

STATEMENT OF SECRETARY OF TRANSPORTATION DREW LEWIS BEFORE THE HOUSE
BUDGET COMMITTEE CONCERNING DOT'S 1982 BUDGET AND MAJOR LEGISLATIVE
PROPOSALS, MARCH 19, 1981.

Mr. Chairman and Members of the Task Force:

I am pleased to be here today to discuss the President's Fiscal Year 1982 budget proposals and the Administration's major legislative proposals affecting Federal transportation programs.

For fiscal year 1982 we are requesting \$19.2 billion in budget authority for Department of Transportation programs, including \$215 million transferred to the Department for the Appalachian highway program. This represents a projected budget savings of nearly \$5 billion from the \$24.2 billion requested for these programs by the prior Administration.

With budget savings of that size, it will not be "business as usual" at DOT this next year. President Reagan has made it clear in his economic messages that we cannot expect "business as usual" in this country when the results are double-digit inflation, double digit annual increases in Federal spending, and record deficits that have pushed interest payments on the national debt to more than \$80 billion a year.

The President has pledged to reduce the rate of growth in Federal spending -- to reduce the growth of the Federal budget from the 16 percent of recent years to about six percent in 1982 and to show similar restraint in subsequent years.

We have, therefore, proposed significant changes in Federal spending patterns. But we have trimmed the budget with careful consideration for the directions we believe transportation policy should take.

First, to support programs of national importance.

Over the years the Federal government has tried to do too much. We should come back, I suggest, to the realization that the nation's transportation needs can and should be met to a greater extent by the private sector. When the private sector is allowed to operate competitively -- with minimum regulation and maximum efficiency -- the public will be better served, and at a lower cost to the taxpayer.

Two, to return to the states, counties and local jurisdictions the autonomy to deal with those transportation issues that primarily concern their citizens. Public transit falls into this area, as do our secondary roads and airports. While some overall Federal assistance may be in order, the Federal government -- as a rule -- should not try to dictate transportation choices that concern only the people of a region, city or community.

Three, to phase out, reduce or eventually eliminate Federal subsidies to those systems and services that should be self-supporting -- paid for by those who use or benefit from them. The only justifiable exceptions to this rule, in my view, are those services that benefit society as a whole.

Let me now turn to the DOT budget and address specific programs and proposed funding levels.

U.S. COAST GUARD

Consistent with the emphasis of this Administration on keeping both our active and standby military capability intact, the Coast Guard's

budget has been retained essentially as proposed in the January request. Budget authority requested for 1982 is \$2.19 billion, a reduction of only \$10 million, which can be achieved through economies in the use of civilian personnel. Military personnel strength will not be affected.

To help offset future costs of those Coast Guard services which benefit specific users, the President is proposing the establishment of a graduated system of user fees. These fees will be phased in over a period of five years. Ultimately, the Treasury will recoup approximately \$500 million annually, which will permit continued allocation of Federal resources to the non-recoverable costs of equipment acquisition, law enforcement and military preparedness.

FEDERAL AVIATION ADMINISTRATION

We are proposing \$3.367 billion in FY'82 for the Federal Aviation Administration. Although this represents a budget savings of about \$476 million from the January budget estimates, it still provides for a slight increase over 1981 appropriations.

Our first and highest priority continues to be our dedication to the safety of our airport and airways system. We believe, however, that the President's goal of relief for the American taxpayer can be served by recovering more fully and more equitably the costs attributable to the civilian users of the system.

We will propose a schedule of user taxes for commercial and general aviation, representing their fair share of the funding needed to maintain, operate, and improve the airways system.

Our legislation to reauthorize the airport grant program will propose an annual funding level of \$450 million through 1986. We will achieve a balanced grant program at this level by phasing in defederalization of the largest commercial airports, while continuing assistance to the smaller airports which are less able to generate adequate revenues to fund needed development.

FEDERAL HIGHWAY ADMINISTRATION

Our comprehensive legislative proposal dealing with the highway program does not recommend a tax increase to raise highway trust fund revenues. Instead, the bill proposes economies which will permit the program to live within its means. Our FY 82 budget proposes an obligation ceiling for Federal Aid Highways of \$8.15 billion with the usual exemption for emergency relief (\$150 million). We are also proposing a new obligation rate control intended to assure that we can carry out the program within the outlay estimates included in the President's budget proposals.

In addition to the basic Federal-Aid program, we propose to finance Interstate Transfer Highway substitute projects from the Highway Trust Fund at \$200 million annually, and Appalachian Development Highways at \$215 million. In round numbers, FHWA's total FY 82 program amounts to a reduction of \$2 billion below the Carter Administration budget, and will produce over \$11 billion in savings through FY 1986.

