

STATEMENT OF SECRETARY OF TRANSPORTATION DREW LEWIS BEFORE THE HOUSE PUBLIC WORKS SUBCOMMITTEE ON SURFACE TRANSPORTATION, CONCERNING CAPITAL AND NON-CAPITAL NEEDS FOR HIGHWAYS, HIGHWAY SAFETY AND PUBLIC TRANSPORTATION DURING THE 1980's AND INVESTMENT STRATEGIES FOR MEETING THESE NEEDS, JULY 8, 1981.

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss the capital and non-capital needs of highways, highway safety and public transportation during the 1980's. Ray Barnhart, the Federal Highway Administrator; Arthur Teele, the Urban Mass Transportation Administrator; and Ray Peck, the National Highway Traffic Safety Administrator are with me and will answer your questions later. I will summarize the important issues you have asked me to address and submit a longer statement for the record.

All of these issues are related to central questions about the amount of public money that should be spent on highways and public transportation in the coming decade. It is appropriate to discuss briefly the way in which we are looking at these questions in the framework of the Reagan Administration's fundamental economic policies. What are the basic elements of these policies?

First, we simply must spend less. We cannot continue to try to solve all the problems in the country by increasing the Federal deficit. Today's inflationary, slow-growth economy is a direct result of the futile and self-defeating efforts of past administrations to solve our problems in this fashion. Future Federal spending on transportation will have to meet far more rigorous tests than it did in the past.

Second, we must reduce subsidies. We strongly believe that users of transportation services should pay for the full costs of those services. This does not mean that we disapprove of State or local governments providing the subsidies they find appropriate. It does mean, for example, that we do not

think there is sufficient justification for continuing Federal support of transit operating subsidies. Further, operating subsidies are more properly a local matter. We are willing to continue some Federal support of transit capital requirements, which we think is an appropriate Federal function. However, we recognize the need because of the interstate nature of Amtrak to continue funding in this area. We do, however, feel that this funding should be reduced and thereafter be under constant scrutiny.

And finally, we must reduce Federal intrusion into State and local affairs -- intrusion caused by both spending and regulation. Many of the problems State and local governments are trying to deal with in the highway and transit areas are local or regional in character. State and local governments can address these problems more effectively if the Federal government gets out of the way.

How do these policies affect our attitude toward the various estimates of so-called needs that many groups will advocate? Simply this: we are not going to recognize or acknowledge any absolute spending target that the Federal government is required to help meet. In a time of Federal spending restraint, we all have to realize that such things as absolute needs rarely exist. Of course, it is always possible to compile a list of projects or services that are demonstrably useful in a local or regional context. We must understand, however, that new projects can be postponed, modified or even dropped if budgetary limits so dictate. In other words, nobody should go into this subject with the assumption that we can identify "needs," however plausibly they may be derived, and establish them as spending targets. With this overall framework in mind, I will briefly summarize our major highway and public transportation concerns, focusing on those that we believe require Federal attention.

Let me begin by outlining our future projections for the programs administered by the Federal Highway Administration. The condition of the Nation's highways varies considerably among individual States and is of major importance because of the relationship between highway performance and a healthy national economy. There is a growing concern that our highways are deteriorating at an increasing rate because of deferred capital improvements.

Between 1975 and 1978, the amount of Interstate System pavement needing immediate restoration work more than doubled, from approximately 4 percent to 9 percent. While the pavement on the Interstate System is still in the best overall condition, some parts of it are deteriorating rapidly. Other major arterials serving a large percentage of Interstate highway travel also have aged over the last decade.

Over the next 15 years, anticipated travel will place a tremendous burden on the highway system and highway agencies. Between 1980 and 1995, approximately 83 percent of all Interstate mileage in rural areas and 84 percent of all Interstate mileage in urban areas will require restoration-type improvements.

The 1981 biennial report to Congress on the conditions and performance of the Nation's highways estimated the capital investment required through 1995 to maintain current conditions on the Federal-aid system. The total Federal cost, excluding the cost to complete the Interstate and assuming moderate growth in travel, is \$78 billion, or \$5.2 billion annually.

