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OPENING STATEMENT BY U.S. SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT, AT FISCAL YEAR 1981 BUDGET BRIEFING, WASHINGTON, D.C., JANUARY 26, 1980

It is a pleasure to meet with you to discuss the plans and programs of this Department for fiscal year 1981. I appreciate your coming to this briefing. In my opening remarks, I will highlight the major elements of our budget. Following that, we are prepared to answer any questions you may have on the budget.

I will be using the term "funding level" frequently in my remarks and, as you can see, it is also the title on the large chart here at the front of the room. "Funding level" is a single term which is used to match the various types of financing techniques used in the Department for comparative purposes. Selected measurement such as budget authority, obligation limits, or loan guarantee commitments are combined in order to gauge the overall transportation activity.

At the outset, I would like to give you some perspective on the importance that the President, through his budget actions, has placed on the Department of Transportation programs since coming into office. As can be seen on the chart here at the front of the room, President Carter's fiscal year 1981 budget, which we will discuss with you today, proposes a funding level of \$21.8 billion. This is an increase of \$6.5 billion, or 43%, over President Ford's last budget (fiscal year 1978).

Very soon after taking office, the President raised the Department's 1978 budget by nearly \$1.4 billion for additional assistance for mass transit and the ailing railroads, for highway and airport improvements, particularly those involving safety, and marine environment protection. As you can see from the chart, all of the programs of the Department (and I would like to point out 70% of the funds are for grants to states and localities) have benefited from the President's dedication to improving the nation's transportation system. For example, the mass transit growth since the 1978 Ford budget is 69%; for FAA, it is 32%; and for FHWA, 37%.

At the same time that the President has substantially increased funding for transportation programs, he has kept a tight rein on the Federal work force as he promised. As can be seen from the chart, the proposed staffing for the Department for fiscal year 1981, which begins in October 1980, will be lower by nearly 500 positions than the budget proposed by President Ford for fiscal year 1978.

Our 1981 budget continues to evidence the President's commitment to meeting critical transportation needs. Let me spend a few minutes discussing the highlights.

Our overall funding level is \$21.8 billion--up \$2.3 billion, or 12%, over the amount Congress has thus far provided for 1980. This 1981 budget reaffirms President Carter's commitment to find ways to solve critical transportation problems and to provide the nation with a responsive, energy conserving transportation system. The budget is also in line with the President's fiscal objectives of seeing that the dollars are spent wisely to improve the efficiency and effectiveness of government and to make best use of the nation's available resources. In striking a reasonable resource balance among the Department's various programs, we have been mindful that the choices made for fiscal year 1981 have a long-term impact on the President's energy policy objectives. I should also note that this budget is unusual in that it also contains very substantial supplemental requests for fiscal year 1980 -- again in the drive to move quickly on our nation's energy conservation needs.

In addition to the regular programs of the Department, with which most of you are familiar, our budget contains funding for the Transportation Energy Initiatives which are part of the President's Energy Security Program. I will describe these initiatives in more detail later in my remarks and the funding amounts are shown on the chart under the caption "Energy." Legislation to implement these initiatives is now before the Congress and our budget request is contingent upon enactment of that legislation. These initiatives will conserve energy and help reduce dependence on foreign oil through expanded and better public transportation, more efficient use of today's autos, assessment and fuel economy standards and research into greatly improved fuel for the autos of the future. Given the fact that 53% of our national petroleum consumption goes to meet transportation needs, these are essential steps.

In addition to these specific items, many of the programs we are proposing in this budget have been developed in the knowledge that we must and will take all steps feasible to promote the efficient use of energy in the transportation sector and the effective distribution of fuel by the nation's transportation system.

I would also like to point out that the President continues to urge enactment of the Railroad and Trucking Deregulation legislation, which was sent to the Congress last year. As experience with the Airline

Deregulation Act of 1978 has shown, the elimination of out-dated and unnecessary regulations holds down costs for the consumer, fosters more efficient use of energy and increases the economy's ability to produce. Failure to enact the railroad and trucking deregulation bills will inevitably result in higher costs, and for railroads, a large Federal subsidy expenditure at the general taxpayer's expense.

In line with the President's emphasis on increasing the efficiency and effectiveness of the Federal Government, we are not planning any significant increase in the overall staffing of the Department. Instead we will be shifting positions to higher priority activities and will increase productivity by getting quality effort out of all of the Department's positions.