Major shifts in program emphasis are also being sought to achieve a better balance between the Federal and State and local governments. Completion and preservation of the Interstate System is the highest Federal priority, followed by the primary system. Other highway systems

should be the responsibility of state and local governments. Therefore, our legislation proposes terminating and phasing out a number of separate categorical programs, while increasing the flexibility with which States can use available Federal funding.

As far as completion of the Interstate System is concerned, our legislation calls for two important changes that will reduce the overall cost to complete reasonable levels. We propose to redefine what constitutes completion and to reexamine unbuilt segments to determine if there are any that should not be built for economic or environmental reasons. This will make possible the completion of the Interstate System by 1990, within existing authorizations.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

For the National Highway Traffic Safety Administration, we are requesting \$170 million. We propose to make the best and most effective use of highway safety grants by restricting eligibility to areas that have shown the greatest potential for reducing deaths and injuries. These include alcohol programs, emergency medical services, police traffic enforcement, and collection and analysis to traffic accident data and other highway payoff areas as may be determined by the Secretary. Unlike previous years, no specific appropriation for 55 mph enforcement will be sought. This restructuring of the so-called "402 program" will save \$100 million.

FEDERAL RAILROAD ADMINISTRATION

For the Federal Railroad Administration, our budget calls for \$1.04 billion in FY '82. This is a rather substantial reduction -- \$795 million -- from the funds requested in the January budget. In our view, the costs to the taxpayers for the operation of certain rail services are far out of proportion to the benefits accruing to the general public.

There are four areas of rail operations that concern us.

First, Conrail -- we believe -- must be redefined. But whether that service should continue to be provided by a government supported corporation, returned to the private sector intact, or restructured in some manner is a question that must soon be answered.

Second, AMTRAK -- after 10 years of operations -- has failed to attract more than one percent of the traveling public and has fallen far short of paying its own way. The future of rail passenger transportation lies in service where traffic levels along with state and community assistance funds can cover a higher percentage of the operating costs.

Third, we are reorienting the Northeast Corridor Project to emphasize safety and service at a reasonable speed rather than high-speed service as the primary objective.

Fourth, we propose to eliminate the Federal rail assistance program for low volume branch lines. Since the benefits have been primarily local, this program is another example of Federal involvement in matters better relegated to state and local responsibility.

URBAN MASS TRANSPORTATION ADMINISTRATION

For the Urban Mass Transportation Administration, we are proposing \$3.769 billion in 1982, a reduction of nearly \$1.4 billion from the January budget. We believe the goals of public transit will be better served by changes in the Federal approach. For one, transit funds should be directed to the areas of highest need and where the public benefit is clearly demonstrated. Elaborate new rail systems are both enormously expensive and not as cost-effective as more traditional transit systems and other low-cost, innovative services. Therefore, we propose to defer new rail starts while completing operable segments of those systems already under construction. We will maintain -- and in later years increase -- funding levels for purchasing buses and modernizing existing rail systems, so that transit systems which have been proven effective will continue to receive strong Federal support.

Second, we believe that State and local governments should be responsible for the operation of local transit service. The Federal government neither has nor should have control over local management policies, labor negotiations, or fare and local subsidy policies. Also, the availability of Federal operating subsidies too often imposes excessive and costly Federal requirements, dictates local choices, and results in excessive costs and unrealistically low fares. Therefore, we propose to phase out Federal operating subsidies by 1985. For fiscal year 1982, however, we do not propose any reduction in operating subsidy levels. The FY 83 and 84 transition period in which Federal operating subsidies are progressively reduced will allow time for States and local jurisdictions to make the necessary financial adjustments.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

For the St. Lawrence Seaway Development Corporation, which is supported entirely by user charges, the FY '82 budget projects program costs of \$11.6 million, and debt redemption of \$2.0 million. Revenues are projected at \$11.6 million, but are dependent on traffic volume and are subject to change as a result of U.S.-Canada Seaway toll discussions to take place later this year. Based on current projections of revenue and program costs, the corporation plans to use \$1.5 million from its existing balances and \$0.5 million of its unused borrowing authority to meet its obligations.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

For the Research and Special Programs Administration for FY '82 we are requesting an appropriation of \$30 million. This funding will allow for high priority support for our safety programs in hazardous materials and pipeline transportation. We are not seeking funds for the Cooperative Auto Research Program. Rather, we will be relying on market forces to spur research in automotive technology leading to increased fuel efficiency -- a major goal of this program. In addition, the auto companies are in a better position than the Federal government to decide what should be studied and when.

OFFICE OF THE INSPECTOR GENERAL

For the Office of the Inspector General, we are requesting a program level of \$24.3 million. This Administration will be looking to the Inspector General to continue search for waste, fraud, and abuse by concentrating his focus on high payoff areas of the Department's operations.

CONCLUSION

For the record, I am attaching to my statement a budget summary showing comparisons of the Reagan and Carter Budgets for both fiscal years 1981 and 1982. I will be glad at this time to respond to questions.

