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DEPARTMENT OF
TRANSPORTATION

Issues Related to
Transportation
Funding

Statement of Kenneth M. Mead,
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Resources, Community, and Economic
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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to provide our views on issues affecting the development of more efficient and effective transportation programs in this era of diminishing resources.

During the past several years, GAO has reported to the Congress on ways to strengthen transportation programs. Based on this work, and at your request, our testimony today will provide some observations regarding five critical issues: the restructuring of the Department of Transportation (DOT), the consolidation of transportation grant programs, the future of Amtrak, the plans for the air traffic control system, and the status of the Interstate Commerce Commission.

1. **Restructuring of DOT.** DOT has proposed restructuring its organization. As part of any restructuring proposal, the Department needs to reexamine its extensive field structure to determine if that structure is still in line with the agency's overall missions and functions. The colocation or consolidation of field offices, and the identification of the right mix of skills are areas that could be considered in such a reexamination. Looking at DOT's field structure is particularly appropriate in today's environment in which the federal role in transportation has changed and will continue to change. The highway area provides one example. Under the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, more responsibility for selecting and overseeing highway projects has shifted to the states. This might suggest the need for fewer federal resources in the field. However, as we reported on traffic signal systems and intelligent vehicle highway systems, the transportation programs of the future will be more sophisticated and technically oriented. This may require additional training for DOT staff. This evolving role highlights the need for DOT to focus on its missions and functions as a basis for any assessment of its field structure.

The Coast Guard has already initiated a study, in June 1994, to examine its operational, support, and administrative infrastructure, including headquarters. That structure includes headquarters, two area commands (Atlantic and Pacific), 10 district offices, 40+ group offices, and 45+ Marine Safety Offices. The study results have not been released, therefore it is uncertain how its outcome will fit DOT's overall reorganization scheme.

2. **Consolidation of Transportation Grant Programs.** DOT has proposed reducing the number of programs under which federal funds are distributed to state and local governments from 30 to 3. As DOT considers this approach, several issues need to be addressed. One issue is how national priorities and

objectives will be met. For example, the Congress will be considering the designation of the National Highway System this year. That system is intended to focus federal resources and attention on roadways that are essential for interstate and regional commerce and travel and national defense. The system carries over 40 percent of the vehicle miles traveled and 70 percent of commercial truck traffic. A key question is what, if any, controls DOT will retain to ensure that federal funds are spent effectively and efficiently to maintain the National Highway System or some other set of roads with a national purpose. We have recommended that DOT develop performance standards for the National Highway System as one way to measure how well states are maintaining these roads.

A second issue, as we reported, is that some states and metropolitan planning organizations do not have the technical resources to meet ISTEA's expectations to develop transportation plans and select projects by considering and making trade-offs between different modes. DOT needs to consider whether block grants would exacerbate this situation.

3. **The Future of Amtrak.** Amtrak's financial and operating conditions have reached a crisis stage and the corporation's ability to provide quality intercity passenger service over its current route network is at risk. Amtrak's federal subsidy grew from \$640 million in 1990 to almost \$1 billion in 1994, but the higher subsidy was not sufficient to cover the widening gap between revenues and expenses. Over the past several years, Amtrak has taken steps to address its problems by deferring maintenance, reducing staff, and taking on additional debt. In December 1994, Amtrak announced its plan to reduce annual expenses by \$430 million, but this will only be a short-term solution. The operating deficit will reappear in 1996, and the announced actions do not address Amtrak's capital needs, which total several billion dollars. A major issue facing the Congress will be the future of intercity rail passenger service in the United States.
4. **Plans for the Air Traffic Control System.** As you know, proposals to corporatize the Federal Aviation Administration's (FAA) air traffic control system are being debated. Supporters of the proposals envision a self-sufficient corporation financed entirely by user fees--unlike the current system that is dependent on a roughly \$2 billion annual contribution from the federal government's general fund to finance its operating expenses. One proposal came from the administration last May. Our analysis of this proposal found that self-sufficiency depends on whether assumptions about revenues and expenditures are realized. The revenue projections, for example, are highly sensitive to the growth in passenger travel and airfares. If the rate of growth for passenger ticket revenues is 5 percent instead of the 6.4