The Department's total staffing for 1981 amounts to 114,906, of which 39,487 are Coast Guard military personnel. Our outlays (bills for 1981 and prior years which are estimated will be paid in 1981) are projected at \$18.5 billion. The materials distributed to you provide details comparing these figures with those of prior years.

For the first time the President's budget proposes governmentwide controls for Federal credit programs. The Department has several of these programs, primarily in the form of loan guarantees for air carrier aircraft purchases and for financial assistance to railroads. The Congress is being asked to set fiscal year 1981 limits on the level of these and all other Federal credit commitments. I will mention some of the specifics later in my remarks.

I would like now to turn to the highlighting of the budget for each of the Department's operating elements.

For the U. S. Coast Guard, the budget proposes a funding level of \$1,826 million--\$188 million above 1980. Overall Coast Guard staffing amounts to 46,344 of which 39,487 are military personnel. Recent events, such as the massive blowout of an oil well in the Gulf of Mexico, have underscored the need for an effective, properly equipped Coast Guard to safeguard our fishing grounds, to mitigate the effects of pollution incidents on the marine environment and our waterways, as well as to provide the life-protecting and life-saving services which the Coast Guard has successfully carried out for many years. This budget supports those aims.

To improve the Coast Guard's capabilities to carry out its manifold missions, we are requesting funds for a tenth in the series of replacement 270-foot medium endurance cutters and 14 additional short-range recovery helicopters. These requests are part of multi-year programs to upgrade Coast Guard's fleet of larger vessels and aircraft. Funding is also being proposed for the construction or modernization of 20 additional boats and vessels, including a new vessel to replace the training ship Cuyahoga; continued construction of the new fleet of medium-range search

aircraft; and an 86% increase in new construction and modernization of Coast Guard shore facilities, including the procurement of additional pollution response equipment.

Operationally, in fiscal year 1981, the Coast Guard will expand its pollution prevention and response capabilities, with special emphasis on the Outer Continental Shelf. Following through on modernization programs budgeted in previous years, the Coast Guard will put into use during 1981 the first of its new 270-foot medium endurance cutters and 14 new medium-range search aircraft. In addition to new equipment, actions are also being proposed to strengthen the training and improve the living conditions of military personnel both at sea and on shore.

Finally, we propose to strengthen the Coast Guard's research program with special emphasis on the development of advanced marine vehicle designs as alternatives to the rapidly rising costs of investment in capital facilities and personnel.

During 1981, the Coast Guard will, with an appropriate transfer of resources, take over from the Navy direct responsibility for operating the Omega world-wide navigation system and the Navy's current system of high-frequency continuous wave (Morse code) transmission, essential to communications with many older merchant vessels.

The Coast Guard's budget request also takes account of the anticipated passage of comprehensive legislation creating a new Oil and Hazardous Substances Liability Fund to replace the pollution funds currently managed by the Coast Guard. The new Fund, when established, will be managed by the Environmental Protection Agency, with the Coast Guard continuing to provide operational support by reimbursable agreement.

The budget also includes \$13.5 million for 1980 to cover increases in the cost of fuel needed to operate Coast Guard vessels, aircraft, and shore stations. This request was sent to the Congress in the last session, but was not acted upon.

The Federal Aviation Administration funding level totals \$3.47 billion, compared to \$3.20 billion in 1980, with major increases in the accounts for operations, airport grants, and facilities and equipment. This budget reflects the changes in scope and financing proposed in the new Airport and Airway Improvement legislation which President Carter submitted to the Congress on April 24, 1979, and which we hope will soon be enacted.

The proposed legislation extends the Aviation Trust Fund and is designed to produce over time a balance between Trust Fund revenues and expenditures. The airport grant program has been increased to take account of higher costs of development and fine-tuned to better deliver assistance to those airports which are vital to transportation efficiency, but have difficulty raising adequate funds. There is a

significant increase in funding for capital expenditures over the five-year timeframe of the bill. Included are programs to enhance aviation safety and to modernize the existing equipment in the national airspace system. A major goal of the bill is to achieve better equity for the general taxpayer by recovering a higher percentage of the costs of providing services from the aviation users. A small increase in general aviation taxes and an authorization for financing operating costs from the Trust Fund will allow approximately two-thirds of the costs, fairly allocable to civil aviation, to be recovered from users.

The Operations appropriation is FAA's largest at \$2.3 billion, accounting for most of the agency's personnel costs. Responding to traffic growth, FAA will bring on-board 412 more air traffic controllers in 1980. In the flight standards regulatory function, FAA is placing greater emphasis on surveillance of the rapidly-expanding commuter air carrier operations and will request an additional 195 people. However, overall FAA staffing will hold relatively constant through management improvements, organizational moves, and elimination of unneeded overhead positions.

