**OPENING STATEMENT OF JIM BURNLEY, DEPUTY SECRETARY OF TRANSPORTATION, ON FY 1986 BUDGET BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION, APRIL 4, 1985**

Mr. Chairman and members of the Committee, we are pleased to have the opportunity to appear before your Committee to discuss the fiscal year 1986 budget request for the Office of the Secretary.

For fiscal year 1986, we are requesting appropriations of $56.2 million for the Office of the Secretary. This includes full-year funding of functions transferred from the Civil Aeronautics Board (CAB), except for Payments to Air Carriers, for which we are requesting no FY 1986 appropriation. For FY 1985, CAB functions were funded in the Department for 3/4 of the year. The increased cost for full-year funding of continuing CAB functions is more than offset by management savings, elimination of staff associated with the Essential Air Services program, and the proposed governmentwide 5% pay reduction. The specific appropriation requests for the Office of the Secretary are as follows:

## SALARIES AND EXPENSES

For the Salaries and Expenses appropriation, which provides for the overall management and direction of the programs of the Department, we are requesting $50.7 million, a decrease of $180 thousand from fiscal year 1985. Included in the fiscal year 1986 program is $4 million for continuing contract support of the

Minority Business Resource Center (MBRC) at the 1985 appropriation level, of which $3.5 million is to be provided by new budget authority and $0.5 million from anticipated carryover of prior-year recoveries.

On January 1, 1985, the Department of Transportation acquired 309 positions through transfer of functions from the former Civil Aeronautics Board, of which 259 are in the Office of the Secretary. The transition was effected smoothly and without interruption in critical CAB operations. Our FY 1986 request for Salaries and Expenses proposes to continue funding the transferred positions, except for those associated with the Essential Air Services program which is proposed to be terminated at the end of the current year.

Last year, the Secretary established the Office of Commercial Space Transportation within the Office of the Secretary to encourage and promote commercial expendable launch vehicle activities by private sector enterprises. For this office, we are requesting 11 positions through FY 1986. In FY 1986, the Space Office will also continue to receive contractual research and planning support funded by the Transportation Planning, Research, and Development appropriation.

The remaining portions of the Salaries and Expenses request maintain their approximate fiscal year 1985 appropriation levels as adjusted for management savings and for the proposed governmentwide pay reduction of 5%. Total staffing in this appropriation is proposed at 713 positions in 1986, a reduction of 67 from the 1985 level, including 54 associated with elimination of the Essential Air Services function and 13 as the result of management savings.

**PAYMENTS TO AIR CARRIERS**

This appropriation has provided funding for subsidy payments to air carriers under the Essential Air Service program. That program was created by Congress as a ten-year program, expiring in 1988, to help communities adjust to airline deregulation. We are proposing legislation to move the termination date up by three years. Airlines and consumers have adjusted to deregulation, as evidenced by the airline industry's 1984 profits, which were the highest since deregulation. Many of the affected communities have been served by expanded new commuter-class air service without reliance on the EAS program, and nearly half of the cities that still receive subsidy under the program are located within 100 miles of a major hub airport. We therefore believe that this program has served its purpose, and we are requesting no appropriation in FY 1986.

## TRANSPORTATION PLANNING, RESEARCH AND DEVELOPMENT

We are requesting $5.5 million for the Transportation Planning, Research and Development (TPR&D) appropriation, a decrease of $177 thousand from FY 1985. This appropriation provides for contract studies and research done in support of analysis, planning, and policy development in the Office of the Secretary and for university research.

Of the total request, $2.5 million will fund the TPR&D staff and $1.3 million will continue current support levels for University Research, the Commercial Space Office, the Science Advisor, and special projects. The remaining $1.7 million will be allocated for projects in the Office of the Assistant Secretary for Policy and International Affairs that are concerned with improving transportation safety, monitoring the progress of regulatory reform, supporting the development and implementation of international transportation policy, and studying such domestic transportation policy issues as airport financing trends, analysis of the motor carrier and maritime industry structures, and preparation for the 1987 census of transportation.

## WORKING CAPITAL FUND

No separate appropriation is required for the Working Capital Fund, but a limitation of $66 million is proposed, a slight increase over the FY 1985 level to accommodate full-year support of transferred CAB functions. The Working Capital Fund provides for expenses necessary for the maintenance and operation of common administrative services in the Department. Staffing financed by the Working Capital Fund is being reduced by 28 positions from the 1985 level, including 25 through management efficiencies and 3 associated with termination of the Essential Air Services program.