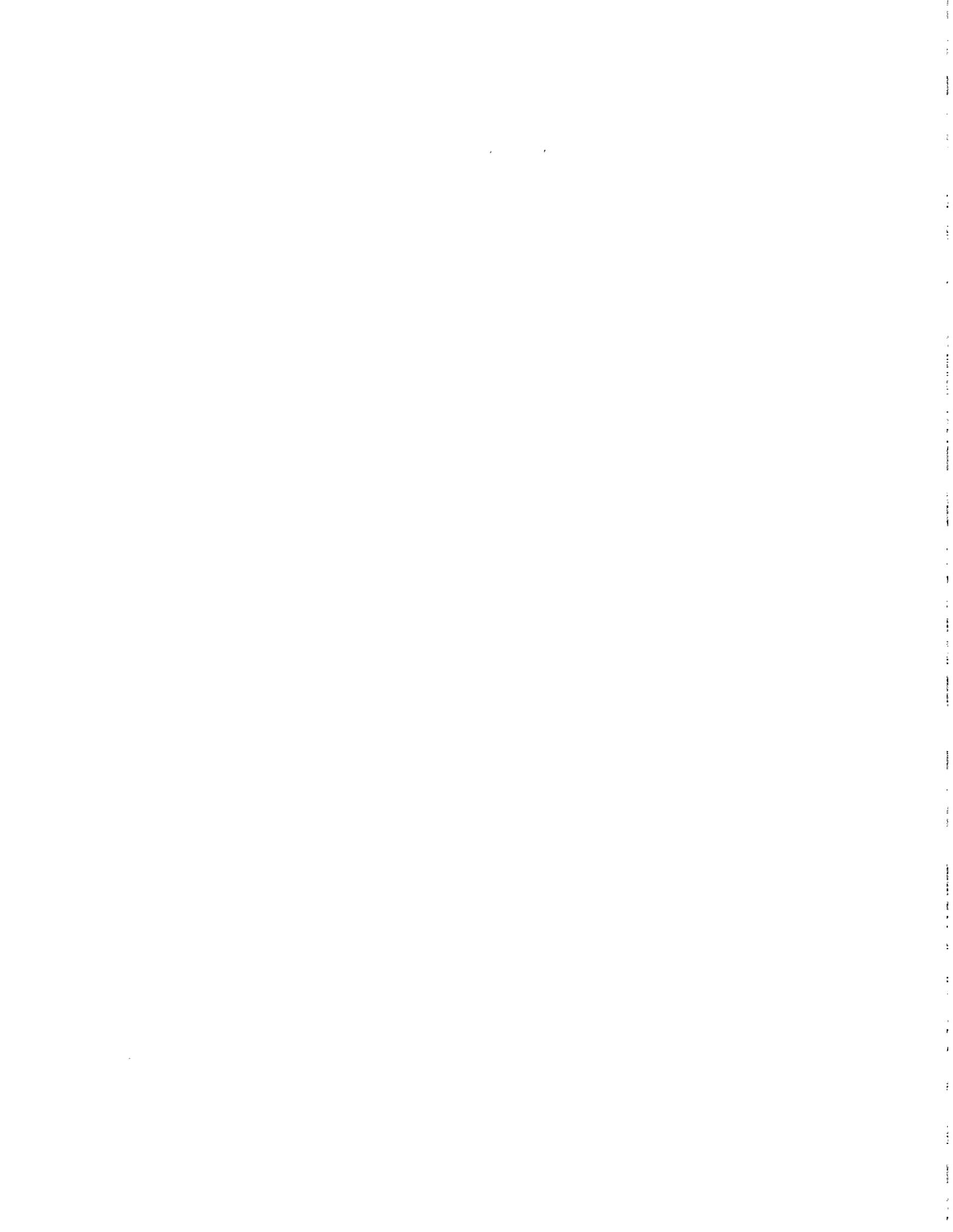
percent assumed for the corporation to break even, the corporation's revenues would decrease by over \$5 billion during the 10-year period from 1996 through 2005. If growth projections do not materialize, the corporation would face a variety of choices, such as obtaining short-term financing, reducing air traffic control services, increasing user fees, and seeking congressional appropriations to make up for shortfalls.

Regardless of whether the air traffic control system remains within DOT or is administered by a private corporation, a key challenge will be to identify the most cost-effective use of funds for sustaining and modernizing the system. FAA's Capital Investment Plan identifies \$14 billion in planned spending over the next 6 years for sustaining and modernizing FAA's communications, navigation, and surveillance capabilities. This level of investment underscores the importance of a careful needs assessment, as noted in our reports over the years on the microwave landing system (MLS) and the overall Capital Investment Plan. As you know, FAA cancelled the multibillion-dollar acquisition of MLSS this past year after an assessment showed that a satellite-based navigation system could provide the needed services more cost-effectively.

5. **The Status of the Interstate Commerce Commission.** The elimination of the Interstate Commerce Commission (ICC) is being debated. If ICC is eliminated but its functions are retained, the remaining functions will need to be relocated to other agencies. For example, ICC's responsibilities for reviewing railroad mergers could be transferred to the Justice Department, its authority for consumer protection in the movement of household goods could be shifted to the Federal Trade Commission, and its other activities could be moved to DOT. The ICC also could be merged with the Federal Maritime Commission, creating an intermodal transportation regulatory agency, or the ICC could be housed as a wholly separate agency within DOT, similar to the way the Federal Energy Regulatory Commission is presently included in the Department of Energy. Each option entails different costs and benefits.

In closing, Mr. Chairman, let me emphasize our commitment to support your efforts to help ensure the most effective and efficient use of federal transportation dollars. We will continue to examine these and other issues as they unfold. That concludes my prepared statement. We would be happy to respond to any questions that you and the other Members of the Subcommittee might have.

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