the proposed Supplemental Agreement by reference (c).

2. The proposed letters to Congressmen Jones/Whitley advise them of the proposed Supplemental Agreement.

That the proposed letters to Congressmen Whitley/Jones be signed and forwarded.

V. PODBIELSKI



ASSISTANT CHIEF OF STAFF, FACILITIES
HEADQUARTERS, MARINE CORPS BASE

DATE: 8-21-80

1	10
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3	04
4	05

J. Jordan

TO:

BASE MAINT O

PUBLIC WORKS O

COMM-ELECT O

MOTOR TRANSPORT O

DIR, FAMILY HOUSING

DIR, BACHELOR HOUSING

BASE FIRE CHIEF

ATTN: _____

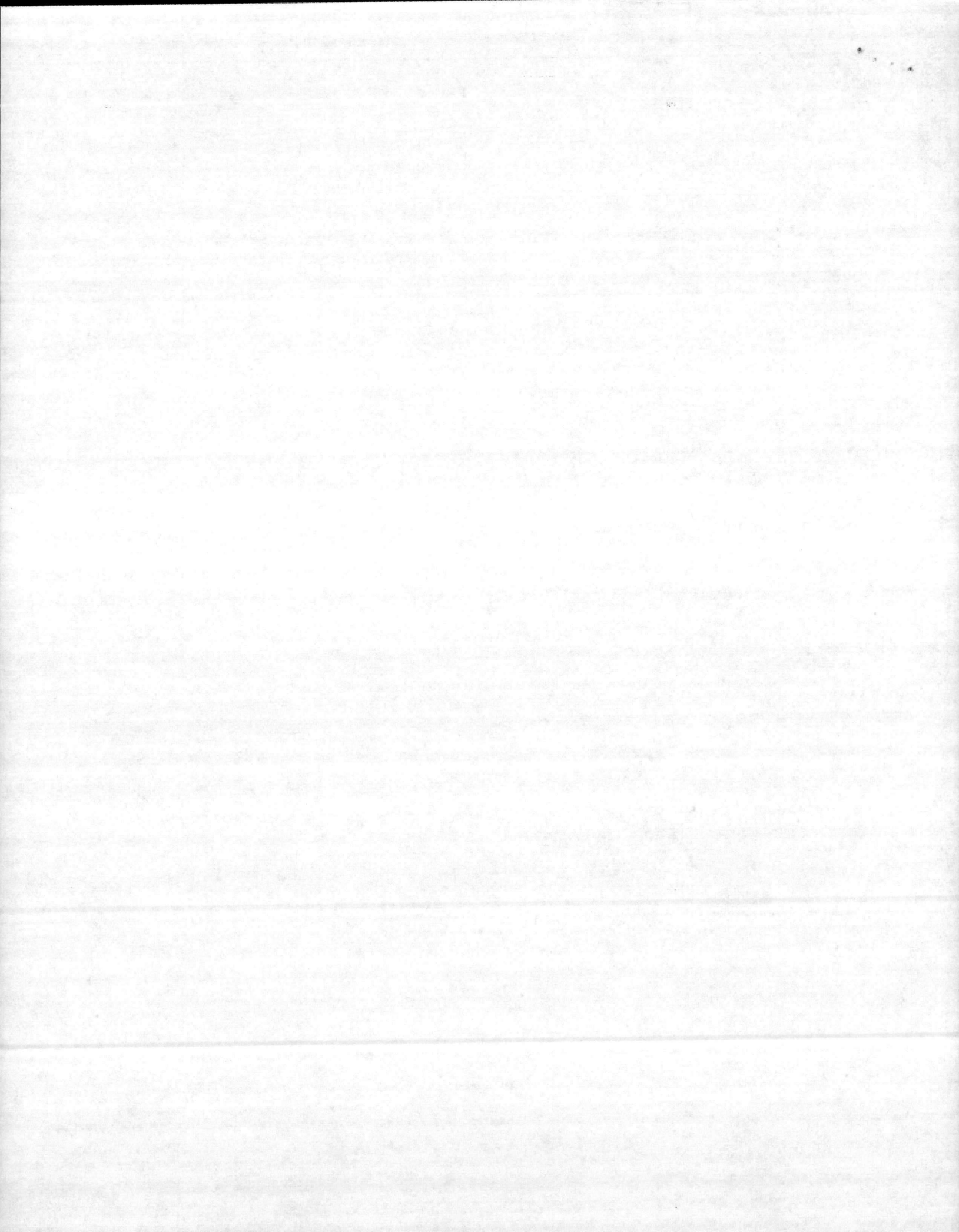
1. Attached is forwarded for info/action *Preparation of reply.*