In the Federal-Aid Highway Program, completion and preservation of the Interstate System commands the highest national interest. In our legislative proposal, we have redefined completion and shifted more of our

available resources to restoration of the Interstate. In addition to the Interstate System, we have a strong Federal interest in, and commitment to, the Primary System. Together, these roads handle 50 percent of the Nation's traffic each year. We also propose to continue the Bridge Replacement and Rehabilitation Program.

Our objective in putting together our highway legislation was to determine which programs are particularly important to the Nation and to structure those programs so they will accomplish their purpose and be adequately funded. We have consolidated, phased out or eliminated other programs. And we have removed unnecessary Federal regulatory and oversight requirements. The resulting package will enable us to meet our national highway needs effectively and at a cost we can afford.

Let me turn now to the National Highway Traffic Safety Administration. The capital needs for NHTSA's driver-oriented highway safety programs have, for the most part, already been met by past expenditures. On the important question of highway safety, we have proposed some changes in the highway safety grants program that would more sharply focus on critical program areas and would turn back to the States those program activities which they can best operate.

The safety grants program was intended by Congress to help the States establish programs to reduce the death and injury toll on their highways. In recent years there has been an unfortunate tendency to view this program as an ongoing operating subsidy in all areas of highway safety. Many of these efforts do not directly contribute to the reduction of deaths and injuries. We believe that now is the time to return to the program's original purpose.

Four highway safety programs clearly have a direct bearing on the reduction of highway deaths and injuries: alcohol safety; police traffic

services; emergency medical services; and traffic records systems. We have proposed to focus Federal assistance on these four critical areas.

Moving on to the Urban Mass Transportation Administration, we are committed to continued support of public mass transit, which is essential to the economic viability of our cities. We believe that the most effective way for the Federal government to support transit service is through capital assistance. Over the next decade, we plan to direct these funds toward rail improvement and modernization and bus replacement, facilities and expansion. Assuming continued State and local support, our proposed funding levels would meet projected needs for the authorizing period 1982 to 1986.

Unfortunately, Mr. Chairman, it is difficult to assess accurately capital needs for public transportation because of the diversity of transit systems and operators and the lack of precise guidelines or criteria against which to estimate needs. So we are limited to an examination of various components of transit need.

In 1978, for example, transit operators estimated that the price tag for fully rehabilitating their rail systems would be in the neighborhood of \$17 billion. This estimate has not been verified, nor has the figure been adjusted for investments that have been made since 1978. UMTA believes that the near-term figure approaches \$1 billion annually. In general, this appears to be the maximum amount that local areas could match and use effectively on an annual basis.

Similarly, UMTA completed a study in May 1980 which estimated that between \$5 and \$6 billion would be needed to replace outdated transit buses within the next ten years. When added to other component needs such as maintenance facilities and expansion of bus fleets, the funding needs in this area approach nearly \$1 billion annually. In addition, UMTA is currently

assessing the needs for bus maintenance facilities as well as rail modernization.

With these rough capital needs estimates, we can project capital expenditures over the coming decade. From Fiscal Year 1981 to Fiscal Year 1986, total capital expenditures are estimated at \$17.3 billion. If we extend these projections, the ten-year total would be approximately \$32 billion.

As I stated earlier, we propose to phase out operating subsidies. In our view, operating assistance needs and appropriate financing mechanisms should be determined locally, as each area decides how much transit service to offer and how to pay for that service. Over the long term, we see a more reliable and effective conventional transit system based upon proven technology and supplemented by a variety of low-cost, innovative private transportation systems.

In closing, I want to reiterate our conviction that Federal, State and local governments and users must jointly share responsibility for meeting growing capital needs through the 1980's. State and local governments and users will have a larger role in highway and transit finance over the next decade as we at the Federal level focus more sharply on needs that can be handled only at the national level. We intend to provide greater flexibility to the States -- and to impose fewer restrictions so that they will be able to deal more effectively with individual highway, highway safety and transit problems and priorities within the constraints of overall funding limits.

The Administration's bills for five-year transit and highway programs will meet priority needs by concentrating available Federal funds in highway and transit projects that are of truly national significance. Mr. Chairman, that concludes my prepared remarks. At this time, Messrs. Barnhart, Peck, and Teele will be glad to answer your questions.