This concludes my prepared statement, Mr. Chairman; we would be glad now to respond to the Committee's questions.

1.21

**U.S. Department of Transportation**

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REMARKS PREPARED FOR DELIVERY BY
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SOUTHEAST CHAPTER, AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES
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I am delighted to be here today, in my home town, to bring personal greetings from a fellow North Carolinian, Secretary Dole, and to share some thoughts about the future of aviation and the proper role for the federal government in that future. Let me say at the outset that I have not come to Greensboro with all the answers. Of course, it will come as no surprise that all the answers do not come from Washington, D.C.

Obviously, you have a strong interest in what the future of aviation holds for the Southeast -- not only because you manage airports here, but because the future of aviation is inexorably linked to the economic and social vitality of the entire region.

I would like to begin with a snapshot of the aviation industry today and our progress over the last several years, because that is the foundation on which we must build.

The airline industry enplaned 2.5 million more passengers in 1984 than in 1983. Traffic, as you know, grew 7.8 percent in 1984, and the airline industry enjoyed its first profitable year since 1979. Aided by declining fuel prices and a strong economy, the airline industry also posted its best year ever in terms of revenue -- about $44 billion. The major carriers reported a combined net income of $792 million for the year, a one billion dollar turnaround from the net loss of $165 million in 1983.

This remarkable financial improvement was achieved at a time when our emphasis on safety was intensifying. The very successful FAA "white glove" inspections of last year have given way to a new series of inspections of airlines this year. Overall, the inspections last year found very safe operations throughout the industry. You will recall that our inspection of 350 air carriers turned up safety violations requiring grounding or cutbacks in operations of only 16 carriers. Then we turned to an intensive General Aviation Safety Audit. Beginning last July, FAA inspectors have been looking at pilot schools, flight instructors, pilot examiners, repair stations and Part 135 air taxis. Because of the complexity and size of general aviation, which includes some 210,000 active aircraft, this program will take 12 to 18 months to complete. Yet we have already gained a great deal of useful information about patterns and trends which will be factored into our ongoing regulatory responsibilities.

Airport operators have always been among the keenest advocates of safety. For example, we share your interest in the proper federal role in safe fueling practices at airports. As we are all aware, serious safety repercussions have resulted from placing improper fuel in aircraft. Many airport operators believe there is an unfair assignment of responsibility with respect to fueling practices. Some have suggested that the Department should assign this responsibility to those having the most direct control over the matter -- the fuelers themselves. It should be recognized, though, that this would result in an entirely new area of regulatory control over persons who have not been directly regulated in the past.

Another option might be to delineate specific steps to be taken by airport operators in regard to fueling upon their premises. This approach would specify only the minimum necessary criteria and thereby provide for an adequate level of safety and a certain degree of responsibility for the airport operators. These issues and alternatives are being given intensive consideration within the Department. We intend to issue a rulemaking proposal in the near future, and I hope all of you will participate in the rulemaking process by filing your comments with us.

Quite apart from legitimate safety regulations, it is clear that the government has little or no business in economic issues affecting aviation. The flexibility of a deregulated environment is not only producing growth for the airlines and the economy, but bargains for consumers. Deregulation has stimulated price competition, and today's passengers can choose from a wide variety of price and service options.

Deregulation of the economic side of aviation passed a major milestone last December 31, with the sunset of the Civil Aeronautics Board. The residual functions of the Civil Aeronautics Board were transferred to the Department of Transportation at sunset. We absorbed about 300 employees, and I am happy to report the transition was smooth. Many of the staff people you know and have consulted at the CAB are now working at DOT. This includes the people involved with data collection, which I know is of special interest to you. Among our efforts to assure a smooth transition was the publication of a guide to the location of former CAB functions within the Department. Copies of this guide have been made available for you here.

We will be accelerating our efforts to phase the government out of the business of regulating domestic air transportation. Our recently published notice of proposed rulemaking on the Department's antitrust authority, which addresses the phase out of domestic antitrust immunity on January 1, 1989, is a prominent example. We were also gratified by the recent decision of the U.S. Court of Appeals for the Eighth Circuit affirming the CAB's decision to deregulate completely the industry's travel agency programs.

