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REMARKS PREPARED FOR DELIVERY BY
DEPUTY SECRETARY OF TRANSPORTATION DARRELL M. TRENT
TO THE TRANSPORTATION ASSOCIATION OF AMERICA
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On February 18th, President Reagan set the ground rules for his recovery plan -- a "new beginning" for the American economy.

Yesterday the President announced his budget proposals in support of that plan.

Over the next several days, hopefully within the week, we will send to Congress the legislative proposals pertaining to Federal transportation policy and Federal funding for transportation programs.

I am especially pleased, therefore, to have this timely opportunity to address the Transportation Association of America, because your organization covers much of the spectrum of the nation's transportation industry. Your policy positions reflect the best thinking of the leaders in the areas of transportation that you serve. We want your input, in the weeks ahead, as our legislative proposals are considered by the Congress. Of course we also want your support -- because we believe the time has come for giving new direction not only to our economy but to national transportation policy as well.

We are encouraged by the widespread support that the President is receiving for his economic plan. I realize that sometimes it is difficult to continue such support when a cherished program is being reduced or eliminated. However, it is just at that point that continued support is necessary so that we can bring about a recovery of our economy.

The President's budget is an important part of that recovery program.

For fiscal 1982 we are requesting \$19.2 billion in budget authority for Department of Transportation programs. That is significantly below the \$24.2 billion requested for these programs by the prior Administration, for a projected budget savings of \$5 billion.

Clearly, with budget reductions of that size it will not be "business as usual" at DOT this next year. But I think President Reagan made it clear in his first economic message that we cannot expect to do "business as usual" in this country if the results are to be 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.

We cannot defend or justify "business as usual" when doing so entails the continuation of programs that serve no useful purpose, regulations that are more trouble than they are worth, and subsidies that benefit a select few at the expense of every taxpayer.

The President has pledged to cut the rate of growth in Federal spending. Over the last three years the Federal budget has grown by nearly 16 percent a year; President Reagan wants to reduce that to about six percent in 1982 and to show similar restraint in subsequent years. He wants to reduce personal income tax rates by 30 percent by 1984, and to provide accelerated depreciation allowances to business and industry as an investment incentive.

None of that will be possible unless the Federal budget is brought under control. We must, in other words, break the recent pattern of higher and higher budgets, financed through higher taxes and deepening deficits. The President's FY '82 budget request marks the point of departure from that ruinous route to a new course of fiscal responsibility.

We must understand, of course, that we will not end a long string of budget deficits in one year -- or in two. Neither is it reasonable to expect in a growing nation and a growing economy that budget increases can be avoided in the years ahead. But they can be slowed -- economies can be achieved. The President's recommendations, let me remind you, call for \$44 billion in net savings while still adding \$11 billion in spending for essential programs. He is also proposing some \$5 billion in off-budget savings and \$2 billion in user fee revenues for a total savings of \$51 billion for 1982.

Let me emphasize that where we have trimmed the budget we have not done so capriciously but with careful consideration for the direction we believe transportation policy should take.

We have three policy goals in view:

One; to define the proper role of the Federal government in transportation matters.

Over the years the Federal government has tried to do too much. In attempting, first, to assist the various modes in their formative years, and then -- second -- to effect social and economic changes through transportation programs, Washington has encroached on state and local prerogatives and intruded into areas of private sector responsibilities.

We must come back, I believe, to the realization that the nation's transportation needs should be met by the private sector to the extent feasible. And when the private sector is allowed to operate competitively, with minimum regulation and maximum efficiency, the public will be better served and the cost to the taxpayer will be greatly reduced.

Two; a corollary policy goal is to return to the states, counties and local jurisdictions the autonomy to deal with the transportation issues that concern their citizens alone. Public transit falls into this area, as do our secondary roads and our 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. Federal involvement should be limited to areas of high national priority where state and local governments should not be asked to meet such needs.

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 turn now to the DOT budget and talk more specifically about the programs and the funding levels proposed.

U.S. COAST GUARD

While some stories have circulated that Coast Guard appropriations would be cut, our budget request would modify the budget authority for FY 1982 by only \$10 million, and that can be achieved through economies in travel, administration and civilian personnel costs.

We are, however, proposing that a graduated system of fees be established for those services that have a quantifiable monetary value and benefit specific users. For example, we are recommending that fees be charged for licensing, inspection of vessels, vessel documentation and the like. Beginning in FY 1982, the fees will be phased in over the next four years. We estimate that by then the revenues from the fee system will total about \$500 million, freeing Federal resources for national priorities such as law enforcement and search and rescue.

While it is not a factor in the Coast Guard budget, the Administration is also proposing a gradually rising level of user fees to offset the Federal cost of operating and maintaining the inland waterways. The four cents per gallon fuel tax set earlier by the Congress covers only 11 percent of the costs. We are recommending progressively higher fees so that by 1983 the commercial users of our waterways will be paying the \$325 million cost of operating and maintaining the system.

