

STATEMENT OF DR. THOMAS D. LARSON
ADMINISTRATOR
FEDERAL HIGHWAY ADMINISTRATION

HEARING BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

CONCERNING
S. 965, THE SURFACE TRANSPORTATION EFFICIENCY ACT OF 1991
MAY 14, 1991

Mr. Chairman and Members of the Committee:

I thank you for this opportunity to testify on S. 965, the Surface Transportation Efficiency Act of 1991, at a time when it is essential for us to improve the quality of our transportation infrastructure to support economic growth and enhance our Nation's international competitive position. Accompanying me this morning is Mr. Gene McCormick, the Deputy Administrator of the Federal Highway Administration.

I agree with the statement of the Chairman of the Subcommittee on Water Resources, Transportation and Infrastructure on the floor of the Senate prior to introduction of S. 965 that a primary objective of this important surface transportation legislation must be to improve the efficiency of the systems we now have. The design in S. 965 for encouraging greater initiative by States and cities on transportation matters is also compelling. We should remove unnecessary Federal requirements and provide increased flexibility for State and local governments to tailor their programs to meet local needs and priorities.

Like S. 610, the Administration's surface transportation proposal, the Committee's Surface Transportation Efficiency Act of 1991 makes advances in this direction through increased flexibility and program consolidation, enhanced opportunities for private sector involvement, and emphases on planning and management systems to establish investment priorities. We are pleased by the similarity in concept of modal flexibility and intermodal provisions making highway right-of-way available at no charge for transit, high-speed rail, or maglev systems. S. 965 also includes important provisions addressing environmental concerns, including urban air quality.

However, "balanced" transportation refers to more than just balance among modes. Historically, local and State priorities have had careful attention in this country. But a national perspective must also be retained in these United States. Long distance travel and interregional and interstate movement of goods and people are crucial to this nation's present and future productivity. Therefore I believe the importance of National scale transportation systems -- rather than just collections of increasingly efficient component parts -- cannot be overstated.

A number of prominent economists, including several that appeared before the Water Resources, Transportation, and Infrastructure Subcommittee of this Committee in February, have emphasized the relationship between public capital investment and economic growth. We believe this relationship depends on focused, directed, integrated investment on broad scale systems.

Unfortunately, the evidence suggests that the current state of the Nation's surface transportation system actually inhibits productivity. For example, studies have shown that highway congestion costs long distance shippers billions of dollars annually in lost productivity. Because so many industries increasingly utilize trucking at some point in the production/distribution chain, these costs ripple through the entire economy.

Because ours is a dynamic society -- socially and economically, we believe it is a unique federal responsibility to accommodate for and serve the new production and population centers and economic growth that have developed since the Interstate System was laid out in the forties. Improvements in interregional system continuity and intermodal connections to ports, airports and to increasingly important international border crossings are also required if the nation is to remain strong and economically competitive. The need for such a system is not lost on our competitors on the European continent who are investing heavily in systems to serve EC 92.

To improve national productivity and make most efficient use of the limited resources available, and given that 98% of all surface passenger movement and 75% of all freight value today moves on highways, Federal surface transportation strategy and investment must focus on a select, but integrated, network of principal highways. The Administration cannot support legislation that does not include a designation of such a

national highway network. Therefore, we urge you to include such a system in S. 965. While we are moving to the post-Interstate construction era, we are not yet ready for a post-highway transportation economy.

The Administration's surface transportation proposal provides for completion of the Interstate System, as does S. 965, but would also focus national investments on existing highways that would be part of a newly designated national highway network. We believe this approach represents a cost-effective strategy for investing in America's productivity. The newly designated highways, virtually all now existing as primary routes, would truly be highways of national significance. I believe preserving and upgrading them represents an extremely efficient form of transport investment. The system we propose, about 150,000 miles, or less than 4 percent of the total U.S. highway mileage, would carry more than 70 percent of truck-borne interstate commerce, and some 40 percent of all highway travel. This network is of comparatively higher Federal interest than State or local interest because of the volume of interregional and interstate traffic it carries. In light of that difference, we propose a higher Federal share for projects on this network than for projects in the flexible Urban/Rural Program which we have proposed to address other State and local priorities.

Investment focus is the key in other ways also. Senator Moynihan said it well in his Senate floor statement, "the time has come to get more transportation out of the roads we have

already built." What is needed is improved management and operation of the transportation system, including measures to increase the efficiency of existing facilities by giving preference to maintenance and operational improvements over capital investments. We also support increased flexibility to use funds for transit capital improvements or high occupancy vehicle lanes, park-ride facilities and other measures that promote cost-effective transportation decisionmaking. We believe that S. 610 and S. 965 make important advances in these areas.