2. Please initial, or comment, and return all papers to this office.

3. Your file copy.

VJR
gr *HPM*

"LET'S THINK OF A FEW REASONS
WHY IT CAN BE DONE"





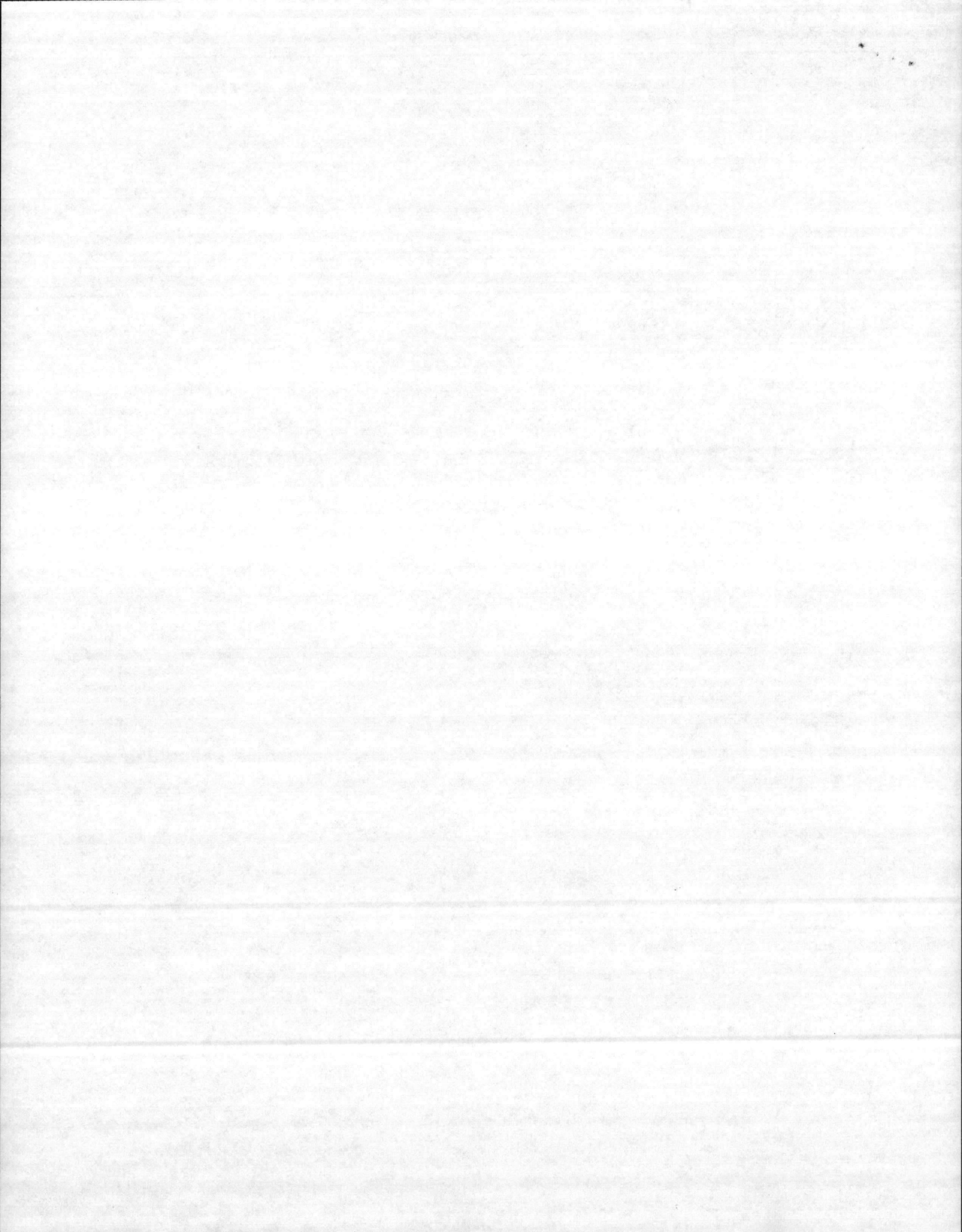
8/20

Acts Fae

The acter

Please prepare a response

B



COMMITTEE ON
CULTURE



Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
ROOM 404
CANNON HOUSE OFFICE BUILDING
202-225-3415

DISTRICT OFFICE:
FEDERAL BUILDING
ROOM 306
GOLDSBORO, NORTH CAROLINA 27530
919-736-1844

August 18, 1980

Brigadier General D.B. Barker
Commanding General
U.S. Marine Corps Base
Camp Lejeune, North Carolina 28542

Dear General Barker:

Officials of The Southern Railway System have informed us of their financial position as it relates to the United States of America's Lease and Use Agreement with Camp Lejeune Railroad Company and Atlantic Coast Line Railroad Company.