Furthermore, our 1986 budget proposes to end the Essential Air Service subsidy program three years earlier than originally planned. I know some airports in the Southeast will be affected by the end to this subsidy, but the rationale is quite simple and strong. The program was intended to provide a transition phase following passage of the Airline Deregulation Act of 1978. For the most part free market competition, spawned by deregulation, has established where air service will and can be provided on an economic basis.

Growth in air travel and rising profits in the airline industry leave no question that deregulation works, so we must protect it. We must be particularly careful not to let problems such as congestion lure us back toward old fashioned economic regulation.

The good faith effort by carriers last September, in voluntarily shifting flights to avoid peak-hour congestion, resolved the worst of the scheduling problems at the busiest airports. Since November, flight delays dropped from an average of 1,600 a day to less than 900. The good news is that it was accomplished with a minimum of government intervention.

Nevertheless, last September's initiative was an extraordinary measure. The industry is still gaining experience with the realities of a deregulated market -- and certainly airport congestion is one of those realities. We do believe, however, that avoiding the costs and consumer inconveniences of unnecessary delay is fundamentally consistent with the operation of a competitive marketplace, and we expect that carriers in the future will make their individual scheduling decisions in a manner that recognizes the adverse consequences of excessive delays. In fact, the carriers have continued to operate the basic schedules that were agreed to in September. They have indicated they will not revert to the bunching of large numbers of operations within small time frames. Because of these very positive actions, along with the adjustments in the air traffic system, FAA Administrator Don Engen has stated his belief that new scheduling agreements beyond April 1 will not be necessary to avoid significant delays this summer.

This, of course, does not mean that the system and these airports are capable of handling any amount of traffic under any circumstances, nor does it mean that delays will no longer occur. It does mean the number of delays should be reduced and will be more manageable.

So, while the problems at our busiest airports have been abated for the moment, congestion is one issue that must continue to get our full attention. We will continue to work on increasing the capacity of the air traffic system and on the difficult question of how best to allocate slots where such action is inevitable. As you know, we are currently conducting a rulemaking on this complex subject.

One issue which will remain a continuing challenge is noise. Noise is endemic to airports. It is also a constraint at many airports, both in this country and worldwide. Dealing with the problem is a shared responsibility, involving the airport user, airport proprietor and airport neighbor. It also involves aircraft manufacturers and federal, state and local governments.

Government at all levels has an important responsibility in balancing the interests of commerce with the need to protect and enhance our environment. The Southeast is fortunate in that you have fewer serious noise problems than exist in some regions of the nation. However, when noise became a problem in Atlanta, the federal government worked in concert with local authorities to deal with it. Seventy-eight million dollars in Airport Improvement Program funds were provided to buy property and move people from the heavily noise impacted areas near Hartsfield International Airport.

As you know, the federal government's statutory noise abatement responsibilities date from 1968. They consist of a three-pronged approach: control of aviation noise at its source, the airplane; control over the way aircraft are flown in and out of airports, to minimize overflight noise; and control of the residual problems through noise compatibility programs at local airports.

While the Department supports local initiatives to make airports better neighbors, we draw the line at communities that would close their airports completely to night traffic. There are planes that can be operated quietly at night, and communities that impose blanket curfews are doing a disservice to the people who depend on air cargo, commuter or private operations at night.

In terms of our progress on system improvements through the National Airspace System (NAS) Plan, we are less than two years away from installing the first microwave landing systems. The MLS will offer tangible benefits to both airport operators and users, by allowing minimum distances of approach to airports, increasing airport capacity, reducing noise, lessening fuel consumption and achieving instrument landing system precision approaches to places where they are not now practical. Let me add too that the FAA is currently reviewing its policy against no new ILS's.

But, the MLS is just one component of the NAS plan. By the turn of the century the NAS Plan will have doubled our air space capacity. Its cost, $11.7 billion, will be more than offset by a savings to the government of almost $20 billion by the year 2000. Most important, it is being paid for by users of the services.

As we pursue programs involving significant outlays for air traffic control equipment, we are inevitably drawn to the conclusion that the critical point in the system, "the bottleneck", if you wish, is airport capacity.

The National Plan of Integrated Airport Systems (NPIAS) which will soon be transmitted to the Congress documents national airport and heliport development needs of the next 10 years. We anticipate that growth in aviation will create demand for 449 new facilities, in addition to the 3,219 existing airfields. The plan establishes an order of magnitude of the investment needed over the next 10 years if we want to improve capacity and provide for growth.