Given the need to preserve our existing infrastructure and heeding the economists' productivity rationale, it is imperative that all levels of government as well as the private sector increase their levels of investment in America's infrastructure. The Administration's surface transportation proposal properly elevates the level of Federal funding for surface transportation improvements (a 39% increase for highways over the 5 year period of the legislation). It would also increase the State/local share of the costs of projects that primarily serve regional and local needs, moving the apportioned Federal share from 83 to 72 percent while enhancing flexibility and reducing Federal oversight.

There is clear evidence that States will increase the size of their programs to match Federal funds. Over the last decade, States have expanded their own programs as well as maintained the

match for the Federal program. On average, total State capital investment increased at a rate of 6.5 percent above inflation during the 1980's.

Another indicator of the States' willingness to increase revenues is the percentage of total capital outlays for highways supported by State revenues. The average State share of total capital outlays has increased from 42.5 percent in 1986 to 47 percent in 1989. For example: Illinois' share of capital outlays has grown from 46.7 percent in 1986 to 62.1 percent in 1990 while Delaware's has increased from 52.2 percent to 72.6 percent over the same period. Clearly, if we are to provide the degree of mobility and keep our economy competitive in a global economy that our citizens demand, all levels of government and the private sector must increase their investment in transportation infrastructure.

I recognize that S. 965 reduces the overall Federal share. However, much of that reduction would come from the Interstate 3R program rather than from projects that serve primarily local needs.

The Administration's proposal provides \$86.8 billion in new budget authority from the highway account of the Highway Trust Fund for the 5 year authorization period. This does not include funds for highway safety and motor carrier safety programs funded from the highway account. These proposed authorization levels are consistent with the limitations generally established in the 5 year budget agreement. S. 965 provides \$92 billion in new

authorizations from this account for the same period, an increase of \$ 5.2 billion over the Administration's proposal. This increase in authorization would require adjustments in other categories of domestic discretionary spending to stay within budgetary limits, an objective not easily achieved. Further, we are concerned that those adjustments will adversely affect other important national programs including, perhaps, other transportation programs.

The Administration's National Transportation Policy fully supports the user fee concept, ensuring that Highway Trust Fund resources benefit the users who pay fees by increasing the efficiency of highway facilities and relieving congestion. Before the Senate considers making Highway Trust Fund resources available for broader purposes, quantifiable benefits to highway users should be demonstrated.

Concerning formulas, we recognize that there is no perfect way for distributing funds to meet surface transportation investment requirements that will satisfy every State and local area. However, it is important that the factors used are objective, justifiable, and that they will efficiently distribute resources to meet real transportation needs. We urge the Senate to adopt formulas that meet these tests without the need for a separate category of funding to ensure an equitable return to all States.

S. 965 would expand the Federal Government's role in subsidizing the operation of various transportation systems. Given the highway infrastructure investment requirements that the nation faces and the negative consequences we have witnessed from past reliance on Federal funds for operating assistance, we believe proper stewardship demands that we reduce the Federal Government's role in this area, not increase it.

Another provision of S. 965 would require States to allocate 75 percent of their Surface Transportation Program funds based on population in metropolitan and non-metropolitan areas. This seems directly counter to the flexibility required to meet urban and rural needs which vary by State. We believe the provisions in the Administration's bill that would require each State to ensure a fair and equitable distribution of Urban and Rural Program funds not only between urban and rural areas, but also to areas of 200,000 population or more, is a better approach. It would accomplish the same objective, but would give individual States the flexibility to work with local governments in developing a fair and equitable distribution. Moreover, requiring the Department of Transportation/Federal Highway Administration to deal directly with metropolitan areas with populations in excess of one million assumes that the transportation issues in these areas could be addressed more effectively by bypassing the State Departments of Transportation. We do not agree with that assumption. This runs counter to the movement toward statewide planning that is so necessary in order

to have effective transportation, air quality and land use planning. While we are concerned with transportation at all levels, we want to strengthen the State/local intergovernmental partnership as an effected mechanism to respond to intrastate transportation needs.

Finally, I share the Committee's philosophy that, in the long run, new technology offers the potential for significant improvements in the Nation's transportation system. We must do everything possible to ensure the use of the best available technologies and promote continued research and operational testing of high-speed ground transportation and Intelligent Vehicle/Highway Systems technologies that have potential benefits for mobility, safety, air quality and reduced energy consumption. We share the Committee's belief that magnetic levitation is a promising technology and will support research and resultant increased implementation activities designed to demonstrate the potential of these technologies. As you know, I am a member of the Executive Committee of the National Maglev Initiative and deeply interested in new transportation technologies. Having stated this, however, we believe that a carefully staged strategy for the development and implementation of all such technology is the most effective approach to determine the potential benefits, roles and financial viability of such systems for eventual private sector sponsorship.

I appreciate this opportunity to share the Administration's views. Again, we applaud the Committee's aggressive actions to address the Nation's transportation needs and look to you for leadership in passing a reauthorization bill in a timely fashion.