Apparently their preliminary analysis of figures since 1973 shows an operating loss for each year, except for 1975. They anticipate major track work will be required on the leased line shortly, which will add to their continuing deficit.

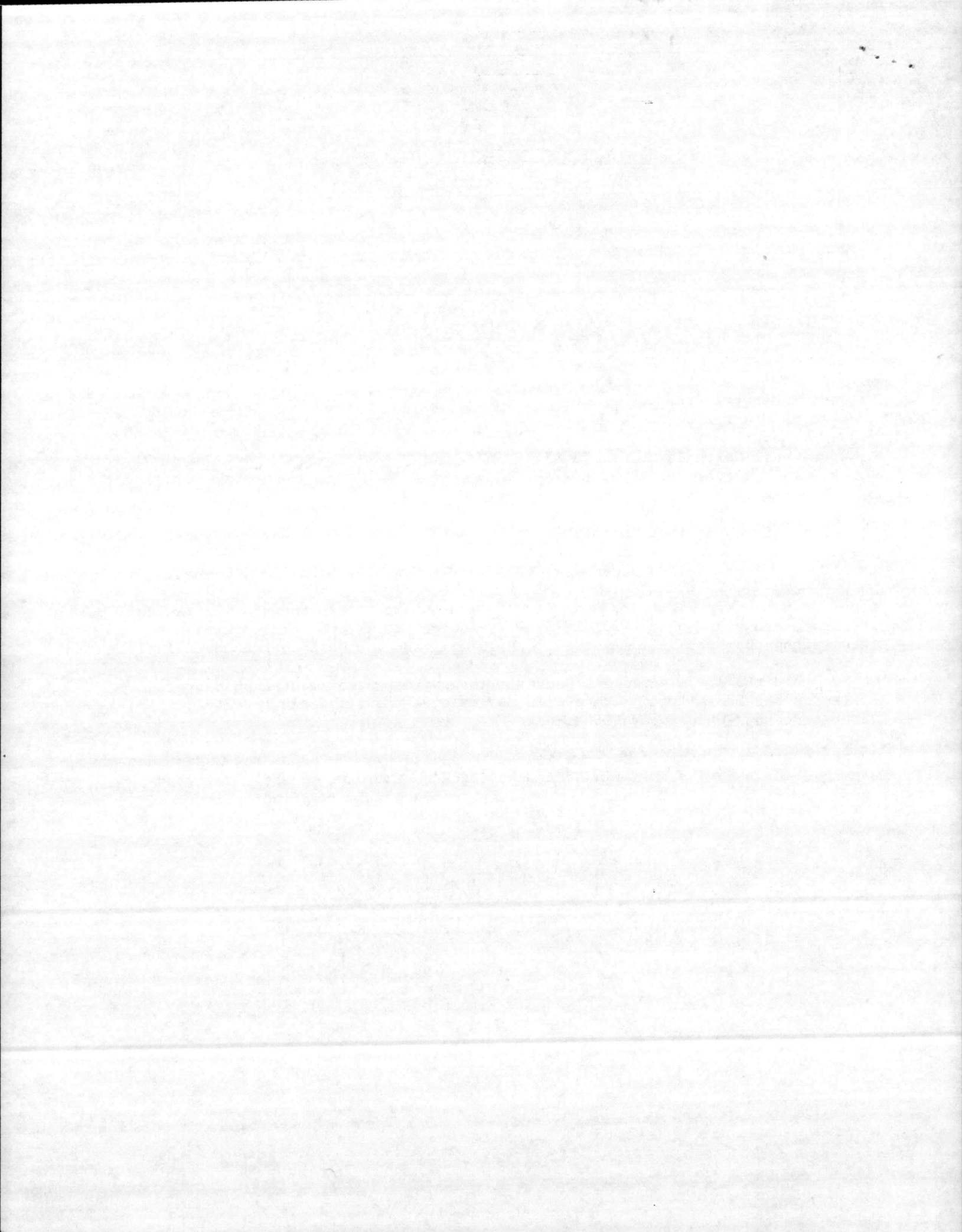
We are told the lease agreement provides for adjustment of rental paid by the railroads should railroad revenues in any calendar year not equal rental, maintenance and other operating costs.