I would like to share a few details from this first NPIAS report. One: the national system is structured to provide each of our communities with access to a safe and adequate airport. It includes major hubs as well as small airports. Forty-five percent of the identified costs are concentrated at 70 airports which enplane almost 90 percent of the commercial aviation passengers. Likewise, 17 percent of system costs can be attributed to more than 2,000 general aviation airports having less than 50 based aircraft.

Two: the most significant development question at the two hundred eighty primary commercial service airports is, as you might expect, additional capacity to handle the increased levels of passengers and aircraft. The proposed improvements outlined in the NPIAS will help reduce aircraft delays. However, it is not physically or politically feasible to construct new runways at all congested airports, and alternative measures may be needed to limit delays at some locations.

It will come as no surprise to you that NPIAS indicates that few, if any, major airports will come "on stream" in the next ten years. Los Angeles; Austin, Texas; and Farmington, New Mexico, are the only new primary airports projected to open during that period. Costs for land for new airports at San Diego and Atlanta have been included in the NPIAS, although these locations are not expected to open during the next decade.

The plan also includes 66 new reliever airports. These facilities will help relieve traffic at congested hubs by offering an alternative landing area for unscheduled traffic. Also, the Plan includes 371 new general aviation airports for small communities. NPIAS will be revised and published again in two years and should serve as a useful planning reference, as we continue to focus on the task ahead.

However, it is not intended to provide answers to the extremely important questions on how financial responsibility for these improvements will be allocated. Given the budgetary situation, every federal program is being rigorously scrutinized. Throughout transportation we are making a major effort to re-define the proper federal role. Past studies by the Office of Technology Assessment, the Congressional Budget Office and others have indicated that some of the larger airports are capable of financing their own needs. The best long-term approach for financing improvements at smaller and mid-size airports is less clear. The interconnections in the operations of the individual airports in the national aviation system require us to take a very careful look before we propose changes.

You are certainly familiar with the record of the Airport Improvement Program. Following record expenditures in fiscal year 1983, the Administration increased spending to $800 million in 1984 and to $925 million in FY 85. The FY 1986 budget requests one billion dollars. All of this money comes from various "user fees" by those who directly benefit from improvements in our system.

All over the Southeast, we can see these funds at work. In Charleston, South Carolina, a new terminal was dedicated on March 29. The Raleigh-Durham Airport will open a new 10,000 foot parallel runway next January. Major terminal developments are under way in Fort Lauderdale, Nashville, Louisville, Mobile and Wilmington.

We are also well along in consideration of another proposed change in the role of the federal government -- the transfer of Washington National and Dulles International Airports to an independent local airport authority. You have no doubt found it peculiar to have the federal government in the business of operating commercial airports. Well, so did we, and we believe it is time that these airports be managed locally like all other major airports in the country. The appropriate future course of the airports, their role in the Washington Metropolitan Region and the pacing and size of capital improvements at both airports can all be determined best by an airport authority which is responsive to the community and the users.

Last year, Secretary Dole asked former Virginia Governor Linwood Holton to chair an Advisory Commission to come up with the best plan for shifting control from federal to local management. She asked the Commission to report to her not about <u>whether</u> to transfer the airports to local control, but how best to do so. The

Commission, which was made up of local officials, members of Congress and representatives of the aviation community, provided the Secretary with a plan in December. The Virginia General Assembly has already enacted the necessary legislation, and we hope Congress will also act this year.

The federal government's role in aviation over the next several decades will be heavily influenced by those of you here today. And your presence is symbolic of another long-term trend. The Southeast has become a transportation paradigm -- where concrete and asphalt ribbons crisscross the mountains, piedmont and oceanside, linking cities with farms and complementing an extensive collection of modern airports. As it shows through being the home of Piedmont Airlines, Eastern Airlines and Federal Express, our region is filled with the dynamism and determination that are the critical underpinnings to real economic progress.

Years ago -- during the dark hours of World War II -- Winston Churchill pleaded with Franklin Roosevelt saying, "Give us the tools and we will finish the job." The Reagan Administration has assisted in providing transportation with modern-day tools to do the job -- a rebirth of free enterprise and competition, and an economic environment conducive to greater productivity. As professionals in airport operations, you can appreciate the value of these incentives to the aviation industry. Working together, we will get the job done and done well.

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