As provided for in our legislation, Grants-in-aid for Airports will be \$700 million in 1981, representing a \$50 million increase over the current year. This legislation consolidates development and planning grant programs. Similarly, consistent with the new legislation \$350 million is proposed for FAA's Facilities and Equipment. The latter request is highlighted by three major components. First, the Flight Service Station Automation program calls for \$85 million in 1981 to begin procurement, installation and service testing of a new computerized system designed to meet an increasing demand for flight services without a proportionate increase in staffing. Second, the budget provides \$52 million to complete the VOR/VORTAC air navigation equipment replacement program, replacing obsolete, costly-to-maintain vacuum tube equipment with proven modern solid state equipment with significant maintenance savings. Third, we are requesting \$20 million to begin a multi-year program establishing a Discrete Address Beacon System (DABS) to replace the current Air Traffic Control Radar Beacon System in an orderly transition to more accurate surveillance and identification of aircraft flying under FAA's air traffic control. DABS ultimately will allow greater automation.

Elsewhere in FAA, increases are provided for support of safety regulatory activities; and for research, where the request for \$85 million includes a significant \$5 million effort directed toward reducing the threat of mid-air collisions through development of an independent Beacon Collision Avoidance System (BCAS); and for the management and improvement of the two Federally-owned Washington area airports. In addition to numerous on-site improvements to the Washington airports, we have included the second increment of funding for the highway link between I-66 and the Dulles Access Highway.

As part of the governmentwide program for control of credit activities, which I have discussed earlier, the budget proposes a loan guarantee contingent liability of \$400 million in 1981 for the Aircraft Loan Guarantee program. This program provides for the government guarantee of private loans to certain air carriers for purchase of modern aircraft and equipment when financing is not otherwise available on reasonable terms.

The Federal Highway Administration conducts most of its programs using contract authority (backdoor spending) provided most recently in the Surface Transportation Assistance Act of 1978. FHWA's regular funding level proposed in the budget for 1981 is \$8.96 billion. While this is slightly less than 1980, the reduction is largely attributable to discontinuance of a small number of special interest and narrow categorical programs which are of low priority and are either not normally a Federal responsibility or not available equitably to all the states.

For FHWA's Federal-Aid Highways program, the budget proposes a funding level of \$8.85 billion, equivalent to the limitation level enacted by Congress for 1980. We expect that major new highway construction projects will be examined in terms of their potential impacts in and around our cities in terms of urban sprawl, energy consumption, damage to central city economies, and the movement of jobs away from existing residential centers. Finally, FHWA will continue high emphasis on construction to improve safety on our highways--in this regard, it is expected that \$1.5 billion will be used--to replace and rehabilitate bridges and eliminate other hazards.

FHWA's budget also includes \$250 million in 1981 for the auto use management portion of the Transportation Energy Initiatives program. As the name implies, the auto use program is aimed at more energy-efficient use of our highway system and consists of grants to States and local governments to achieve energy savings by providing alternative ways for making more fuel conserving use of automotive transportation. This initiative, which will also involve NHTSA, will:

- increase the Federal share to 90% from the normal 75% for highway-related projects which will directly conserve energy, and
- finance a number of discretionary grants at 90% for such projects as assistance in starting and operating ridesharing programs, inspection programs to improve auto efficiency, and improved enforcement of the 55 mile-per-hour national speed limit.

For the National Highway Traffic Safety Administration, the funding level amounts to \$303 million--an increase of \$24 million over the amount enacted for 1980. An additional \$8 million will be provided under the Transportation Energy Initiatives program. In 1981, NHTSA will proceed with significant program thrusts in the areas of fuel economy, vehicle safety and consumer protection.

In the conservation area, \$50 million is being specifically requested for grants to support the 55 mile-per-hour national speed limit enforcement. This compares with \$20 million earmarked by Congress in our 1980 appropriation. Additionally, there is \$7 million for incentive grants to reward States which exceed a specified standard for compliance with the 55 mile-per-hour speed limit.

The budget contains \$7.6 million for fuel economy research for cars and buses. And, of course, NHTSA will continue to move ahead with the national fuel economy standards program requiring automobiles to meet average fleet requirements of 22 miles-per-gallon in 1981, increasing gradually to 27.5 miles-per-gallon in 1985. NHTSA will also be conducting a portion of the Transportation Energy Initiatives program I previously spoke about. This Fuel Economy Technology Assessment initiative is budgeted at \$8 million in 1981. It is directed towards assessing the technology needed to produce even more efficient cars in the 1985-1995 timeframe. It would concentrate on improving engines, drive trains, structural design and the production of fuel-efficient prototype vehicles.