As the Contract Administrator, we wanted to contact you to offer any assistance possible in resolving this financial imbalance on the part of these railroads, particularly should any action you anticipate require legislative action.

Sincerely,

Charles O. Whitley
Charles O. Whitley
Member of Congress

Walter B. Jones
Walter B. Jones
Member of Congress



Southern Railway System

Engineering Department

P.O. Box 1808

Washington, D.C. 20013

July 11, 1980

550-Camp Lejeune

W. W. SIMPSON
VICE PRESIDENT

929 15TH STREET, N.W.
TEL: (202) 383-4500

Brigadier General D. B. Barker
Commanding General
Marine Corps Base
Camp Lejeune, North Carolina 28542

Dear Gen. Barker:

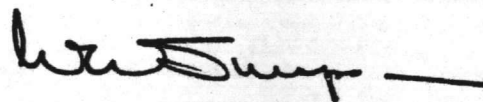
On behalf of the Camp Lejeune Railroad Company, I am writing you in your capacity as Contract Administrator for the United States of America's Lease and Use Agreement with Camp Lejeune Railroad Company and Atlantic Coast Line Railroad Company, dated September 2, 1960. As you know, this lease permits these two railroads to operate along right of way owned by the Federal Government near Camp Lejeune.

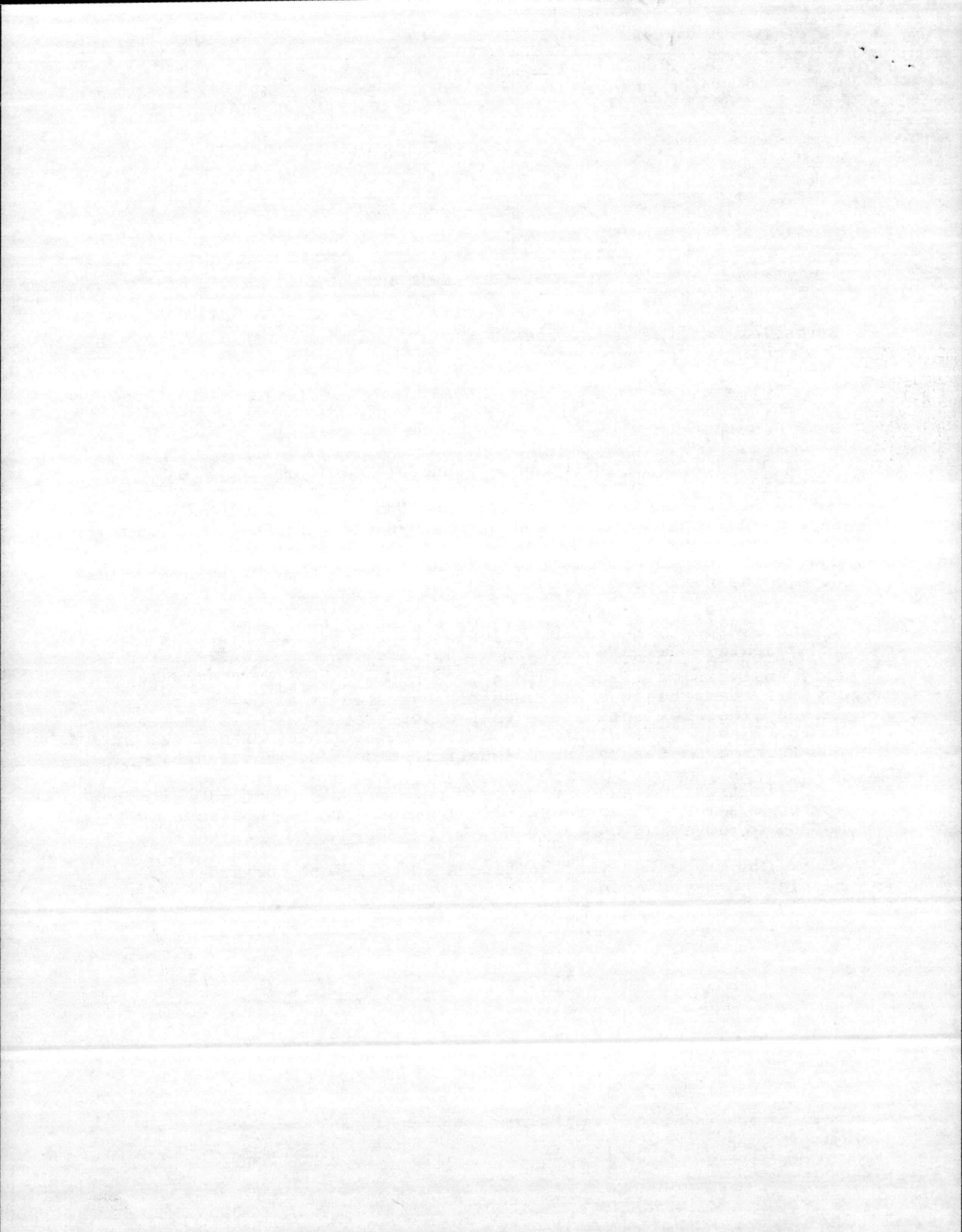
This lease provides for adjustment of rental paid by the railroads should railroad revenues in any calendar year not equal rental, maintenance and other operating costs. A preliminary analysis of figures since 1973 shows that with the exception of 1975, Camp Lejeune Railroad has operated at a loss over this leased line. We anticipate that major track work will be required on the leased line within the near future. This, of course, will add further to the railroad's deficit under the 1960 lease.

