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STATEMENT OF

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DEPUTY SECRETARY OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON AVIATION,

COMMITTEE ON COMMERCE, SCIENCE,

AND TRANSPORTATION,

UNITED STATES SENATE,

REGARDING

AIRPORT AND AIRWAY LEGISLATION

FEBRUARY 24, 1981

Madam Chairman and Members of the Committee:

I am pleased to be here today to outline the Administration's preliminary views on airport and airway legislation. This is my first appearance before this Committee and Subcommittee since my confirmation, and I look forward to working with you on this issue and the others that we will be facing together.

My comments this morning will be somewhat general. We will make more specific recommendations when the President's budget is forwarded to the Congress, or shortly after that time. However, we have made some initial decisions which we want to present to the Committee. In our discussion today I hope to continue to receive your help and counsel on these important issues.

Airport Grants, F&E, and R,E&D

For the airport grant, facilities and equipment (F&E), and research, engineering and development (R,E&D) programs, our approach to developing program level recommendations has been to meet the requirements of the nation's aviation system while exercising the fiscal restraint that is so necessary to ensure the success of the President's economic program.

In applying this approach to these programs, two factors have been particularly important. Our first and highest priority has been to assure the continued high level of safety of the airport and airway system. In addition, we have considered the importance of funding by the Federal government for various aviation activities in light of total expenditures, including actual and potential expenditures by private organizations and state and local governments.

In applying these criteria we have already developed budget recommendations that call for significant cuts in the airport grant program, and we are reviewing options that will call for lesser changes in the facilities and equipment, and research, engineering, and development programs.

The airport grant program has provided substantial benefits. These grants have not only expanded system capacity but in a number of cases, such as runway grooving projects, there are direct safety benefits. However, airport development has been a responsibility that the Federal government has shared with state and local governments. The current airport system is in place in no small part due to the financial support of

local governments and airport authorities. Furthermore, the local authorities also have access -- to varying degrees and with varying restrictions -- to alternate sources of revenue, such as airline landing fees and airport tenant rents, for a portion of their capital needs. In light of these other possibilities for other financing and the President's budget goals, we have recommended significant cuts in this program.

In contrast, the development, maintenance, and operation of the national airspace system has been almost entirely, if not exclusively, a Federal responsibility, and we will continue to meet that responsibility through the F&E and R,E&D programs. Furthermore, the F&E and R,E&D programs make particularly important contributions to aviation safety. Accordingly, our forthcoming legislative proposal will assure the funding needed to maintain a high level of safety.

Let me briefly mention how the President's proposal to reduce the airport grant program relates to the Administration's position on the "defederalization" of airports. As Secretary Lewis indicated at his confirmation hearing, we are in agreement with the concept of defederalizing large airports. The President's economic message also noted that excluding large airports from the grant program would be one way of achieving program reductions. Our focus in the first few weeks has been to develop a budget at DOT that will meet transportation needs and help implement the President's economic program. Thus, at this time we are considering applying reductions across the board in both the entitlement and discretionary programs for fiscal years 1981 and 1982. Ongoing studies and analyses will be used to determine the particulars of implementing defederalization.

while bringing down the Trust Fund balance and bringing annual revenues in line with annual expenditures. We will reflect in proposed legislation only those tax schemes and levels necessary to meet our goals.

Summary and Conclusion

Madam Chairman, in summary, our detailed recommendations on airport and airway programs are still under development. Those recommendations will be consistent with the continued safety of air travel and the President's emphasis on user and state and local responsibilities. We feel that reducing the airport grant program is appropriate in view of the financial participation of local governments and private parties. The collection of appropriate user taxes will ease the burden on general taxpayers, thereby advancing the President's economic program.

In closing, I'd like to emphasize that legislation in this area--like legislation in all areas--must be considered in light of the nation's overall economic and fiscal policies. The American people are looking for the Congress and the Executive Branch to work together to solve our national economic and budgetary problems. The issues before us today are clearly part of that larger effort. Recognizing this, we in the Department of Transportation look forward to working with this Committee and the entire Congress in a cooperative effort to meet aviation needs and national goals through airport and airway legislation.

That completes my prepared statement, Madam Chairman, and at this time I would be pleased to respond to questions from you and other Members of the Committee.

User Taxes and O&M

One of the fundamental guidelines applied by the President to his review of the budget was that the Federal government should recover its costs when they can be allocated to users. When people who benefit from particular government services do not pay for those services, the general taxpayer has to pick up the tab. The President has spoken forcefully on the need for prompt action to relieve the general tax burden, and continued Federal subsidy of particular groups is contrary to the President's efforts.

Aviation is one of the areas where application of the President's principles requires significant changes in present legislation. Accordingly, our forthcoming recommendations will call for increased user taxes and increased trust fund financing of FAA's costs.

At present, general aviation pays for a small percentage of the cost of FAA services it receives. This cannot continue if we are to advance the President's program. We will recommend a 20 per cent aviation fuel tax in order to achieve meaningful cost recovery from that sector. The passenger ticket tax must also be increased in order for the government to recover aviation expenses. To achieve such recovery, the President's recent economic message called for a 9 per cent ticket tax.

As the Department drafts its detailed legislative recommendations in the next few days, we will be reexamining and updating our data and underlying assumptions to consider whether a ticket tax level less than 9 per cent can accommodate the President's objectives. As part of that examination we will also consider whether a phase-in of the general aviation fuel tax would be appropriate. Our goal is to recover costs from users,