Funds being requested will continue NHTSA's vehicle safety program -- which includes detection of automobile defects and surveying the recall campaigns of manufacturers when such defects are found to exist. NHTSA's accident data collection program will be expanded. This program, funded at \$16 million, provides the needed representative accident data which allows NHTSA to promulgate safety regulations that can be expected to withstand challenges. The budget also proposes \$6 million for the development of a typical small car prototype of the future, a light pick-up truck and van, with high levels of occupant safety and fuel economy.

Funds are also provided to begin development of a rating system to measure the crashworthiness and maintainability of automobiles, to continue the odometer fraud disclosure program and to help States address the problem of consumer financial losses due to unnecessary or improper automobile repair practices.

The funding level for the Federal Railroad Administration totals \$1.8 billion for 1981 (exclusive of loan guarantees). This is an increase of \$293 million over 1980, of which \$102 million is for Amtrak. Most of the remainder is for expanded financial assistance for rail freight services. Our budget request strongly supports continuation of efforts to revitalize the railroad freight industry through restructuring and rehabilitation.

The 1981 budget will focus financial support on improvement to the industry's long-term health. In addition, the Administration's legislative program includes regulatory reform of the rail industry, without which higher Federal outlays can be anticipated in future years to make up for declining rail earnings.

In May of last year, the Administration proposed a five-year authorization of \$1.5 billion to support restructuring of freight railroads. For 1981, the Administration is requesting the first \$250 million of this authorization to provide repayable credits and other forms of direct rail assistance. In addition, \$85 million is requested for grants to States for rehabilitation of rail branch lines. These funds will enhance the ability of the railroads to provide more efficient and reliable rail services by eliminating redundancy in the rail system.

Assistance in restructuring rail service in those geographic areas covered by the bankrupt Rock Island and Milwaukee railroads will be a special priority in 1981. We will be especially concerned with the railroads' ability to haul grain out of their territories. Emphasis will also be given to rail improvements that support movement of our coal supplies as part of the Administration effort to shift fuel use away from scarce petroleum.

In addition, the productivity of railroads will be assisted through the Federal rail research and development program and Federal rail safety enforcement activities will continue to be strengthened.

Assistance to intercity rail passenger service consists of grants to the National Railroad Passenger Corporation (Amtrak) and capital improvements to the Northeast Corridor. Amtrak grants in 1981 will total \$975 million, \$650 million of which are for operating subsidies. Since service was discontinued on the least cost-effective routes in October 1979, Amtrak will enter its second year of operating a more efficient route structure than it had during the 1970s. The 1981 budget request of \$400 million for the Northeast Corridor Improvement Program assumes enactment of a proposed \$750 million increase in the authorization for the project, providing for a total \$2.5 billion program. Major construction efforts include route realignment, track structure, bridges, electrification, signaling, service facilities and stations.

Congress will be asked to place a \$317 million limit on Federally guaranteed loans to railroads in 1981. The Federal Railroad Administration has several loan guarantee programs which are included in this total such as those authorized by the Emergency Rail Services Act of 1970 (ERSA), the Railroad Revitalization and Regulatory Reform Act of 1976 (the 4R Act) and a loan guarantee program for Amtrak.

Finally, the FRA budget also includes a \$68 million FY 1980 supplemental request and a \$7.5 million FY 1981 request for programs previously funded from the Regional Rail Transportation Protective Account of the Railroad Retirement Board, which will continue to administer payment of benefits. The funds provide for various benefits to protected employees adversely affected in the establishment of Conrail and the bankruptcy of the Milwaukee Railroad. Proposed legislation will be submitted to increase and extend the current Title V labor protection authorization.

The funding level for the regular Urban Mass Transportation Administration programs is \$3.82 billion, compared to \$3.67 billion in 1980. This level will enable us to provide a higher level of assistance to State and local governments for expanding and upgrading transit services and will enable UMTA to provide increased R&D and administrative support to the program. Additional assistance of \$1.22 billion for public transportation will be requested for the UMTA portion of the Transportation Energy Initiative. These two sources of assistance will provide a funding level of \$5.04 billion for public transportation, confirming the Administration's commitment to provide vastly increased assistance to mass transit programs.