In light of these circumstances, I would appreciate it if you or a member of your staff could meet with us to discuss a method of covering these costs.

Thank you for your consideration. I look forward to hearing from you soon.

Yours very truly,





04 ~~TRA~~
John file

405 —

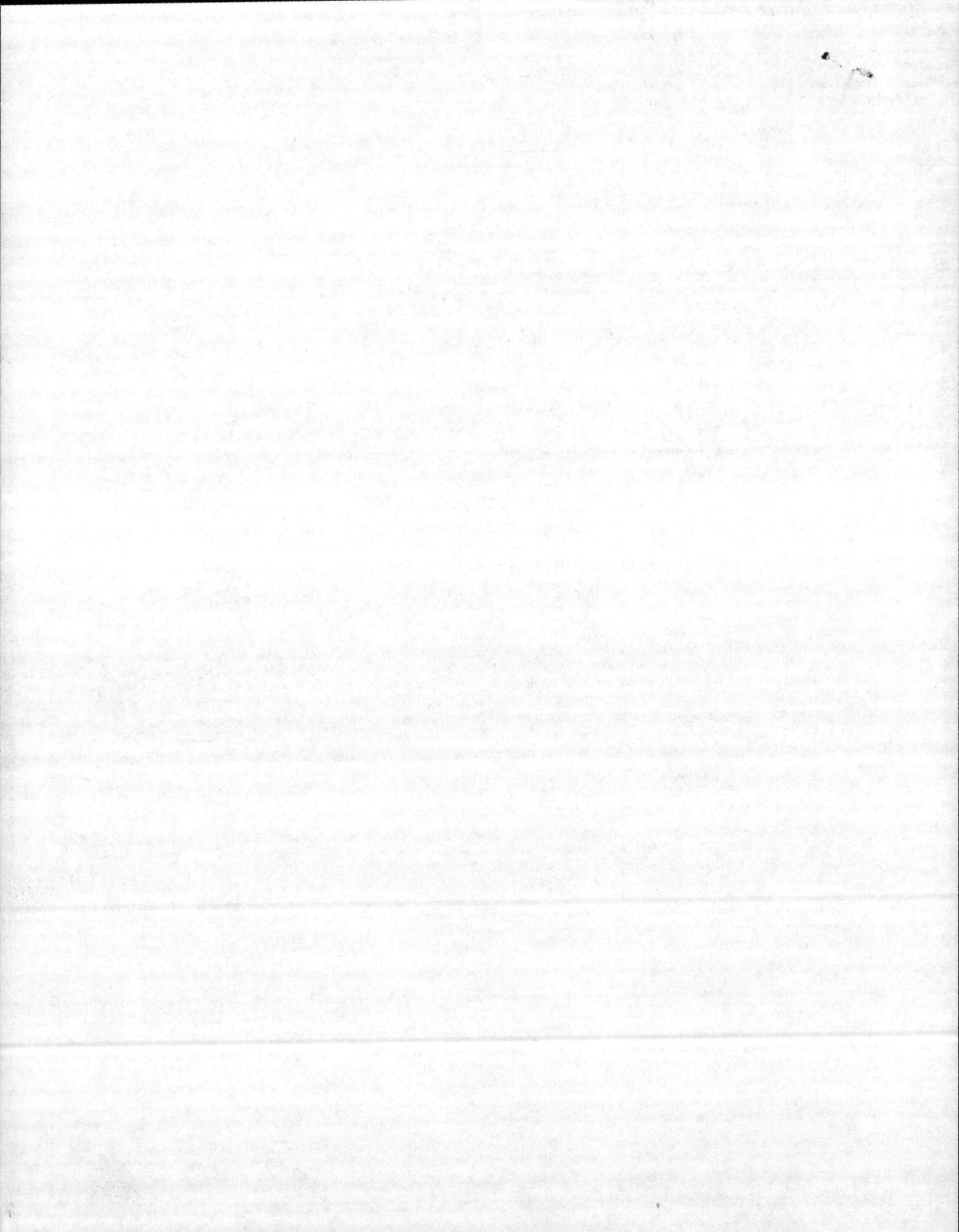
PWO/VP/arc
11000
29 July 1980

From: Public Works Officer
To: Commanding General
Via: Assistant Chief of Staff, Facilities

Subj: Lease Arrangement for Railroads Serving Camp Lejeune

Ref: (a) Southern Railway System ltr of 11 Jul 1980

1. Reference (a) requested a meeting between Southern Railway and Marine Corps Base representatives to discuss means for the railroad to recover maintenance, rental, and operating costs which are not sufficiently compensated by operating revenues. The matter has been discussed with and referred to LANTNAVFACENCOM for primary action. LANTDIV is expected to arrange a meeting with Southern Railway at Camp Lejeune sometime in August. It would be helpful to review some of the background of the relationship with the railroads to be aware of possible ramifications of the requested meeting.
2. The government, with Marine Corps acting as Contracting Officer, negotiated a lease and use agreement on 2 September 1960. In 1971 the Marine Corps assigned cognizance over the agreement to NAVFACENCOM. The agreement is jointly with the Camp Lejeune Railroad Company backed by Southern Railway and the Atlantic Coast Line Railroad. Lejeune operates on the rail portion between Jacksonville and the Base (5.7 miles), while Coast Line operates between Havelock and the Base (27 miles). Additionally, both railroads operate within the Base (3.2 miles). The original lease was renewed in 1964 with a 20-year term which expires on 31 August 1984. The railroads pay the government a \$10 fee for each revenue generating car moved over the government track. Camp Lejeune is treated not as a spur but as a station on the common carrier systems, and the cost of moving rail cars on the government portion of railroad is included in the common carrier tariffs filed with the Interstate Commerce Commission.