FEDERAL AVIATION ADMINISTRATION

We are proposing \$3.4 billion in appropriations for the Federal Aviation Administration in FY '82. This represents a budget savings of about \$500 million.

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.

In the legislation now being prepared we will propose a schedule of user taxes for commercial and general aviation, representing their fair share of funding the cost of operating and improving the Federal airway system to maintain its high safety level.

We are also proposing to reduce the Federal airport grant program by about 45 percent through 1986 from what was proposed by the previous Administration. The nation's largest airports in particular have or will be given the means to finance their own development work, and have access to revenue sources sufficient to meet a portion of their capital needs.

FEDERAL HIGHWAY ADMINISTRATION

The Administration is not requesting a tax increase to bolster the Highway Trust Fund. We are aiming instead at economies that can be achieved through program changes. For example, we are encouraging withdrawal of Interstate segments that are unneeded or unwanted or simply too costly relative to the benefits to be derived.

Our primary focus in the distribution of trust fund revenues will continue to be on the Interstate system, both to assure its completion by 1990 and to provide more funds for repair and reconstruction of worn-out segments.

We are asking for \$8.5 billion in budget authority for highway programs, a drop of \$2 billion from the Carter budget. In terms of outlays, however, we are projecting a difference of only \$429 million in '82. We believe that by defining the Interstate system in a realistic way we will be able to allocate sufficient capital funds to complete the Interstate system on schedule, boost funding for Interstate reconstruction, and continue emphasis on the primary system and essential bridge replacements. Federal funding of lower priority systems would be cut back. Through 1986 this approach will produce budget savings of \$11 billion compared to the previous Administration's highway funding proposal.

FEDERAL RAILROAD ADMINISTRATION

For rail services, the Administration's budget calls for rather substantial reductions -- \$795 million -- in the funds disbursed through the Federal Railroad Administration. We do so in the belief that 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. The President's nominee for Federal Rail Administrator, Bob Blanchette, referred to the "continuing hemorrhage of public money" in talking about rail problems at his confirmation hearings.

There are four areas of rail operations that concern us.

First, Conrail -- we believe -- must be redefined and restructured. To date Conrail has cost the taxpayers more than \$3 billion and its prospects for profitability, in its present form, remain doubtful.

We realize, of course, that the region served by Conrail must have rail freight service. 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. In fact, Amtrak passengers pay only 40 percent of the operating costs. Even the railroad's highly-touted fuel efficiencies cannot be defended over lightly-traveled routes in light of Federal subsidies of this magnitude.

The future of rail passenger service lies in service along high-density corridors, where traffic levels along with state and community assistance funds can cover a high 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. Seventy five percent of Corridor riders are commuters who travel short distances. Dependability and convenience are more important to them than speed. By cutting out electrification and some of the other more costly rail improvements that high-speed requires, we can save \$310 million over the next four years.

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. We project savings of \$80 million in 1981, increasing to \$108 million by 1986, with no adverse effect on interstate commerce.

URBAN MASS TRANSIT ADMINISTRATION

A careful analysis of urban mass transit history suggests that the availability of steadily increasing Federal transit funds, along with Federal regulatory requirements, have contributed to the sharply rising costs of transit operations.

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. Two, capital expenditures will be targeted to systems already under construction, or to those that are already an effective part of an urban transportation network. Three, we will maintain mass transit operating subsidies at the projected levels for 1982, but begin phasing out these subsidies in 1983 with the purpose of ending them by 1985. Based on our review we believe it is very important for operational costs to be tied closely to the communities, and to allow those communities to determine transit fares, service levels, labor practices and other issues of local concern.

I have not gone through the budget in detail. As you know, our Department briefing on the transportation portions of the budget followed Mr. Stockman's overall budget presentation yesterday afternoon. More information on our budget proposals is available through our public affairs office.

In addition to the budgetary reforms, we are also involved in a thorough examination of some three dozen of the most costly or controversial DOT regulations.

You will recall that in his economic recovery message President Reagan stressed the costs -- in higher prices, higher unemployment and lower productivity -- of over regulation. In compliance with the actions he has directed we are putting our Department's regulations to the acid test. Do their benefits exceed their costs? Do the existing regulations involve the least cost to society or is there an alternative approach that would do the job better? Or, the most crucial test of all: could we live as well, or better, without a particular regulation?

We look upon this as a priority project, with findings due by June. We are also engaged in a longer look at all the regulations in our Department. This will take longer and we will, in fact, welcome your views on any regulations that affect your industry or your business.

As I said earlier, we look upon our budget request, our legislative proposals and our regulatory review as a "new beginning" toward a more rational, a more equitable and a more effective national transportation policy. We invite, and we welcome, your views and your contributions. We share, certainly, a mutual interest in achieving a healthier economy and a more efficient, productive national transportation system.

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