The regular capital facilities program is proposed at \$1,380 million, the same level as in 1980. This program continues to focus its major financial emphasis on bus programs, rail modernization and extensions to existing rail systems. Our request for this program also meets our commitments to several major cities for construction of new rail systems and downtown people movers. In addition to the assistance provided in the regular UMTA budget, the budget also proposes an additional \$1.1 billion in 1981 for this category of assistance under the Transportation Energy Initiatives legislation. The capital facilities funding also includes \$200 million for the Urban Initiatives program which is the level announced by the President in his urban policy message.

The Urban Formula Grants program is proposed at \$1.525 billion in regular funds and \$45 million in bus capital funds for the energy initiatives, compared to \$1.405 billion in 1980. The increase provides more funds for supplementary, commuter rail/fixed guideway and bus portions of operating assistance to support local governments' efforts to offset inflationary increases in operating costs, particularly the rising cost of fuel. The increase in this category also provides increased assistance for acquisition of capital equipment and capital projects leading to improvements in services.

The Non-Urban Formula Grants program will receive \$91 million in new funding, compared to \$85 million in 1980. This relatively new program is improving public transportation services outside our big cities. The proposed 1981 funding level of Interstate Transfer Grants is \$800 million. Of this amount, \$75 million is associated with the Transportation Energy Initiatives. As part of this program, a State may choose to withdraw an Interstate segment and use equivalent funds for transit capital purposes.

We are increasing the Research and Training program from \$69.3 million to \$77.2 million to continue our efforts to improve existing technology, to conduct service and methods demonstrations, to develop new technology, to provide support to UMTA's capital facilities program and to continue managerial training.

In order to handle UMTA's increased workload, we are requesting

60 additional positions to provide necessary staff assistance for UMTA's expanded program.

In addition to the above, a supplemental appropriation of \$1.076 billion will be requested for 1980 as soon as the necessary authorizations for the Transportation Energy Initiatives are passed. This would provide increased support for public transportation capital projects to increase capacity and improve service. Each major project to be funded would have to be consistent with the local energy conservation program and likely to produce significant energy savings at a reasonable cost or decrease the nation's dependence on foreign oil. This assistance represents a most serious effort on the Administration's part to provide improved public transportation, decrease our consumption of foreign oil and reduce the dependence on the automobile through stimulation of the use of public transportation.

For the Research and Special Programs Administration, the regular funding level is \$31.8 million--up \$5.7 million from fiscal year 1980. This organization has the principal responsibility for the Department's safety programs dealing with hazardous materials and all the responsibility for the Federal pipeline safety program. Within the requested funding increase, the Department plans substantial improvements in inspection, training, emergency response to hazardous materials accidents, package testing, cooperation with State and local governments and the development of routing regulations for radioactive materials shipments. Funds are also provided for continuation of the grants-in-aid to states for gas pipeline safety activities.

The fiscal year 1981 budget for the St. Lawrence Seaway Development Corporation projects revenues of \$12.1 million. Program costs, including operations, maintenance and improvements, will amount to \$9.5 million. Additionally, \$2.5 million in Corporation revenue bonds will be redeemed.

A new organization, the Office of Inspector General, has been created within the Department by the Inspector General Act of 1978. Both audit and investigation functions of various administrations and the Office of the Secretary have been transferred to this organization. The fiscal year 1981 request for this office amounts to \$21.7 million--an increase of \$1.5 million over 1980.

For the Office of the Secretary, the budget totals \$49.8 million. We plan to strengthen the civil rights function in OST. We are also requesting funds to undertake an annual comprehensive assessment of the state of the automobile industry called for in the Chrysler Corporation Loan Guarantee Act of 1979. Additionally, we are preparing a 1980 supplemental appropriation of \$1 million to conduct a study of Chrysler's long-term viability which is also required by this Act. Some of these funds will also be used to commence the annual industrywide study.

The remaining portion of the Transportation Energy Initiatives

program for 1981 is \$20 million. Specific plans for this program will be announced shortly. These funds will be used to finance the Federal share of undertaking an automotive basic research program in cooperation with the automotive industry. The objectives of this program are to replenish the basic science and engineering foundation of automotive technology and to provide the research and technology for a more energy-efficient and socially responsible automobile during and beyond the 1990s. The \$20 million in the 1981 budget would be the first increment of funding an \$800 million Federal share of costs over the next 10 years. These funds also are contingent upon enactment of authorizing legislation.

This concludes my statement. We will be glad to answer your questions.