3. By the terms of the agreement, the railroad lessees are responsible for maintenance and repair of all of the government rail. The standard of maintenance is to be proportionate to the volume of traffic moved over the track. This office has no figures on the traffic at the time the lease was negotiated or renewed, but it undoubtedly was much heavier than today. Current rental payments average about \$800.00 per month between the two lessees, representing about 80 revenue cars per month.
4. The lease further provides that in a given calendar year if gross revenues for operations on the government track do not equal rental, maintenance, and other operating costs, rental payable by lessees is subject to adjustment within 60 days after written notice from the lessee. If agreement is not reached in the 60 days,



the lessee may terminate the agreement on 30 days notice. Termination would not discontinue service without ICC approval, but it would void the lessee's responsibility to maintain the track and to pay rental fees.

5. Southern Railway asks to meet, not to discuss a reduction of rental fees, but to seek a means to cover their costs. I expect that even if the rental were reduced to zero, the railroad would still have a substantial deficit if it performs the required maintenance and repairs to the leased right of way. The lease agreement permits no more than adjustment of the per-car rental fees, so I am suspicious that Southern's letter is a thinly disguised notification towards effecting termination of the agreement. Therefore, it is imperative that the government and the railroad reach agreement on new rental fees within 60 days from the 11 July letter. LANTDIV is well aware of this consideration and expects to schedule a meeting at Camp Lejeune prior to 15 August. We should be prepared to reduce the rental fee to zero if necessary just to stave off unilateral termination of the lease by the railroad.

6. This action occurs at an awkward time, as we are awaiting results of the review by MTMC on the requirement of the railroad to support mobilization. If the railroad is determined to be a requirement and to be kept in a higher class condition, then it would be not only appropriate but also necessary for the government to contribute monies for its upkeep over and above that proportionate to the volume of traffic. Until that determination is made, the scope of the meeting will be kept within the bounds of the lease agreement.

V. PODBIELSKI

